French *société anonyme* with a Management Board (*Directoire*) and a Supervisory Board (*Conseil de Surveillance*),

with share capital of €2,320,912.7

Registered office: 510, rue René Descartes - Les Jardins de la Duranne Bât E & Bât F

13857 Aix-en-Provence Cedex 3 - FRANCE

481 581 890 RCS Aix-en-Provence

Registration Document for the year ended December 31, 2017

AUTORITÉ DES MARCHÉS FINANCIERS

This Registration Document was filed with the Autorité des Marchés Financiers (the "AMF" – the French Financial Markets Authority) on April 27, 2018 in accordance with the provisions of Article 212-13 of its General Regulations. It may be used in support of a financial transaction only if supplemented by a prospectus approved by the AMF. This document was prepared by the issuer and is the responsibility of its signatories.

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Registration Document:

- The annual and consolidated financial statements for the fiscal year ended December 31, 2016, as well as the corresponding audit reports, appearing on pages 229 to 262 and 178 to 228 of the Registration Document filed with the AMF under Authorization No. R.17-019, obtained April 24, 2017.
- The annual and consolidated financial statements for the fiscal year ended December 31, 2015, as well as the corresponding audit reports, appearing on pages 248 to 288 and 189 to 247 of the Registration Document filed with the AMF under Authorization No. R.16-038, obtained April 28, 2016.

Copies of the French-language version of this document are available free of charge at the registered office of SuperSonic Imagine, 510, rue René Descartes - Les Jardins de la Duranne, Bât E & Bât F, 13857 Aix-en-Provence Cedex 3, France, as well as on the SuperSonic Imagine website (www.supersonicimagine.fr) and on the AMF website (www.amf-france.org).

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Note

Throughout this Registration Document, the terms "SuperSonic Imagine" and "Company" refer to SuperSonic Imagine, a French limited company (*société anonyme*) with a Management Board and a Supervisory Board 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 of its subsidiaries.

A glossary defining certain terms used in this Registration Document is included in Chapter 26.

Warning

Information on the market and competition

This Registration Document contains information relating to the Group's markets and competitive position, in particular in Chapter 6 "Business Overview". This information stems in particular from studies carried out by external bodies. The publicly available information, which the Company considers reliable, was not verified by an independent expert, and the Company cannot guarantee that a third party using different methods to gather, analyze or calculate such market data would obtain the same results. Moreover, the Group's competitors could define the markets differently.

Prospective information

This Registration Document contains indications on the Group's development priorities and prospects. These indications are sometimes identified by the use of future or conditional tenses or terms with a prospective connotation such as "consider", "envisage", "think", "objective", "expect", "intend", "have to", "aim to", "deem", "believe", "wish", "may" or the negative form of these terms where appropriate, or any other variant or similar terminology. This information does not consist of historical data and must not be interpreted as a guarantee that the facts or data mentioned will actually materialize. Such information is based on data, assumptions and estimates that the Company deems reasonable. It is liable to evolve or to be modified due to uncertainties, in particular with respect to the economic, financial, competitive and regulatory environment. This information is mentioned in various sections of the Registration Document and contains data relating to the Group's intentions, estimates and objectives concerning such aspects as the market in which it operates, its strategy, its growth, its results, its financial position, its cash flow and its forecasts. The prospective information mentioned in this Registration Document is valid solely as of the date of this Registration Document. The Group operates in a constantly changing competitive environment. It is therefore impossible for the Group to anticipate all risks, uncertainties or other factors liable to affect its business, or their potential impact on its business or the extent to which the occurrence of a risk or combination thereof could significantly affect the results mentioned in any prospective information. It is recalled that none of this prospective information provides any guarantee of actual results.

Risk Factors

Investors are prompted to carefully read the risk factors described in Chapter 4 "Risk Factors" of this Registration Document before making any investment decision. The occurrence of all or some of these risks is liable to have a material adverse effect on the Group's activities, financial position, results or prospects. Moreover, other risks not yet identified or deemed insignificant by the Company as of the date of registration of this Registration Document may also have a material adverse effect.

1. PERSONS RESPONSIBLE

1.1. PERSON RESPONSIBLE FOR THIS DOCUMENT

Michèle Lesieur, Chairwoman of the Management Board.

1.2. STATEMENT OF THE PERSON RESPONSIBLE FOR THIS DOCUMENT

I hereby certify, after having taken all reasonable measures to that effect, that the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omissions likely to affect its significance.

I certify that, to my knowledge, the financial statements were prepared in accordance with applicable accounting standards and give a true and accurate view of the assets, financial position and results of the Company and all companies within its scope of consolidation, and that the management report contained in this Registration Document, as specified in the concordance table in Chapter 27.1, 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 a description of the principal risks and uncertainties they face.

I have obtained a completion letter (*lettre de fin de travaux*) from the statutory auditors in which they state that they have verified the information on the financial position and the financial statements contained in this Registration Document and have read this Registration Document in its entirety.

Aix-en-Provence, April 27, 2018.

Michèle Lesieur
Chairwoman of the Management Board

1.3. PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Elisabeth Winter
Chief Financial Officer
Address: 510, rue René Descartes, Les Jardins de la Duranne Bât E & Bât F, 13857 Aix-en-Provence Cedex 3 - FRANCE.
Telephone: +33 6 61 45 69 17
Fax: +33 483 075 167
Email: elisabeth.winter@supersonicimagine.com

2. STATUTORY AUDITORS

2.1. DEPUTY STATUTORY AUDITORS

ERNST & YOUNG ET AUTRES
Represented by Frédérique Doineau and Xavier Senent
1/2 Place des Saisons, 92400 Courbevoie - Paris La Défense 1 - France
Initial appointment date: appointed by the Ordinary Shareholders' Meeting on July 5, 2010.
Date of expiration of current engagement: Annual Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2021.

ARES X·PERT AUDIT
Represented by Frédéric Gregnanin and Johan Azalbert
26, Boulevard Saint Roch,
BP 278,
84011 Avignon Cedex 1 FRANCE
Initial appointment date: appointed by the Ordinary Shareholders' Meeting on May 16, 2012.
Date of expiration of current engagement: Annual Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2017.

2.2. DEPUTY STATUTORY AUDITORS

AUDITEX
1/2 Place des Saisons, 92400 Courbevoie - Paris La Défense 1 - France

Initial appointment date: appointed by the Ordinary Shareholders' Meeting on July 5, 2010.
Date of expiration of current engagement: Annual Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2021.

Philippe RUIU
26, Boulevard Saint Roch,
84000 Avignon.

Initial appointment date: appointed by the Ordinary Shareholders' Meeting on May 16, 2012. Date of expiration of current engagement: Annual Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2017.

During the period covered by the historical financial data, no statutory auditor has resigned or been dismissed.

3. SELECTED FINANCIAL INFORMATION

The key financial information presented below is extracted from the Group's consolidated financial statements for the financial year ended December 31, 2017, prepared in accordance with IFRS as adopted by the European Union, and presented in Section 20.1.
It must be read in combination with the information contained in Chapter 9 "Analysis of the Results and Financial Position", Chapter 10 "Cash and Capital Resources" and Chapter 20 "Financial Information" of this Registration Document.

- **Condensed Consolidated Income Statement**

Consolidated data IFRS (in thousands of euros)	Fiscal year 2017 12 months audited	Fiscal year 2016 12 months audited
Revenues	24,695	22,217
Other income	-	1,023
- Cost of sales	(13,608)	(12,628)
Gross margin	11,088	10,611
Current operating income (loss)	(9,880)	(10,272)
Operating income (loss)	(9,880)	(10,272)
Financial income (loss)	(2,405)	(221)
Net income (loss)	(12,247)	(10,555)

- **Condensed Consolidated Balance Sheet**

Consolidated data IFRS (in thousands of euros)	Fiscal year 2017 12 months audited	Fiscal year 2016 12 months audited
Non-current assets	19,035	16,044
Of which intangible assets	14,158	12,333
Of which property, plant and equipment	4,443	1,330
Of which non-current financial assets	434	2,381
Current assets	37,148	29,691
Of which cash and cash equivalents	19,017	11,250
TOTAL ASSETS	56,183	45,735
Shareholders' equity	25,591	27,305
Non-current liabilities	12,682	4,357
Of which long-term debt	11,294	3,037
Of which provisions and other non-current liabilities	907	834
Current liabilities	17,910	14,073
Of which short-term debt	7,034	5,135
Of which provisions and other current liabilities	5,650	4,576
TOTAL LIABILITIES	56,183	45,735

- **Condensed Consolidated Cash Flow**

Consolidated data IFRS (in thousands of euros)	Fiscal year 2017 12 months audited	Fiscal year 2016 12 months audited
Cash flows provided from/(used in) operating activities, before change in WCR	(7,034)	(7,201)
Cash flows provided from/(used in) operating activities	(4,629)	(9,029)
Cash flows provided from/(used in) investing activities	(7,979)	(5,062)
Cash flows provided from/(used in) financing activities	18,853	(3,832)
Change in cash and cash equivalents over the period	6,244	(17,923)

4. RISK FACTORS

Investors are urged to take into consideration all of the information contained in this Registration Document, including the risk factors described in this chapter, before they decide to purchase or subscribe for Company shares. In the preparation of this document, the Company examined the risks liable to have a material adverse effect on the Group, its business, financial position, results, development and prospects or its ability to achieve these goals and deems that there are no significant risks other than those mentioned herein.

Nevertheless, the investors' attention is drawn to the fact that other unknown risks, or risks whose occurrence is not deemed liable to have, on the date of registration of this document, a material adverse effect on the Group, its business, its financial position, its results, or its prospects, may exist.

4.1. RISKS RELATED TO THE MARKETS IN 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 (see Section 6.2.1 of this document).

Even though the Company believes that other available solutions are less efficient than Aixplorer®, especially since conventional ultrasound machines do not deliver with the same speed and same type of information as that which is provided by Aixplorer®, 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.

Despite the significant resources it dedicates to research and development activities to preserve its technological edge, the Company cannot guarantee that other technologies allowing real-time viewing and quantitative analysis of tissue elasticity will not be developed, and that the technology integrated by the Company into Aixplorer® will establish itself as the benchmark in medical ultrasound imaging.

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 is competing with large sized players.

The ultrasound medical imaging market is characterized by a strong concentration around large-size players with considerable financial means. Five of these (General Electric Healthcare, Philips Healthcare, Toshiba Medical Systems, Hitachi Aloka Medical and Siemens Healthcare) held a combined 77% of the market in 2014 (Source: IHS Report - April 2015, see Chapter 6.4.3 of this document).

Although the Group has in recent years been able to access this market, with high barriers to entry, it remains subject to competition from multi-disciplinary groups whose range of products covers all imaging needs and related services, whereas the Group is present only on the ultrasound market.

Moreover, the relative youth and size of the Group in relation to some of the industry's major long-established players may be perceived as a handicap by certain customers, in particular from a maintenance point of view (as the Company does not offer the same guarantees of reliability and durability as certain competitors).

Furthermore, it may 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, notably through economies of scale, to try to limit or curtail the penetration of the Group's products in such markets, and the Group is unable to match such price drops.

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

4.2. RISKS RELATED TO THE GROUP'S BUSINESS

4.2.1. RISKS RELATED TO THE GROUP'S COMMERCIAL DEPLOYMENT

The Group's development will partly depend on its capacity to step up its commercial deployment in its main existing markets and in new markets. This commercial deployment will rest on several factors, such as:
adhesion of health professionals, and opinion leaders in particular, to its innovative technology;

the quality of the maintenance service provided by the Group;

the Group's capacity to mobilize the required sales forces; and

the Group's capacity to expand the commercial reach for its products.

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 convince 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 across 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®, particularly for the following reasons:
the investment represented by the acquisition of an Aixplorer® system;

their lack of experience in the use of Aixplorer®;

insufficient amount of favorable clinical data published; and

the size of the Company and its relative youth in comparison with certain competitors.

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 the present 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® 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, which are trained by the Company.

In such geographical areas, there is therefore a risk that the Group may be unable to maintain a high-quality maintenance service for its installed systems, which could have a material adverse effect on the Group and its business, financial position, results, development and prospects.

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 (for further details, refer to Section 6.8.2 "Direct and Indirect Distribution" of this Registration Document).

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 France and the United States;

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 (particularly the United States, China, India, Brazil, Japan, Russia, Saudi Arabia and the Persian Gulf Emirates), 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 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.

At the end of December 2017, the indirect sales network included 80 distributors (including 24 in China) (for further details, refer to Section 6.8.2.2 of this document).

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 may have difficulties with hiring, managing and developing its distribution network.

The Group conducts a portion of its sales indirectly through a network of distributors. 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. Details are given in Sections 4.2.4, 4.4.6 and 20.8 of this document.

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 develop its range of products to expand 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 drop in the orders from public-sector customers or their postponement, even when the Company was selected following a call for tender;

the extension of those customers' terms of payment; and/or

a reduction in the refund of 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 can also have a negative impact on sales.

This could also result in a market preference for low-end or mid-range products (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 Group's growth pace.

The Group's rate of development could be affected by the arrival of new players in the imaging market.

In the last few years, and even in recent months, significant investments have been made by actors trying to enter the imaging field.

Should any major new innovations occur, the Group's competitive advantage could be diminished and prospects for rapid development could suffer accordingly.

4.2.2. 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 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;

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 delivery 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 fully guarantee that:

- the Company will manage to develop other patentable inventions;

- the Company 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 applications will result in the delivery of patents and consequently the protection of the targeted inventions in all the countries in which those patent applications have been filed;

- third parties will be unable to 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 the payment of additional remuneration or a fair price in consideration of inventions that they participated in creating;

- the patents delivered 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 could 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 challenge the freedom of operation of certain aspects of the product that require 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) and the "Aixplorer®" trademark (in France 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 cannot guarantee either that its Aixplorer® product and its technology, which are closely linked to its know-how and technological secrets, are adequately protected against competitors and will not be usurped or circumvented, notably within the scope of collaboration and research & development agreements. Indeed, in the collaboration and research & development agreements entered into by the Group, the latter must often provide its contractual partners with various 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 prejudice suffered.

Also, such collaboration and research & 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 (see Note 35 to the consolidated financial statements in Section 20.1).
Moreover, such agreements could give rise to jointly-held intellectual property rights or the granting of exclusive operating licenses under conditions which are unfavorable to the Group.

Other licensing agreements

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

The main terms and conditions, and particularly the royalties paid by the Group to the respective patent license owners, are detailed in Section 11.2.3 and Chapter 22 of this document.

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.

Likewise, keeping watch for unauthorized use of the Company's distinctive products and marks is difficult. While the Group has set up a monitoring system in this respect, 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 regular studies on its freedom of use, 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 to be instituted and proved legitimate, in whole or in part, the Group would be obliged 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;

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.

To date, the Group has made no objection against any third-party patents and no patents of the Group have been the subject of an objection. However, the occurrence of one or more of the above-mentioned risks could have a material adverse effect on the Group's business, its financial position, its results, its development and its prospects.

The Company has provided securities involving a portion of its intellectual property rights.

In March 2017, the Company agreed a *Venture Loan* with Kreos Capital V Ltd (United Kingdom) (hereinafter, "Kreos").
It thus provided a number of securities to Kreos to secure this *Venture Loan*.

The intellectual property rights subject to the pledge, pursuant to Article 2355 of the French Civil Code and Articles L. 521-1 et seq. of the French Commercial Code, and Articles L.132-34 and R132-8, L.613-8, L.714-1 and R132-8 of the French Intellectual Property Code, are as follows:

(i) each of the:
- French patents registered in the INPI's National Patent Register;
- European Patents and Patent Cooperation Treaty patents involving France filed, as the case may be, with the European Patent Office or the World Intellectual Property Organization;
- software (including exploitation rights):

pertaining to the patent families referenced in numbers 4, 5 and 7,

- as well as the Aixplorer MultiWave international trademark and the Aixplorer MultiWave Community trademark;

(ii) all similar intellectual property rights to those described in paragraph (a) above that the Company or any subsidiary may acquire by any means hereafter, in accordance with and subject to the provisions of Article 2355 of the French Civil Code, including rights that are currently subject to an application and/or a filing that is being processed, pertaining to the patent families referenced in numbers 4, 5 and 7, as well as the patent families referenced in number 6.

Should the Company fail to repay or in any other way fail to honor any of its obligations under the *Venture Loan*, Kreos may enforce the pledges.

4.2.3. 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® system.

Aixplorer® includes 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 ultrasound (Plexus), which has a significant supply of electronic components. This subcontractor is also responsible for the final assembly of the Aixplorer system for SuperSonic Imagine, i.e. it brings together all the system components: the circuit boards it manufactures, user interface, mechanics, and screen. This subcontractor is also responsible for 100% of certain ultrasound range products for SSI's competitors. 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 can no longer manufacture, SuperSonic Imagine can pick another of this subcontractor's facilities, in Scotland for example which was already used by SSI in the past.
- If SuperSonic had to switch manufacturer, it could use the competitors of its current subcontractors. The transition would take a few months, during which time Plexus undertakes to continue deliveries to SuperSonic Imagine in line with a supply plan and hence a commitment that lasts for a year.

Furthermore, the group decided 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.

As regards the mechanical components, the Group considers that it has a low risk of dependence because there are multiple subcontractors in this market in Asia.

Some components deemed critical by the Company such as power supplies and control panels (user interface) 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®. Seeing that no specific know-how is required to manufacture them, we could find other suppliers of these electronic components on the market at any time. The associated risk is therefore minimal.

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 capacity to get its subcontractors to manufacture its products in compliance with regulatory provisions, in the required quantities, within the requested deadlines and in a cost-effective way. Problems could arise during their manufacturing or distribution and give rise to delays in the supply of the products, 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 causing prejudice 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 look for another supplier or subcontractor, something which may 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 has two large key multinational companies from the imaging sector among its customers. Until late December 2013, the equipment was manufactured on the European site of the supplier, who also has installations in the United States and in Asia. The transfer of production (tools, equipment, knowledge and training) undertaken since July 2013 was finalized in 2014, and as of April 2014, production was completely and effectively relocated to the supplier's facilities in Malaysia.

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.

Should, for a variety of reasons, the relationship with one of the Group's suppliers or subcontractors be terminated, the Group may be unable to find a subcontractor with the same competence level within the required time frame or under satisfactory trade conditions.

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-conformity of the products manufactured by the third-parties with regulatory requirements and quality standards and test;

violation by such third parties of their agreements with the Group; and

termination or non-renewal of the agreements for reasons beyond the Group's control.

Furthermore, the Company cannot guarantee that its subcontractors or suppliers will always comply with applicable regulations, authorizations and standards. Should the products manufactured by the suppliers or the quality systems 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 perform the final setting of 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.

4.2.4. RISKS RELATED TO THE GROUP'S CUSTOMERS

The installed base of over 1,900 systems sold as of December 31, 2017 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 checks the solidity of their financial position and makes sure that they comply with local regulations for 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, as was the case with the Group's former distributor in Brazil. The Group has established a debt repayment schedule with that distributor, for which all relevant details are given in Note 12 to the consolidated financial statements in Section 20.1.

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 according to 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 deems that it is not confronted with significant dependence on a customer.

Finally, even though most distribution agreements give the Company the option to unilaterally terminate the contract in the event of a change of control of the distributor, it should be noted that only one contract provided for such a right for the distributor in the event of a change of control of the Company. This contract was terminated in 2015. The main clauses of the contract are summarized in Section 22.4 of this document.

4.2.5. RISKS RELATED TO PRODUCT LIABILITY CLAIMS

Besides legal guarantees, the Group could be exposed to liability claims during the clinical practice or commercial operation of its products, in particular product liability claims. Criminal charges or legal proceedings could be lodged 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 lodged against the Group on this ground, which has subscribed liability insurance policies providing for the following cover limits:
before delivery (operating liability): €8 million per claim, per year of insurance;

after delivery (product liability): €7 million per claim, per year of insurance (including the United States and/or Canada).

The Company cannot guarantee that its current insurance cover will be sufficient to meet the liability claims, which may be lodged against it. Should the Company be found liable and be unable to obtain and maintain appropriate insurance cover at an acceptable cost, or protect itself in any way against liability claims for defective products, its image would be severely affected, as well as the marketing of its products. In a broader way, this would have a material adverse effect on the Group's activities, results, financial position, development and prospects.

4.2.6. RISKS RELATED TO THE PRODUCT WARRANTY GIVEN BY THE GROUP

In parallel with the setup and upkeep of a Quality Management System (QMS) certified compliant with international norm ISO 13485: 2003, 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® units sold. This warranty may be extended to a maximum of five years, depending on the customers' needs. This warranty covers defects of component materials and the conformity 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 b and 19 in the notes to the consolidated financial statements prepared under IFRS in Chapter 20.1 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 (see Section 9.1.6 of this document). 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.

4.3. RISKS RELATED TO THE GROUP'S ORGANIZATIONAL STRUCTURE

4.3.1. 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 Research & Development 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, 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)*, 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 stiff, the Group may be unable to attract or retain such key personnel under economically acceptable conditions.
The Group's incapacity to attract and retain such key people could generally prevent it from reaching its objectives and thus have a material adverse effect on its business, results, financial position, development and prospects.

4.3.2. RISKS RELATED TO THE MANAGEMENT OF THE GROUP'S INTERNAL GROWTH

As part of its development strategy, the Group will need to recruit additional personnel and develop its operational capacities, which could put significant strain on its internal resources.
To this effect, the Group will particularly need to:
train, manage, motivate and retain an increasing number of employees;

anticipate the expenses required for this growth and the related financing requirements;

anticipate the demand for its products and the revenues they are liable to generate;

increase the capacity of its existing IT systems dedicated to operations, finance and management;

increase its production capacities as required, as well as its inventory of critical materials; and

maintain the current customer support and quality levels.

The Group's incapacity to manage this growth, or unexpected difficulties encountered during its expansion, could have a material adverse effect on its business, results, financial position, development and prospects.

4.4. FINANCIAL RISKS

Also refer to Note 4 “Financial risk management” to the consolidated financial statements in Section 20.1 of this document. All figures below are extracted from the consolidated financial statements prepared under IFRS.

4.4.1. HISTORY OF LOSSES - SPECIFIC RISKS RELATED TO FORECAST LOSSES

Since its incorporation in 2005, the Group has recorded operating losses related primarily to the innovative nature of the products developed, which involve a research and development phase of several years until the marketing phase.

At December 31, 2017, consolidated net losses accumulated since the Group was incorporated (the sum of consolidated net losses recognized for the fiscal years ended December 31, 2009 to 2017 and the negative retained earnings as of January 1, 2009) amounted to €118.6 million, including a loss of €12.2 million for the fiscal year ended December 31, 2017. Cumulative operational losses by the Group over the last two fiscal years ended December 31, 2016 and 2017 amounted to €22.8 million.

The Group should incur further operating losses over the coming years in line with the objective of breaking even in terms of EBITDA within five years of the Company’s initial public offering (see Chapter 12 of this document).

4.4.2. LIQUIDITY RISK - FUTURE NEED FOR ADDITIONAL CAPITAL AND FINANCING

Since its inception, the Company has financed its growth by increasing its capital through:
successive capital increases (the largest fundraising being the Company’s initial public offering in April 2014, which raised €54.8 million gross, €50.3 million net of expenses associated with the initial public offering), with the most recent round in June 2017 being a resounding success with €11.5 million raised;

a bond issue in December 2013, which is described in Note 17.2 to the consolidated financial statements in Section 20.1 of this document was redeemed in March 2017;

a new bond issue in March 2017, which is described in Note 37 to the consolidated financial statements in Section 20.1 of this document.

short-term financing totaling €4.2 million as of December 31, 2017.

the arrangement of a factoring facility in January 2017, which stood at €1.7 million at December 31, 2017.

A detailed table of financing, by type and by year, since the Company’s incorporation can be found in Section 10.1.2 of this document.

The Company has undertaken a specific review of its liquidity risk and deems itself capable of meeting its commitments for the coming twelve months. Also refer to Section 10.5 of this document.

In the future, the Group will continue to have significant financing needs for the development of its technologies and the marketing of its products.

The level of the Group's financing needs and their sequencing in time depend on factors that are largely beyond the Group's control, such as higher costs and slower progress than expected for:
its research and development programs;

obtaining regulatory approvals, including preparation time for application files with the competent authorities; and

ensuring the commercial development of its products.

It is possible that the Group may fail to arrange additional financing or experience a significant increase in the cost thereof. Furthermore, should the necessary funds not be available, the Group may have to limit its production or development of new markets.

Moreover, should the Company raise capital through the issuing of new shares, its shareholders' holdings could be diluted. Financing through loans, if available, could also impose restrictive conditions, especially of an operational nature, for the Company.

The occurrence of one or more of these liquidity risks could have a material adverse effect on the Group, its business, its financial position, its results, its development and its prospects.

4.4.3. 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 RTC 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 RTC 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, respectively, with no adjustment being proposed for 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 RTC for 2015, resulting in its payment in December 2016.
In 2017, the equivalent payment took place in October.
As of December 31, 2017, the receivable relating to the RTC for 2017, for which the Company had requested reimbursement, amounted to €2.1 million. As indicated in Note 13 to the consolidated financial statements in Section 20.1, given its SME status in EU terms, debts related to the research tax credit (RTC) are usually repaid within one year of their recognition.

4.4.4. RISKS RELATED TO THE USE OF PUBLIC GRANTS AND ADVANCES

Since its inception, the Group has received a total of €2.349 million in repayable grants and €6.783 million in subsidies, bonuses and similar payments. The details of these amounts are presented in Chapter 10.1.2 of this document.

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 deferred income, if the Company does not spend the amounts required to maintain such grants, it may be obliged to repay them.
Please refer to Sections 10.1.2.4 and 10.1.2.5 of this document, in which descriptions of the repayable advances and grants obtained by the Company are listed.

4.4.5. 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, sales by the Company's US subsidiary, sales by the US area distributor and sales to some of the French company's customers made 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 in that currency.

4.4.6. INTEREST RATE, CREDIT AND LIQUIDITY RISKS RELATING TO CASH MANAGEMENT

Interest rate risk
As of the filing date of this document, the interest rate risk exposure mainly affected the use of a short-term overdraft of €3.9 million.
in December 2013, the Group conducted a bond issue of a nominal amount of €5.0 million, which was subscribed at a fixed rate, In March 2017, this bond issue was redeemed.

in March 2017, the Group conducted a two-tranche bond issue for a nominal amount of €12.0 million, which was subscribed 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 and cash management 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.

4.4.7. RISK OF DILUTION

The Company may, in the future, decide to issue new shares or award free shares or new financial instruments giving access to the Company's share capital, in particular within the scope of its incentive policy towards its managers and employees.

As part of this incentive policy, the Company has, since its incorporation, regularly issued or granted free shares, warrants, stock options, and founders' warrants (*bons de souscription de parts de créateur d'entreprise*), the majority of which are already exercisable. Within the scope of this policy, the Company could, in the future, issue or award new financial instruments giving access to the Company's capital.

The full exercise of all instruments giving access to capital that were issued and have not lapsed as of the registration date of this document would allow the subscription of 2,647,455 new shares while generating a dilution equal to 10.24% on the basis of fully diluted share capital and voting rights (see details in Section 21.1.4.6 of this document).

Any additional grant or issue would give rise to additional dilution, which may be significant for the Company's shareholders.

In March and December 2017, the Company arranged:
A Venture Loan type bond issue (The maximum dilution of the share warrants as a result of the first tranche and the second tranche represents a maximum total of €989,999.56. A shareholder holding 1% of the share capital prior to the issue would hold around 0.96% of the share capital following the exercise of all the share warrants in the two tranches on the basis of a price "P" of €2.09. See Section 21.1.4.5. of this document);

a free share plan for its employees (as of the date of registration of this document, the Management Board had awarded a total of 1,073,500 performance shares for the Company's employees and corporate officers under authorizations granted by the Combined Shareholders' Meeting of June 24. See Section 21.1.4.4.).

4.5. 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.). To this effect, 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 or regulatory representatives for the submission of certification applications to certain local regulatory authorities.

4.5.1. IT ALSO USES PRIVATE OFFICES THAT SPECIALIZE IN INTELLECTUAL PROPERTY FOR THE COMPLETION AND FILING OF APPLICATIONS AND INSURANCE BROKERS.

Risks related to the regulations applicable to the medical devices developed by the Group and its possible change The Group's products must comply with stringent, constantly changing regulations that govern their marketing.

These regulatory constraints have a strong impact on all of the Group's activities and the development, control, manufacturing and sale of its products. Complying with this regulatory process may prove long and costly, without any guarantee as to the actual granting of the approvals, the time taken to grant them or the upkeep of such approvals.

If the certification or market approval for the Group's products was to be refused, suspended or withdrawn, their marketing could be delayed or prohibited in the relevant countries. While the Group takes into consideration, within the scope of its business, the potential changes in legal requirements, standards and regulations applicable in the countries in which the Group markets or intends to market its products, new regulatory constraints could prevent the marketing of the Group's products in the event of a withdrawal, suspension or non-renewal of the market approval or slow it down, notably by making their 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.

4.5.2. RISKS RELATED TO AUTHORIZATIONS ALREADY OBTAINED OR PROCEDURES UNDERWAY

4.5.2.1. RISKS RELATED TO THE REGULATORY ENVIRONMENT IN EUROPE – CE MARK

The Group's products are classified in Europe as medical devices and are governed by, inter alia, 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 can only be marketed once they have obtained certifications allowing 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 current products have already been granted the CE mark, the products under development will need to undergo the same regulatory procedures and their marketing 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 require the on-going conformity 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. ISO13485 certification is valid for three years and the CE mark for five years. New certification under ISO13485:2016 is planned for July 2018, with plans to expand the CE mark in Q2 2018 to incorporate the Aixplorer MACH range.

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.

4.5.2.2. RISKS RELATED TO THE REGULATORY ENVIRONMENT IN THE UNITED STATES OF AMERICA

The US 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 US 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 US 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 was inspected by the FDA in November 2014 as part of routine inspections carried out by that Agency. This inspection focused on the evaluation process set up by the Company. No major comments were made against the Company in connection with the inspection.

If the FDA approvals for the Group's existing products were to be managed, or if the requests for approval of the Group's new products were to be rejected by the FDA, the Company would be unable to sell its products on the American 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.

4.5.2.3. RISKS RELATED TO THE REGULATORY ENVIRONMENT IN OTHER COUNTRIES

The marketing of medical products in other countries requires specific procedures in order to obtain the required approvals.

However, there are certification equivalences and recognitions in certain countries (notably Canada, Singapore and Australia). Such equivalences or 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, notably Japan, China, Brazil, Russia and South Korea (see Section 6.7.1 of this document).

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.

4.5.2.4. 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, notably regarding:
product design;

pre-clinical 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: 2003, as well as an optimized (*Lean Manufacturing*) manufacturing system, 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 and reputation, development or prospects.

4.5.3. 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 abrogated 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 ultrasonic transducers of the type used by the Company. The inclusion of medical devices in the scope of Directive 2011/65/EU should 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 this context, the contracts and specifications signed with subcontractors mention the requirement of 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 third-party company specializing in this field.

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.

4.6. 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 amounted to €178,000 in 2017 and €184,000 in 2016.

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

Risk covered	Coverage limits
Liability of corporate officers:	
Complete coverage	€10 million
Civil liability	
Operating liability	€8 million
Product liability	€7 million
Key-persons covering	€450,000 per event (€150,000 per person)
Aix-en-Provence offices and inventory (2,110 m^2):	€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

4.7. LEGAL PROCEEDINGS AND ARBITRATION

In November 2017, Verasonics Inc filed a lawsuit in the U.S. District Court for the Western District of Washington in which it alleged that Supersonic Imagine had infringed three of its US patents and claimed trade secrets. Supersonic Imagine rejects these claims and will vigorously defend itself. Supersonic Imagine intends to challenge the validity and legitimacy of the asserted intellectual property.

Details of the other proceedings can be found in Section 20.8.
There were no other governmental, legal or arbitration proceedings, including any proceedings of which the Company is aware, that are pending or threatened, which 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.

5. INFORMATION ABOUT THE COMPANY

5.1. HISTORY AND DEVELOPMENT OF THE COMPANY

5.1.1. THE COMPANY'S REGISTERED NAME AND TRADE NAME

The Company's registered name and trade name: SuperSonic Imagine SA.

5.1.2. COMPANY REGISTRATION DETAILS

The Company is registered with the trade and companies register of Aix-en-Provence under number 481 581 890.

5.1.3. DATE OF INCORPORATION AND TERM

The Company was set up on March 10, 2005 for a term of 99 years as from its date of registration in the trade and companies register, i.e. from April 4, 2005 to April 3, 2104, unless dissolved beforehand or extended.

5.1.4. COMPANY'S REGISTERED OFFICE AND LEGAL FORM; LEGISLATION GOVERNING ITS ACTIVITIES

The Company is a French *société anonyme* with a Management Board and a Supervisory Board governed by French law, mainly by Articles L. 225-1 et seq. of the French Commercial Code.
The Company's 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.

The Company's details are the following:
Telephone: +33 (0)4 42 99 24 24
Fax: +33 (0)4 42 52 59 21
Email: contact@supersonicimagine.com
Website: www.supersonicimagine.com

5.1.5. SIGNIFICANT EVENTS IN THE DEVELOPMENT OF THE GROUP'S ACTIVITIES

2005

March — Start of the business of the Company, founded by Jacques Souquet, Armen Sarvazyan, Claude Cohen-Bacrie, Damien Dolimier, Georges Charpak, Jérémy Bercoff and Marianne Leven, following the presentation in January of the winning project of the 7th contest to support the creation of innovative technology companies set up by the Ministry of Higher Education and Research, with a prize of €450,000;

August — Capital increase of €300,000 and current shareholders' account advance of €200,000 from Auriga Partners and Jacques Souquet; Repayable advance of €50,000 obtained under the IMPULSE program with the support of the Marseille Chamber of Commerce and Industry, three universities (Aix-en-Provence, Marseille and Avignon), the CEA, the CNRS and Bpifrance (formerly OSEO);

October — Regional Planning grant (*prime de l'Aménagement du Territoire*) of €550,000.

2006

March — 1st round of fund raising of €10 million from a pool of investment funds: Omnes Capital (formerly Crédit Agricole Private Equity), Auriga Ventures II, NBGI Ventures and BioAm;

November — Innovation grant of €661,000 obtained from the Pôle de Compétitivité Ile de France as part of a collaborative project conducted with Philips and two CNRS delegations (including Laboratoire Ondes et Acoustique), aimed at improving the sensitivity and specificity of medical imaging methods in the diagnosis of breast tumors;

2007

March — Opening of a subsidiary in the United States to manage the local network and develop R&D activities;

June — Grant of €1.3 million obtained from Bpifrance (formerly OSEO) to finance a €2.7 million prototype development program for clinical research in MRI-compatible High Intensity Focused Ultrasound (HIFU) of the brain; End of year: availability of first manufactured prototypes for breast imaging;

October — "*Entreprise de l'Avenir*" award, Mediterranean region, and Créa13 award (Conseil Général of Provence Alpes Cote d'Azur, Eurocopter).

2008

March — Opening of a marketing subsidiary in the UK;

April — Start of a multi-center study on 17 sites (France, UK, Germany, Italy, United States) on the benefits of ShearWave™ Elastography Technology for breast examination;

Bond issue of €4.0 million subscribed by the first-round investors. These bonds will be converted into shares of the same category as those issued in the second round of financing in October 2008;

Opening of a marketing subsidiary in Germany (Munich);

October — Bpifrance (formerly OSEO) grant of €472,000 as part of a €1.2 million program aimed at financing a 3D ultrasound system for the entire breast, in partnership with Helix Medical Systems (Israel);

Presentation of the revolutionary Aixplorer® ultrasound imaging system at the Journées Françaises de Radiologie. The system makes it possible to view the movements of the tissues and quantify their elasticity in real time. Its first clinical application: the diagnosis of breast diseases;

2nd round of fund raising totaling €26.1 million paid in several tranches with the arrival of new investors (Edmond de Rothschild Investment Partners, Wellington, IRDI/iXO); payment received with respect to the first tranche for €12.8 million, including €4.1 million for conversion of bonds issued in April 2008 (with €0.1 million accrued interest);

CNRS becomes a shareholder in the Company with a €0.5 million contribution via France Innovation Scientifique et Transfert (FIST) following the transfer of patents to SuperSonic Imagine;

Special award from Jury Innovation Santé 2008 (Marseille Chamber of Commerce);

December Funding of €1.6 million provided to the Company by Bpifrance, formerly OSEO, (for a project totaling €8.5 million) consisting of €407,000 in repayable grants and €1.2 million in subsidies as part of a collaborative project (TUCE) of €22 million conducted with THERACLION for the development of a device allowing the non-invasive removal of parathyroid glands using focused ultrasound; First orders for the Aixplorer® ultrasound system.

2009

March CE mark obtained, allowing the start of marketing in Europe;

April/June Payment received with respect to the second tranche of the 2nd round of fund raising, i.e. €7.3 million, including €3.3 million in April and €4.0 million in June;

May Bpifrance (formerly OSEO) funding of €7.3 million obtained (including €5.9 million for the Company, with €3 million in refundable grants and €2.8 million in subsidies) as part of the ICARE collaborative project (€17.2 million) with the French company VERMON for the development of a real-time 3D echocardiograph capable of quantifying heart mechanics;

1st clinical reference of Aixplorer® in France, Grenoble University Hospital Center;

August FDA 510(k) approval for the marketing of Aixplorer® in the United States;

Autumn Commercial launch of two new clinical applications for Aixplorer®: the abdomen (liver) and thyroid;

October Opening of a marketing subsidiary in Italy;

November Payment received with respect to third tranche of the 2nd round of fund raising, totaling €6.0 million;

Exclusive distribution agreement in Japan with Canon MJ.

2010

January Aixplorer® system sold to the radiology department of the Georges Pompidou European Hospital (Paris) for the early detection of breast cancer and characterization of breast lesions;

February Regulatory approval to market Aixplorer® in Japan;

March Presentation to the European Congress of Radiology (ECR) of the preliminary results of the clinical study on the technological benefit of ShearWave™ Elastography in the diagnosis of breast lesions;

May Sale of 11 Aixplorer® systems to radiology centers in France;

July Regulatory approval to market Aixplorer® in China and Russia;

September 3rd round of fund raising amounting to €34.6 million with the arrival of new investors (Mérieux Participations, Canon and Innobio). An initial tranche of €23.0 million is immediately released;

October Launch of the prostate diagnosis application;

Presentation at the Journées Françaises de Radiologie of the results of the clinical study on the breast, conducted by the sub-group in France on 321 patients covering 336 lesions;

November Broadening of the range of Aixplorer® probes to 6 applications: breast (and 3D breast), abdomen, prostate, thyroid, gynecology and musculotendinous; Exclusive distribution agreement (in the field of breast imaging) signed with a leading distributor in the United States;

Public tender won in Russia against one of the major players in the market: 26 Aixplorer® systems dedicated to the liver (detection of cirrhosis).

2011

July Opening of a subsidiary in Hong Kong to support distributors in Asia;

October Launch at the Journées Françaises de Radiologie of UltraFast™ Doppler for vascular imaging combining color flow imaging and flow quantification through spectral analysis;

December Release of the 2nd tranche of the 3rd round of fund raising of €10.0 million.

2012

February Publication of the results of the multi-center breast study, in the Radiology and European Radiology Journals;

March Presentation of final results of the multi-center breast study on March 1 in Vienna at the European College of Radiology Congress;

First sale in India;

May Release of the balance from the 3rd round of fund raising of €1.6 million, which corresponds to the exercise of the warrants held by Canon;

September FDA approval to include a digital scale on the elasticity pictures produced by Aixplorer® and capacity to adjust the scale in terms of pathologies and organs;

October Launch of the V6 platform offering panoramic imaging and a micro-convex probe for use in pediatric radiology.

2013

March/April 4th round of fund raising totaling €28.1 million, marking the entry of new investors including Bpifrance Participations (formerly FSI). An initial tranche was released in March and April for €14.1 million, including €7 million subscribed by Bpifrance Participations;

May Release of part of the 2nd tranche of the 4th round of fund raising for €0.3 million;

June Launch of the Aixplorer® V7 platform, which offers the option to connect four probes simultaneously on the product instead of two previously;

July Registration of a representative office in Beijing;

September FDA approval to quantify tissue stiffness directly on the color image representing the tissue stiffness. This measurement can be done in kPa and is available on all transducers (probes) for the Aixplorer® product and all clinical shear wave elastography applications;

November Launch of V8 platform with the Obstetrics application, which makes it possible to perform measurements on fetal images to evaluate all aspects of growth;

Signing by US distributor of a major contract for 19 Aixplorer® platforms with the Hollywood Memorial Hospital in Florida;

December Bond issue with warrants for a nominal amount of €5.0 million with a maturity of five years.

2014

April The Company's initial public offering on the Euronext Paris regulated market (ISIN code FR0010526814, and the mnemonic SSI) through the raising of €54.8 million in funds;

Renewal of listing by the Union of Public Procurement Groups, a major player in public hospital procurement in France;

May Installation of the 25th Aixplorer® in Israel;

Installation of nine Aixplorer® systems at the Paris Institute of Radiology;

Signing of a **three-year agreement with the ROI** (Resource Optimization & Innovation) **procurement center in the United States**, offering easier access to Aixplorer® technology to more than 1,500 members and affiliates;

June Aixplorer® receives the Breakthrough Technology label from the Premier Group in the USA;

July Equipping of the Paris Institute of Radiology (IRP) with nine Aixplorer® systems;

September Launch of a clinical study in China to confirm the benefits of Supersonic Imagine technology for dense breasts and focus on the Asian market specifically.

October Introduction of version V9 of the Aixplorer® product, which includes the musculoskeletal application with a new high-frequency probe and supplements the vascular application that includes a new probe for transcranial Doppler;

Agreement established with the Toulon Rugby Club (RCT) for the musculoskeletal use of Aixplorer® on team players;

Development agreement with Canon in photoacoustics;

November FDA approval to market the V9 version of Aixplorer® in the USA.

December Delivery of thousandth Aixplorer® ultrasound.

2015

January **Exclusive distribution agreement with Konica Minolta** to distribute Aixplorer® in Japan.

First attendance at the Arab Health trade show;

February Partnership with Unetixs Vasculars, the leader in vascular diagnostic equipment in the United States.

April Announcement of the clinical results of a multi-center retrospective study analyzing the performance of ShearWave™ Elastography for the non-invasive assessment of chronic liver diseases.

September **Launch of the XC6-1 single crystal curved probe** for the Aixplorer® ultrasound device, providing unparalleled performance levels and image quality, achieved in particular as a result of large bandwidth**.**

November **Clinical study in China** to confirm the benefits of ShearWave™ Elastography in breast cancer screening for Asian women.

2016

March Signing of an exclusive distribution agreement with Sandhill in the United States to sell Aixplorer for hepatology and gastroenterology applications.

May SWE for breast imaging is classified as a new technology by the South Korean Health Ministry.

July Finalization of the establishment of a WFOE ("Wholly Foreign Owned Entity" = Subsidiary) in China, which means it can directly bid for government tenders and directly bill after-sales services.

October Release of Aixplorer V11 including:

- A new high-frequency probe (SL 18-5) for the breast;
- A full line of probes that are optimized for breast examination (SL18-5, SL10-2, SLH20-6, SLV16-5)
- ANGIO PL.U.S. with the XC6-1 curved probe for abdominal vascular scans;
- New TriVu mode simultaneously combining in real-time B-mode imaging, SWE and color Doppler mode;
- Navigation / Fusion Module;
- Expanded communication capabilities thanks to a WIFI module enabling wireless interfacing using DICOM;

September Delivery to Canon of a next-generation ultrasound module for incorporation into a photoacoustic system developed by Canon;

November SuperSonic Imagine gets regulatory approval from the FDA for V11 of its Aixplorer product;

December Presentation of the clinical results of the breast study in China on a cohort of 2,300 patients to the annual meeting of the Radiological Society of North America in Chicago;
SuperSonic Imagine obtains ISO 14001 certification.

2017

January Finalization of a €12 million loan with Kreos and payment of the first €6 million tranche

March Introduction of a new high resolution probe for the breast, SL18-5 as well as a full breast imaging pack

June €11.5 million capital increase

July Introduction of Aixplorer version V12 and of the new Aixplorer Ultimate comprising a basic cardiac pack

December Payment of the second €6 million tranche of the Kreos loan

5.2. INVESTMENTS

5.2.1. MAJOR INVESTMENTS OVER THE LAST TWO FINANCIAL YEARS

The investments for such period break down as follows:

In thousands of euros	Dec. 31, 17:	Dec. 31, 16:
Acquisitions and production of intangible assets	(6,391)	(6,234)
Acquisitions of property, plant and equipment	(3,717)	(615)
Receipt/Disbursement of financial assets	(53)	(67)
Receipt of research tax credit allocated to capitalized R&D expenses	2,181	1,854
Total	(7,979)	(5,062)

The largest investment cost item is related to intangible assets, which themselves consist mainly of R&D costs capitalized in respect of the Aixplorer® versions (V11 in 2016 and V12 and Ultimate in 2017) and of the future platform as well as the probes allowing the enhancement of the clinical applications addressed.

5.2.2. MAIN INVESTMENTS UNDERWAY

The investments underway in the first half of 2018 mainly relate to R&D expenses for the future platform, as well as the cost of mass production thereof.

5.2.3. MAIN INVESTMENTS PLANNED

The Group plans to continue investing in R&D over the short-term until the release of the new platform and then on a regular basis for the future versions of the new platform.

6. OVERVIEW OF THE GROUP'S ACTIVITIES

6.1. KEY EVENTS OF 2017

This chapter gives an overview of the major developments of 2017. The major developments in 2017 up through the date of this report are listed in Chapter 12.1.

Intellectual property and clinical indications

The Group is continuing its clinical investment in China with in particular a study across 15 sites, involving over 500 patients, the goal of which is to determine the benefits of ShearWave™ Elastography in diagnosing hepatic fibrosis in people with hepatitis B. This study is designed to confirm the clinical benefits of SuperSonic Imagine's SWE technology, particularly in terms of improving the precision of assessing fibrosis and its seriousness.

Commercial sphere

As part of the release of the V12 version and of Aixplorer Ultimate, the Group introduced a **new imaging mode, Trivu mode.** This mode combines simultaneous (real-time) acquisition of the anatomical image (mode B), alongside the Doppler Color information and data on tissue stiffness. Trivu has a significant impact on patient work-flow because it allows morphological and functional data about an organ to be visualized in a single acquisition.

In October 2017, SuperSonic Imagine obtained FDA 510(k) clearance for the new version of its Aixplorer product (Version V12) and the new Aixplorer Ultimate product.

- Corporate governance

- The Management Board

On June 21, 2017, Claude Cohen Bacrie resigned from the Management Board.

At December 31, 2017, the Management Board had the following members:

	At Dec. 31, 2017	Executive function
Chairwoman	Michèle Lesieur	CEO
Member	Elisabeth Winter	Chief Financial Officer
Member	Kurt Kelln	Chief Business Officer
Member	Jacques Souquet	Director of Innovation

- Supervisory Board

In November 2017, Olivier Litzka, representing Edmond de Rothschild investment Partners, left the Supervisory Board of SuperSonic Imagine. He was replaced by Guy Frija, appointed in December 2017.

6.2. GENERAL OVERVIEW

6.2.1. INTRODUCTION

Medical imaging is a growing industry within which a range of products are on offer: X-rays (conventional and CT Scans), MRI, nuclear medicine (PET scan) and ultrasound imaging systems. Currently, the market is concentrated around approximately ten players including several of the heavyweights in the global industry such as General Electric, Philips, Siemens, Toshiba and Hitachi.

Sonography (or ultrasonic waves) has the advantage of being both **non-ionizing** (that is to say, without emission of radiation) and thus less invasive for the patient (hence its early use in obstetrics) and of operating in **real time**, as well as offering a financially attractive solution compared to other technologies used by professionals.

SuperSonic Imagine is active in sonography, a field of medical imaging with strong potential that offers numerous advantages compared with other imaging techniques.

Ultrasound has undergone the following advances:

- **first analog generation in the 1970s;**
- **second generation with the digital era in the 1980s, responsible for bringing Doppler to market to measure blood flow velocity.**

The transition from analog to digital was accompanied by a significant improvement in performance, which truly made it possible to diagnose on the basis of images and not only guide a biopsy to diagnose a medical condition. Ultrasound imaging has become an indispensable instrument for the diagnosis of many diseases such as cancer or vascular and heart diseases.

SuperSonic Imagine, backed by the considerable experience of its management, is now entering this market by introducing the third generation of ultrasound technologies through Aixplorer®, an entirely software-based architecture. Ultrasound imaging, where advances used to occur frequently, has been experiencing slower evolution due to fixed hardware architecture. As a result, innovation in the 2000s focused solely on miniaturization, which created new markets for ultrasound imaging, such as emergency room medicine, anesthesiology and sports medicine. The Company estimates that the revolutionary Aixplorer® architecture is the first innovation in the field for over 15 years.

The software architecture developed by SuperSonic Imagine has capabilities superior to conventional ultrasound. The benefits for the customer are as follows:
new imaging techniques that offer both improvements to existing imaging techniques and new diagnostic capabilities compared to conventional ultrasound.

significant extension of the life of ultrasound devices, which allows them to use the latest technological innovations through a simple software update, rather than switching expensive circuit boards with planned obsolescence components.

These innovations allow it to revive the innovative tradition of a high-end market and open new medical specialty markets (such as hepatology and urology) previously not served by ultrasound, thanks to excellent diagnostic performance. In addition, these technological innovations are expanding the applications of imaging from diagnosis to screening and therapeutic monitoring and are competing with other traditional imaging products such as MRI and CT scanners, but at much lower prices. The Company believes that the **next generation sonography it offers thus represents a creation of significant value for the entire medical imaging industry.**

6.2.2. SUPERSONIC IMAGINE'S DECISIVE COMPETITIVE ADVANTAGE: A CONSIDERABLE CONTRIBUTION TO THE TRADITIONAL ULTRASOUND IMAGING MARKET

Ultrasound imaging has become an imaging technique extensively used worldwide. It accounts for around 25%[1] of the medical imaging market, alongside scanners, MRI, X-ray and nuclear medicine imaging.

However, traditional ultrasound imaging is presently affected by limits in terms of image clarity and results, which depend considerably on the person conducting the examination and are therefore sometimes unusable and difficult to reproduce.

The Aixplorer® system is based on a 100% software architecture that is considerably more flexible than architectures based on hardware of existing ultrasound scanners for which signal processing is set in integrated circuits in electronic boards. Aixplorer® is the **only** product on the market that made this choice of technology, which is patented and has the following major innovations:

- **the ability to acquire ultrasound imaging data at very high frame rates: UltraFast™ technology captures more than 20,000 images per second compared to 500 images per second for the fastest conventional ultrasound. This performance makes it possible to display fast transient tissue movements or rapid changes in blood flow that cannot be captured by conventional ultrasound imaging;**
- the ability to provide a significantly higher image quality**, increasing diagnosis confidence while offering a degree of user-friendliness that is far more comfortable for the physician;**
- the use of a new type of wave: **shear waves. Measuring the speed of the shear wave, or** ShearWave™ Elastography makes it possible to measure the stiffness of the tissue**. This measurement provides radiologists with unprecedented information about the pathophysiology of an organ, which improves the effectiveness of their diagnoses. The Company believes its ShearWave™ Elastography technology is unique because it allows tissue stiffness (elasticity) to be quantified in real time, in a non-invasive, reproducible manner that is independent of the user's expertise.**
- **a major innovation in the field of Doppler imaging: UltraFast™ Doppler. Thanks to its ultrafast acquisition principle, this new Doppler approach makes it possible to provide a color map of blood flow and measure blood flow velocity at all points on the color map without having to make a specific acquisition for this measurement. This saves a significant amount of time and considerably reduces examination time.**

The main players in the market have also sought to develop an elastography functionality to assess the differences in tissue stiffness and to provide an image of elasticity - information that has traditionally been evaluated by manual palpation. However, the tissues can only be measured on a much reduced area, the measurements are not in real time and the reproducibility of the method is low.

[1] Deutsche Bank estimates (2010)

6.2.3. NUMEROUS ADVANTAGES

- **A sizable and growing global market**

The global market for ultrasound medical imaging was estimated at USD 5.8 billion in 2012 (Source: InMedica) and at USD 7.3 billion in 2017, representing estimated average annual growth of 5.0%. Since 2016, SuperSonic Imagine has been positioning itself in both the breast and liver specialty markets and is thereby also addressing Premium and High-end segments of the radiology market (multiple organs). The total radiology market is estimated at about USD 2.0 billion in 2012 and the Premium and High-end segments market is estimated at USD 2.6 billion in 2012 (and USD 3.4 billion in 2017).

- **A revolutionary ultrasound system protected by a strong patent portfolio**

A solid portfolio of patents broadly covers both ShearWave™ Elastography imaging and the use of ultrasound in imaging and therapeutic domains, as well as various patents related to the core of the technology. To date, the Company owns or co-owns 22 submitted and published patent families and holds five licensing agreements (see Section 11.2 of this document for details of patents and patent applications).

- **Strong clinical validation based on numerous studies**

The technological contribution of Aixplorer® is backed by strong clinical validation based notably on the results of a wide-ranging program of studies, including a major international multi-center study in the field of breast cancer (17 sites, 1,800 patients in Europe and USA; 20 sites, 2,262 patients in China), the results of which were published in the prestigious scientific journals Radiology and European Radiology in February 2012. Numerous other studies in various fields of medical application (liver, thyroid, prostate, etc.) have been conducted in France and internationally. To date, there are more than 400 scientific publications validating the role of Aixplorer® in the diagnostic strategy for many organs (breast, liver, prostate, muscle, thyroid).

The support of KOL (Key Opinion Leaders) within the radiology community and within each of the medical specialties addressed by Aixplorer® constitutes a determining factor in its potential for deployment. Thanks to the influence they have vis-à-vis their peers, and in view of their positions within professional societies (SFR - Société Française de Radiologie, RSNA - Radiological Society of North America), the recommendations of these parties carry strong weight with regard to the clinical developments of the sector concerned.

- **A robust framework for acceleration of its commercial deployment since 2012**

The Group has strong business advantages, which are recognized by the market:
Regulatory authorizations covering the main markets;

An unparalleled price / quality relationship given the exceptional clinical benefits;

A global distribution network, both direct (in France, China and the United States) and indirect;

An international installed base of close to 1,900 systems;

Outsourced production in order to have the capacity to respond to commercial ambitions.

- **A management team among the best in the industry**

In a global market concentrated around a few large players, the Company has managed to market an innovative ultrasound device and open a new era in ultrasound imaging. This challenge was met thanks to an extremely experienced, international and multidisciplinary management team that currently oversees a team of 172 very highly qualified employees.

6.2.4. AN AMBITIOUS DEVELOPMENT STRATEGY FOR IMPOSING ITS ADDED VALUE AMONG THE LEADING PLAYERS OF THE HIGH-END MARKET

SuperSonic Imagine's offer represents a strong added-value proposal for all players in the healthcare chain:
Advantages for patients:

- Non-invasive and non-ionizing examination (unlike X-rays);
- Improved treatment management thanks to a more precise diagnosis, early detection and appropriate therapeutic follow-up.

Advantages for physicians/radiologists:

- improving the clinical care of their patients by strengthening the diagnostic relevance of the medical corps (radiology and specialist physicians) for better treatment management;
- Visualize and quantify tissue elasticity reliably and reproducibly to improve diagnosis;
- differentiating themselves from their peers with cutting-edge technology.

Advantages for healthcare establishments:

- giving the appearance of an expert center with the latest technologies;
- attracting a clientele seeking the best medical practices;
- improving the diagnostic performance of the establishment and contributing to its good reputation.

Advantages for players in the health system:

- standardization and simplification of diagnostic processes;
- more reliable and earlier detection of cancers;
- significant reduction in the number of unnecessary invasive procedures through optimized targeting samples and immediate interventions;
- reduced healthcare costs;
- more appropriate therapeutic decisions thanks to more reliable and rapid diagnostic information.

In light of these facts and its numerous benefits, SuperSonic Imagine plans to establish itself among the leading players in the Premium and High-end segments of ultrasound imaging by implementing a well-defined strategy of specialization:

- in terms of markets: the Group will continue the mass-market deployment phase it began in 2012 by expanding its direct sales network (particularly in the USA) and facilitating a worldwide network of distributors, with particular focus on China;
- in terms of products: through its innovation policy, the Group will seek to consolidate its major technological advances and expand its range of specialized probes and software to optimize the spectrum of applications covered by Aixplorer®.

6.3. SUPERSONIC IMAGINE OPENS A NEW ERA IN SONOGRAPHY

6.3.1. EXISTING ELASTOGRAPHY SYSTEMS AND THEIR LIMITATIONS

➢ **Ideas on tissue elasticity**

A key factor in the diagnosis of many pathologies is therefore the evaluation of the tissue stiffness. For centuries, this evaluation was made by manual palpation. More than 5,000 years ago, Egyptian physicians were already palpating different parts of the body to assess their elasticity. They knew that the detection of a hard mass within an organ was often associated with the existence of an anomaly. Since then, palpation has always been used for screening and diagnosis, and also, during a procedure, for guiding the surgeon to the pathological area.
A new imaging technique called "elastography" was developed in ultrasound in the early 2000s. It uses ultrasound to provide an elasticity image in order to estimate the differences in hardness between tissues, which were historically diagnosed by palpation. The main objectives of elastography are to refine diagnosis and to improve the specificity of an ultrasound scan.

Over the past decade, elastography has gone from being a major research topic in the medical science community to a mode present on all ultrasound systems and whose use is now documented in many international guidelines for many diagnostic applications from diagnosis of breast cancer to the extent of the degree of liver fibrosis, the estimation of the mechanical properties of the arterial walls, or imaging of myocardial elasticity.
All the approaches currently in existence rely on the same three steps:
generation in the tissue of a low-frequency vibration which produces a shear constraint;

imaging of the tissue to analyze the effects of the constraint (ultrasound or MRI);

determination, on the basis of this analysis, of the stiffness of the tissue.

These techniques are, for the most part, limited to an estimate of the distortion when pressure is applied to the tissue and allow contrast imaging of stiffness, but this estimate remains a poorly reproducible and qualitative evaluation due to the manual intervention for the application of the deformation.

➢ **The limitations of current elastography techniques**

The different elastography techniques are usually ranked according to the type of vibration applied to the tissue:

- **Static elastography: a uniform compression is applied by the operator to the surface of the body to produce a deformation of the tissues.** The calculations are carried out by the device, which displays the deformation induced in the plane of observation. The value of Young's modulus cannot be deduced, since the value of the constraint within the tissue itself is not known. Consequently, static elastography is not a quantitative imaging mode. Its clinical relevance has been abundantly studied. Although promising results were recorded, the users pointed out numerous snags such as the absence of quantitative data, low reproducibility, and inter-operator variability.

- **Dynamic elastography:** the tissue is continuously subjected to a monochromatic vibration. Stationary induced mechanical waves are used to determine tissue elasticity. Dynamic elastography is well suited to MRI because the vibrations to be analyzed do not change over time and must be processed in volume. Although quantitative, it suffers from the traditional drawbacks of MRI imaging, which remains expensive and difficult to access, and does not provide real-time imaging.

The main players in the market use static elastography for their high-end ultrasound imaging systems, which do not offer quantitative evaluations. However, over the past two years, products have appeared on the market that offer a technology inspired by shear wave elastography but with certain limitations, since measurement can be done only for a limited area a few millimeters within the tissue. Moreover, these measurements are not in real time and reproducibility is low.
The Aixplorer® system thus remains the only ultrasound system to allow real-time viewing of shear wave elastography, which is the only true imaging method for exact tissue elasticity to date.

6.3.2. SUPERSONIC IMAGINE ADDS TECHNOLOGICAL BREAKTHROUGHS TO ITS PLATFORM THAT SEND SHOCK WAVES THROUGH THE WORLD OF ULTRASOUND IMAGING

With its Aixplorer® product, SuperSonic Imagine is changing the rules of the game for ultrasound imaging. Aixplorer® was developed on the basis of a revolutionary technology that uses a **100% software-based architecture**: the numerous traditional circuit boards that used to be involved in the formation of the ultrasound beam and the conversion into images are replaced by a 100% software-based architecture, produced by combining the most advanced video game techniques (graphics processor) and the latest generation multi-core processor, providing maximum processing power, precision and flexibility.
Whereas the traditional architectures incorporated up to 20 circuit boards for processing multiple successive bursts of waves (from 128 to 256) in order to then reconstruct an image, the architecture designed by the Company comprises just one NVIDIA graphics card (video game graphics processor), as well as a very fast bus (PCI Express technology) capable of transferring enormous volumes of data to these computers, driven entirely by a proprietary software developed under Linux, named "SonicSoftware". The image processing capacity is multiplied by a ratio of 1 to 200, allowing an ultrasound image to be reconstituted from a single burst of waves. The Company will also be able to take advantage of future rapid advances in the video game industry.
Based on this unique technological platform, Aixplorer® offers a number of innovations built around UltraFast™ imaging.
UltraFast™ imaging is a patented technological breakthrough that allows Aixplorer® to acquire data at speeds of up to 20,000 Hz (20,000 images/second), about 200 times faster than a traditional ultrasound, providing higher performance conventional imaging modes (B-mode, contrast) and an innovative approach to Doppler with exceptional image quality and sophisticated features. This technology serves as the basis for a range of innovations. The main ones are described in the following paragraphs.

6.3.2.1. SHEARWAVE™ ELASTOGRAPHY

ShearWave™ Elastography has been developed to improve the reliability of diagnoses made using sonography, making it possible to quantify objectively and in real time the elasticity (or stiffness) of tissue, an essential clinical parameter for diagnosis as often related to pathology.

- **Principles of operation of ShearWave™ Elastography**

The development of the ShearWave™ technology has allowed the creation of a new ultrasound imaging mode that displays elasticity maps (in kilopascals) in real time, providing important information about the elastic properties of the tissues, as illustrated in Figure 1 below.

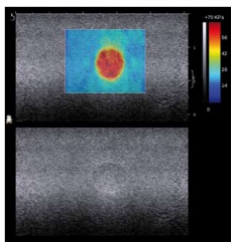


Figure 1:

SWE mode on a phantom with a harder inclusion The elasticity image, which is color-coded, is superimposed on the B-Mode image (anatomical image). By default, blue colors indicate a softer tissue and reds a harder tissue, although the color coding can be modified by the user. The image resolution is around 1 mm. The imaging frame rate is optimized to meet acoustic output limitations defined by international standards. The image does not allow objects linked to compression or to any variation of elasticity inside or at the surrounding tissue level to appear.

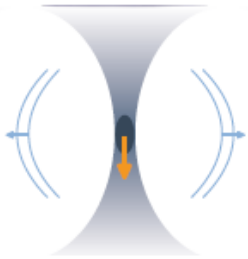
ShearWave™ Elastography uses ultrasound both to generate shear waves and to image their propagation. All of this is done automatically with the aid of an ultrasound probe (linear, curved, micro-convex or phased array), without any compression by the radiologist, and this means that the captured data is objective - since it does not depend on human manipulation - and is therefore reproducible for the purposes of assessing the evolution of a lesion over time.

➢ **Generation of the shear wave**

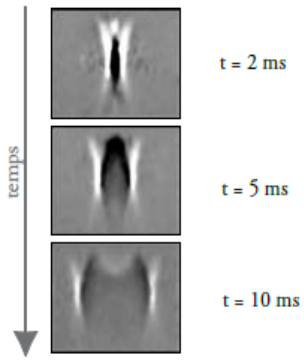
There are several ways of generating shear waves in the body. The beating of the heart is a natural source of such waves, but the induced vibration remains confined to the area immediately surrounding the heart. External vibrators can also be used (as in MRI Elastography), but this solution is ill-suited to the ultrasound imaging environment, since the radiologist must carry a device that is far too heavy. ShearWave™ Elastography leverages the radiation force of ultrasound waves as a source of shearing.

This force, which can be viewed as an acoustic wind, pushes the tissues in the direction of propagation of the ultrasound wave. An elastic environment such as human tissue reacts to this push with a rebound force in the opposite direction, thus creating a mechanical vibration and, more specifically, shear waves which propagate transversely in the tissue.

The diagram opposite illustrates the radiation force induced by a focused ultrasound beam. The tissues are pushed mainly in the focal zone, inducing a transverse shear wave.



As shown by the photos opposite, focused ultrasound beams induced at the center of the image can thus be a source of shear waves. However, these waves are of low intensity, fading away a few millimeters from the propagation site, and the tissue vibrates no more than a few microns. The generation of more intense shear waves would require a large input of acoustic energy at the focusing point, which could cause problems of the probe overheating and of exceeding the acoustic output standards.



➢ **A supersonic vibration**

SuperSonic Imagine has developed and patented a vibration mode named SonicTouch™ which makes it possible to generate intense shear waves without any overheating problems and without exceeding acoustic power standards. This acoustic radiation force produces shear waves that displace the tissues at supersonic speed (faster than the waves that are generated).

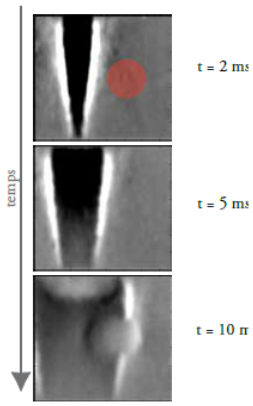
For a given local acoustic power, SonicTouch™ enables an increase in the efficiency of shear wave generation by a factor of 4 to 8. However, it is clearly impossible for current radiology systems, limited to frame rates of 50 to 60 images per second, to capture the generated shear wave, which will have disappeared in the time needed to acquire a single frame. Only UltraFast™ imaging, combined with the computing power resulting from a 100% software-based architecture, allows this shear wave to be captured, thanks to an acquisition rate of several thousand images per second, around 200 times higher than that offered by current conventional technology.

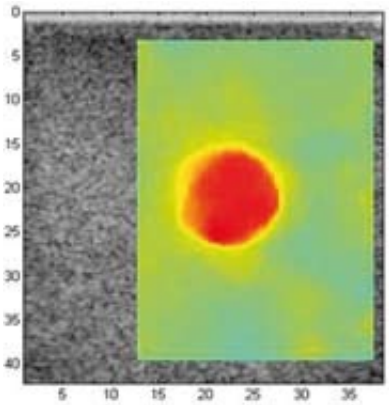
Radiation force created by SonicTouch™. The shear wave is amplified along a Mach cone (yellow). The distance traveled is increased, thus minimizing the acoustic energy used.

- **UltraFast™ Imaging**

UltraFast™ imaging is used to obtain extremely precise monitoring of the shear wave passing through the plane of observation: the propagation of the shear wave induces small tissue displacements which are recorded by the UltraFast™ acquisition system. It is thus possible, based on the film of the particle displacements induced by the shear wave, to obtain an excellent representation of the wave propagation.

The photos below left show the plane shear wave induced by SonicTouch™ in an environment containing a harder inclusion (red circle). The shear wave-front is deformed because the shear wave travels faster in the harder inclusion.





The image above right shows a map of the local propagation speeds of the induced wave, reproduced in the photos on the left by cross-correlation algorithms.

With or without multi-line capacity, the current traditional ultrasound scanners have a series architecture, with the images being reconstructed sequentially from several wave transmissions. Ultra-fast imaging is a radically different approach: an ultra-fast imaging system is capable of processing in parallel, rather than in series, as many lines as necessary, and can calculate a complete image on the basis of a single transmit pulse, irrespective of the size of the image or other parameters. In this type of system, the image rate is not limited by the number of reconstructed lines. Ultra-fast imaging therefore allows a significant increase in the maximum image rate of an ultrasound scanner.

The constraint of UltraFast™ is that the beam former must be constituted by an architecture whose parallelism allows an entire image to be covered in each insonification.

This was made possible with the fully software-based platform developed by the Group, whose design required the following two technological barriers to be overcome:
the rate of transfer from the acquisition module to the processor must be several Gigabytes per second. The radio frequency (RF) signals are transmitted directly to the central unit (CU), and the transfer rate for producing the image in real time must be very high;

the processor must be sufficiently powerful to form the beam in real time. For example, an image in B-Mode requires 1-2 billion operations per second (multiplications and additions).

Aixplorer® is the first system on the market to enable ultrafast imaging, which overcomes the compromise in conventional ultrasound between imaging speed and the number of lines on the image and is an advanced technology comparable to what is seen in digital television.
The shear wave elastography developed by the Group is thus currently the only one to:

- **provide a quantitative real-time image of tissue stiffness that is independent of the user's knowledge and is reproducible.**

- **be approved by the FDA to date, in order to quantify tissue stiffness directly on the color image and for all probes and all applications.**

6.3.2.2. ULTRAFAST™ DOPPLER AND ANGIO PL.U.S DOPPLER GO BEYOND THE LIMITS OF CONVENTIONAL DOPPLER MODES

UltraFast™ Doppler, which is incorporated into Aixplorer®, is the result of a marriage between ultra-fast imaging and Doppler techniques. It combines the advantages of color Doppler and pulsed Doppler as described earlier, without the respective disadvantages of each of these modes (a color Doppler mode with low temporal resolution, and a pulsed Doppler mode added to the standard examination and increasing its duration when quantitative blood-flow information is desired).

- **Ultra-fast imaging applied to flow quantification**

UltraFast™ imaging innovation has provided the opportunity to overcome the limitations of each of the conventional Doppler modes and revolutionize the approach to flow analysis by merging color Doppler and pulsed Doppler into a single acquisition: UltraFast™ Doppler, thus opening new perspectives in vascular imaging.
Thanks to its high-sensitivity/high image rate ratio, the UltraFast™ Doppler simultaneously allows:

- **high-quality viewing of complex and transient flows; and**
- **the quantification, then comparison of the flow speeds from spectra from different areas of the same image,**

which helps to significantly simplify the conducting of Doppler examinations and greatly reduces their duration. The characteristics and capabilities of the new UltraFast™ Doppler mode are evolving rapidly and will undoubtedly improve its clinical usefulness for taking Doppler imaging even further.

➢ **Improved color imaging**

The UltraFast™ Doppler acquisition provides the user with many advantages in comparison to color Doppler acquisition:

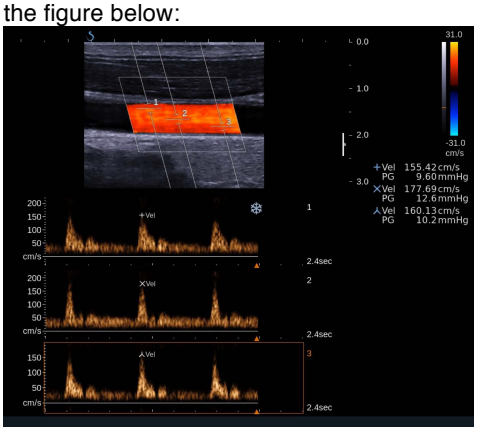
- the generated color data clips have a high sensitivity and an imaging frame rate up to 10 times superior to conventional systems;

- the increase in quality is obtained while retaining a color box of the same size, whereas conventional systems require the user to choose between frame rate and size. The use of plane waves thus makes it possible to obtain information about the whole of the color box without any loss of frame rate.

- the flow information is consistent and synchronous throughout the image, since the Doppler signals of each pixel are acquired at the same point of the cardiac cycle. The signals of traditional color Doppler lines, on the other hand, are acquired sequentially, producing a time offset of up to several hundred milliseconds between one side of the image and the other.

➢ **Quantification of flows at all points**

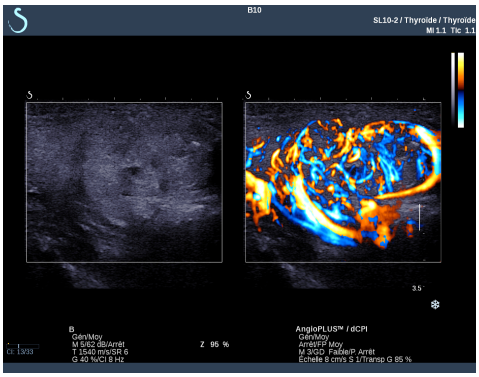
Ultrafast™ Doppler also allows full quantification of flows at all points of the image. The user can position a sample volume anywhere in the color box and the system instantly displays the pulsed spectrum of the selected area. Three Doppler spectra from different points can then be calculated and displayed simultaneously on the image, as illustrated in the figure below:



Simultaneous analysis of three sample volumes under UltraFast™ Doppler

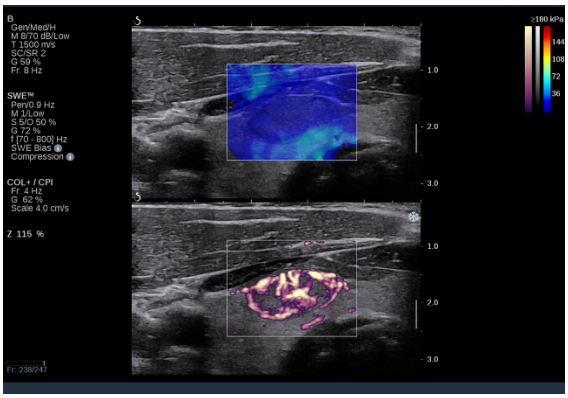
➢ **ANGIO PL.U.S. mode**

ANGIO PL.U.S. mode is a new Doppler mode using UltraFast™ Doppler combined with an innovative new filtering approach that makes it possible to visualize slow flows in microscopic vascular structures. This new technique should mean that in certain circumstances ultrasound contrast agents can be dispensed with.



- **A NEW INFORMATION VISUALIZATION MODE: TRIVU™**

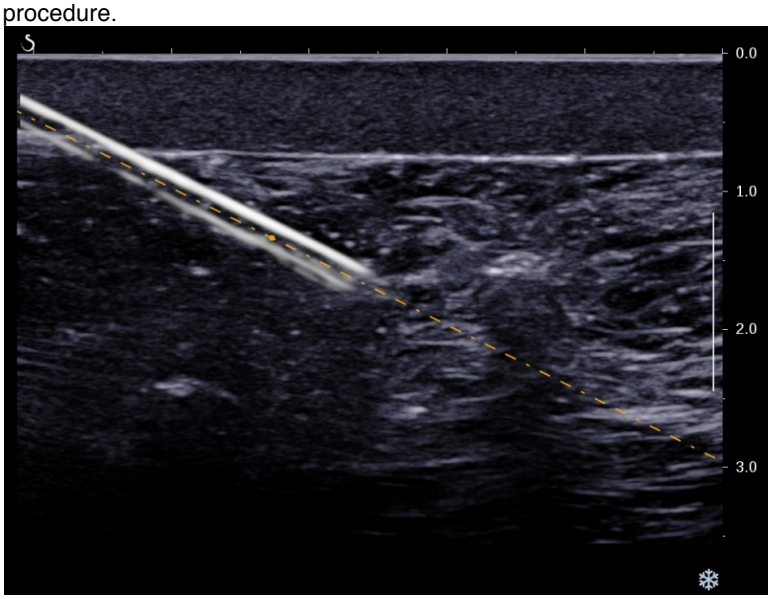
Thanks to the ultra-rapid acquisition of ultrasound information, it was possible to create a new triple visualization.
This new TriVu™ mode provides real-time simultaneous visualization of B-mode morphological information with stiffness (SWE) and flow (CFI) functional information. It is the first real-time mode ever to make it possible to simultaneously visualize three types of information on the human body. This allows quicker, more accurate and more robust diagnosis of diseases in particular involving the breast, liver and thyroid.



Trivu: Simultaneous and real-time display of B-mode, SWE and Angio PL.U.S.™

- **NEEDLE PL.U.S™: VISUALIZE THE BIOPSY NEEDLE IN REAL-TIME FOR MORE RELIABLE AND MORE ACCURATE PUNCTURE**

Once more building on the platform for the ultra-rapid acquisition of ultrasound information, a new mode was developed to overlay the biopsy needle in a much clearer manner than on a conventional image. This allows a more reliable and more accurate puncture procedure.



6.4. THE MARKET AND ITS PLAYERS

In the global market for medical imaging (all methods combined), which increased from USD 12 billion to USD 21 billion between 1980 and 2010 *(source: Deutsche Bank estimates for medical imaging market size and breakdown)*, the share of the ultrasound imaging segment increased from 15% to 25% over the period and was primarily driven by technological innovations integrated with ultrasound, as well as the aging population and the growth of emerging countries, where universal access to healthcare is becoming a priority.

Valued at USD 6.2 billion in 2014, the market for ultrasound equipment is expected to rise to USD 7.4 billion in 2019[1], representing average annual growth of 3.7%. This market is concentrated around approximately ten players, including several global industrial heavyweights such as General Electric, Philips, Toshiba, Hitachi and Siemens. In 2014, the five above manufacturers accounted for 77% of the market for ultrasound equipment. [2]

[1,2] source: IHS Technology, "Ultrasound Imaging Equipment Report – 2015"

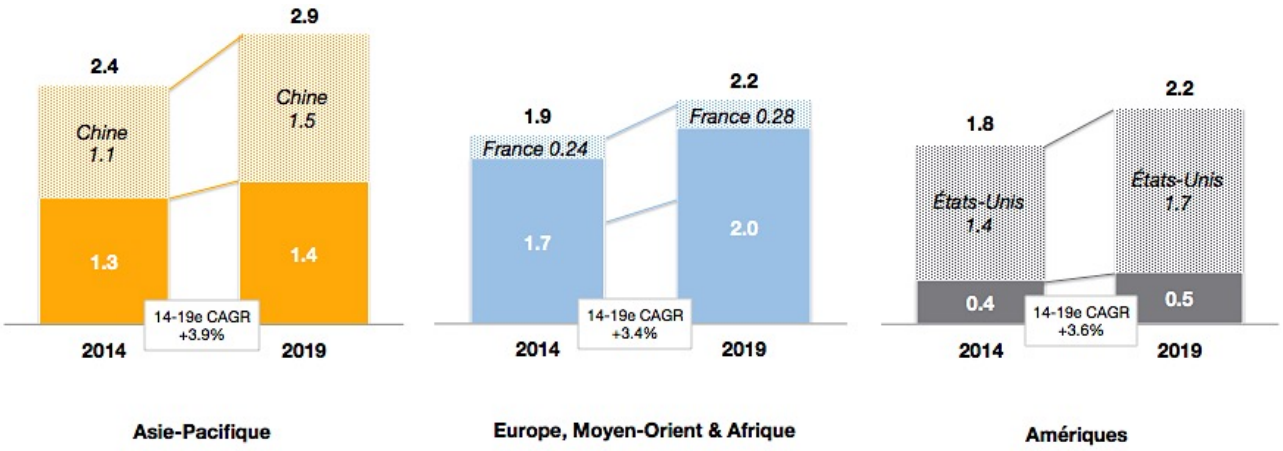
6.4.1. WITHIN THE FAST EXPANDING SONOGRAPHY MARKET, AIXPLORER® IS NOW SERVING THE PREMIUM / HIGH-END BREAST AND LIVER MARKET

6.4.1.1. A GROWING ULTRASOUND MARKET

The global ultrasound imaging market is showing growth in each of the three main geographical areas (Asia-Pacific, EMEA and the Americas) between 2014 and 2019.

Growth of the global radiology ultrasound market (2014 – 2019) by geographical region

(in USD billions)



(source: IHS Technology - 2015 study)

French	English
2.4	2.4
2.9	2.9
Chine 1.1	China 1.1
Chine 1.5	China 1.5
1.3	1.3
1.4	1.4
Asie-Pacifique	Asia-Pacific
1.9	1.9
2.2	2.2
France 0.24	France 0.24
France 0.28	France 0.28
1.7	1.7
2.0	2.0
Europe, Moyen-Orient & Afrique	Europe, Middle East & Africa
1.8	1.8
2.2	2.2
Etats-Unis 1.4	USA 1.4
Etats-Unis 1.7	USA 1.7
0.4	0.4
0.5	0.5
Amériques	Americas
2014	2014
2019	2019

The geographical distribution of the ultrasound market is relatively balanced around the three main geographical areas of Europe, the United States and China, which together account for 66% of the total market, or USD 4.0 billion in 2014. In

this market, Europe accounts for USD 1.5 billion, the United States for USD 1.4 billion and China for USD 1.1 billion. In Europe in 2014, the German ultrasound imaging market was USD 318 million, the French market USD 236 million, the Italian market USD 147 million and the British market USD 133 million.

According to the IHS Technology report (formerly InMedica), the breakdown of revenue by geographical region is likely to remain relatively stable between now and 2019. However, the emerging markets, particularly China, are showing strong growth (+5.7%). Thus, the Chinese market should reach USD 1.5 billion in 2019 compared with USD 1.1 billion in 2014, according to the same report. In the mature markets, average growth rates are not expected to exceed +4% (France +3.6% and the United States +4.0%).

6.4.1.2. AIXPLORER® MAINLY ADDRESSES THE BREAST AND LIVER MARKETS

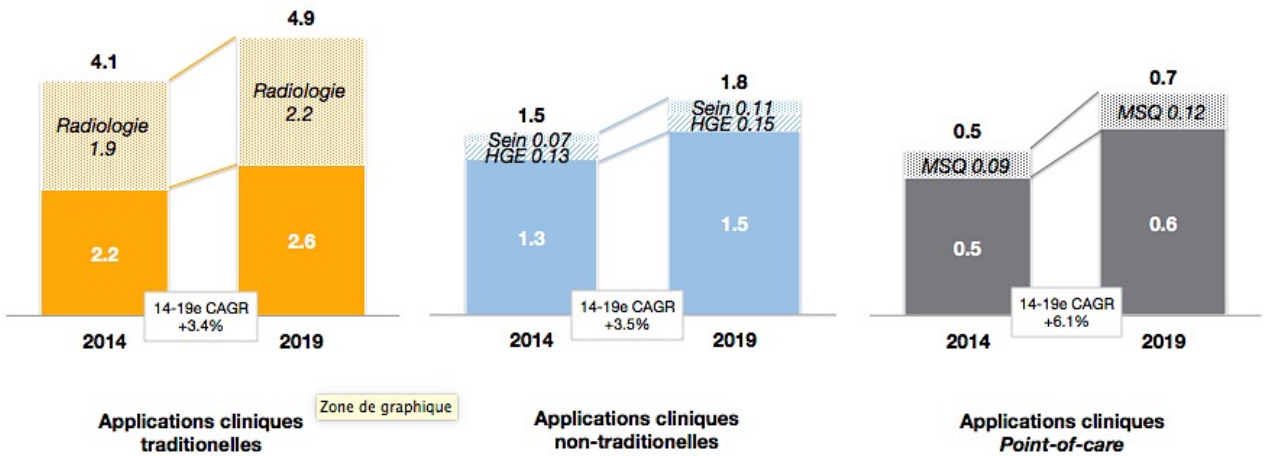
The range of clinical applications for ultrasound imaging covers a number of areas, most of which are traditional applications. In fact, cardiology, gynecology and radiology represent a combined 67% of the total market. Valued at USD 4.1 billion in 2014, these clinical applications are expected to rise to USD 4.9 billion in 2019, representing average annual growth of 3.4%.

Aixplorer® mainly addresses the breast and liver markets, which are non-traditional applications. Out of total revenue of USD 6.2 billion in 2014, non-traditional applications accounted for USD 1.5 billion (24%), with breast imaging USD 75 million and gastroenterology (HGE) USD 133 million.

The breast market is expected to grow to USD 105 million in 2019, representing a compound annual growth rate of 7.1%. The liver market is expected to grow to USD 145 million in 2019.

Growth of the global ultrasonic wave market (2014 - 2019) by clinical application

(in USD billions)



(source: IHS Technology - 2015 study)

French	English
4.1	4.1
4.9	4.9
Radiologie 1.9	Radiology 1.9
Radiologie 2.2	Radiology 2.2
2.2	2.2
2.6	2.6
Applications cliniques traditionnelles	Traditional clinical applications
1.5	1.5
1.8	1.8
Sein 0.07	Breast 0.07
HGE 0.13	HGE 0.13
Sein 0.11	Breast 0.11
HGE 0.15	HGE 0.15
1.3	1.3
1.5	1.5
Applications cliniques non-traditionnelles	Non-traditional clinical applications

0.5	0.5
0.7	0.7
MSQ 0.09	MSQ 0.09
MSQ 0.12	MSQ 0.12
0.5	0.5
0.6	0.6
Applications cliniques Point-of-care	Point-of-care clinical applications
2014	2014
2019	2019

6.4.1.3. AIXPLORER® IS POSITIONED ON THE PREMIUM AND HIGH-END SEGMENTS OF ULTRASOUND SCANNERS

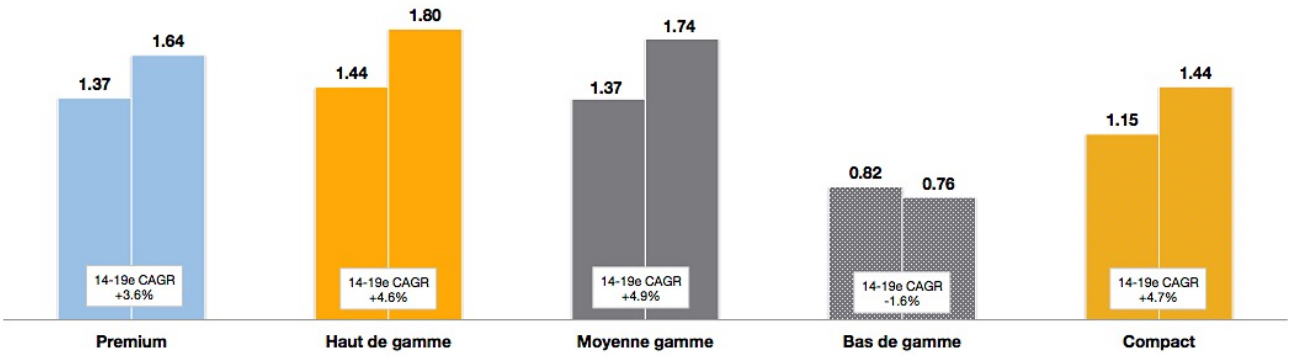
The ultrasound medical imaging market breaks down into four segments, which are defined according to the unit value of an ultrasound scanner:

- Premium: above USD 120,000;
- High-end: between USD 60,000 and USD 120,000;
- Mid-range: between USD 30,000 and USD 60,000;
- Low-end: up to USD 30,000.

In addition to this segmentation, there is also the portable ultrasound scanner market (products weighing less than 12 kg), which is growing strongly. In 2014, the mobile market share (USD 1.1 billion) represented 19% of the ultrasound market. It should grow to USD 1.4 billion in 2019, an average annual increase of 4.7%.

Growth of the global radiology ultrasound market (2014 - 2019) by price segment

(in USD billions)



(source: IHS Technology - 2015 study)

French	English
1.37	1.37
1.64	1.64
14-19^{e} CAGR	14-19th CAGR
+3.6 %	+3.6%
Premium	Premium
1.44	1.44
1.80	1.80
+4.6 %	+4.6%
Haut de gamme	High-end
1.37	1.37
1.74	1.74
+4.9 %	+4.9%
Moyenne gamme	Mid-range

0.82	0.82
0.76	0.76
-1.6 %	-1.6%
Bas de gamme	Low-end
1.15	1.15
1.44	1.44
+4.7 %	+4.7%
Compact	Compact

The benefits of the Aixplorer® and the quality of its imaging position it on the Premium and High-end segment of the market. These segments represented USD 2.8 billion in 2014 out of a total market of USD 6.2 billion (46%). They should grow to a combined USD 3.4 billion in 2019, representing average annual growth of 4.1%.

6.4.1.4. A VERY SUBSTANTIAL TARGET MARKET

The development strategy of the Company primarily seeks to:

(i) address as a matter of priority the breast and liver markets, in which Aixplorer® has a distinct clinical advantage.

(ii) continue the development of its products on the Premium/High-end and Portable segments as they offer the best growth; and finally

(iii) accelerate its geographic expansion in Asia and particularly in China, that is to say in the geographic region with the fastest growth.

(iv)

SuperSonic Imagine will focus on the breast and liver (hepatology) markets and also enter the Premium and High-end segments of the radiology market. These segments have the advantage of being very receptive to innovations. This positioning requires not only performance with regard to traditional imaging, but also innovations that deliver convincing clinical results, something that SuperSonic Imagine specifically demonstrated in breast and liver imaging.

6.4.2. A PROMISING ENVIRONMENT IN THE MAIN COUNTRIES TARGETED BY AIXPLORER®

The Company is focusing its marketing efforts primarily on China, the United States and France.

6.4.2.1. FRANCE AND EUROPE

The economic difficulties in Europe are producing substantial differences in growth rates on the ultrasound medical imaging market. Ultrasound medical imaging is regarded in Europe as less complex, less invasive, more economically advantageous and less dangerous (no ionizing radiation) than the alternative solutions. The use of ultrasound medical imaging has been particularly favored by the development of high-end devices offering imaging modes such as contrast-enhanced ultrasound (CEUS). CEUS should continue to experience stable growth.

According to IHS Technology, the adoption of ultrasound medical imaging in new applications, such as breast imaging, represents a major opportunity for the manufacturers. Sharp growth is expected over the next three years with a solution being put in place for diagnosis based on breast density.

In France, ShearWave™ Elastography is recommended for liver fibrosis by the Haute Autorité de Santé (National Authority for Health). Reimbursement for its use was decided upon in June 2011.

Boosted by the reimbursement by the French health care system for the use of Aixplorer® for the liver, the Company wishes to increase its development in France in the coming years, in radiology departments, with public hospitals and the private sector, and in hepatology departments.

6.4.2.2. USA

The US ultrasound medical imaging market enjoys a high annual growth rate (between 5% and 10%). It stood at USD 1.9 billion in 2015[1]. This market has specific characteristics that will be advantageous to Aixplorer®.

In a time of budget cuts, US physicians, who are accustomed to using expensive technologies such as MRI and scanners, could turn to ultrasound imaging systems, which offer high-performance alternative solutions at lower prices. Also, the American propensity for litigation in the medical domain is encouraging the medical profession to use Premium and High-end devices capable of providing a better quality of diagnosis. Finally, the introduction of systematic screening programs for breast cancer is a positive factor for the Aixplorer® market.

Ultrasound examinations are reimbursed at different rates in the USA according to the particular nature of the examination, the site (hospital or practice) and the patient's insurance. The average refund for an ultrasound examination varies between USD 110 and 170. However, there is no additional reimbursement for elastography from Medicare and private insurers. Recently, the Group obtained an "experimental" reimbursement code for shear wave elastography examinations.

The ACR (American College of Radiology) has also included breast elastography-related criteria in its BI-RADS classification.

6.4.2.3. CHINA

In China, ultrasound has a privileged place in the medical imaging arsenal and is mainly used for screening breast cancer. The Chinese healthcare system is dominated by public hospitals, partially funded and controlled by the government. The impact of the reform of the Chinese public health system in 2012 is the driver of strong market growth. Out of the over 20,000 public hospitals, around one fifth of them are regarded as high-level and purchase high-end ultrasound devices. Ultrasound devices are commonly used for screening. The majority of patients are given an ultrasound examination before going for a CT or MRI scan. Only specialized ultrasound practitioners are qualified to make a diagnosis by ultrasound. As a result, other specialists send them their patients.

Ultrasound diagnostics are reimbursed when the examination is performed by an ultrasound specialist. The Chinese reimbursement system covers only the urban population, which accounts for 60% of the total population. When new technologies are introduced, the manufacturers generally collaborate with the hospitals to obtain approval for the pricing and therefore the reimbursement. In some regions of China, there is a supplementary reimbursement for elastography.

In China, practitioners are not yet using medical imaging tools in large numbers. Ultrasonic wave techniques are therefore used for the most part, which provides an opportunity for SuperSonic Imagine to enter the market under good conditions with Chinese professionals, including in the breast and liver fields.

SuperSonic Imagine is in a position to obtain a competitive advantage by promoting the performance of its ShearWave™ Elastography to high-level university hospitals. The choices made with regard to the distribution networks are a key factor for success in China.

6.4.3. THE KEY PLAYERS IN THE ULTRASOUND IMAGING AND ELASTOGRAPHY MARKET

Designing and developing ultrasound scanners requires large investments and very high-level R&D teams. For this reason, the ultrasound imaging market is dominated by a small number of players, of which the five leaders (General

[1] Source: Easton Associates

Electric Healthcare, Philips Healthcare, Hitachi Aloka Medical, Toshiba Medical Systems and Siemens Healthcare) held 77% of the market in 2014.

6.5. AIXPLORER®: THE PRODUCT AND ITS APPLICATIONS

6.5.1. GENERAL DESCRIPTION OF THE PRODUCT

Aixplorer® is a third-generation ultrasound scanner which combines all the technologies developed by SuperSonic Imagine in a single device and offers, in addition to the possibilities of the high-end traditional ultrasound imaging system, solutions specific to today's diagnostic challenges that push back the technical limits of traditional ultrasound imaging.

The product offers the following features:

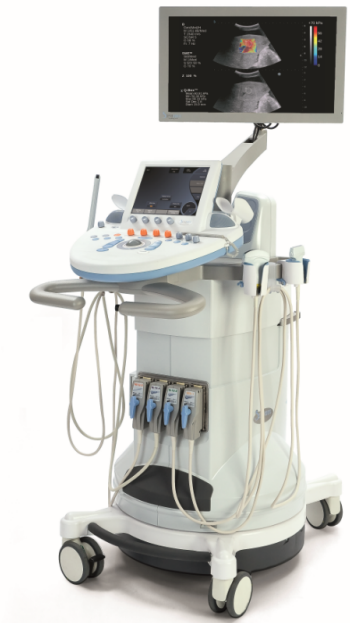
- **superior quality imaging that positions it immediately in the "Premium" and "High-end" market segment;**
- **perfect resolution, irrespective of the type of organ imaged and the morphology of the patient;**
- **high-contrast imaging, revealing the most subtle structures;**
- **two additional imaging modes that set it apart from competing products (see Section 6.3.3 above):**

ShearWave™ Elastography;

- **UltraFast™ Doppler, which goes beyond the limitations of traditional Doppler modes;**
- **An ergonomic design with intuitive user interface,**
- **it improves the characterization of focal lesions and diffuse pathologies for several organs and the ability to track results over time to assess disease progression and the efficacy of the therapy undertaken.**

The ultrasound scanner comprises one platform for the Aixplorer® system and a large range of probes:

- **A radically new software-based technological platform**
- **Ergonomics adapted to the difficult working conditions of practitioners**



The Aixplorer® system is also known as a technological platform and comprises three elements:
a central base containing the core of the ultrasound imaging device responsible for forming the image;

a control panel comprising a touch screen for intuitive use of the main controls;

a screen for real-time display of the images produced.

The development of Aixplorer® is based on a next-generation technological platform that has also taken into account the constraints affecting practitioners in their everyday work.

6.5.2. AIXPLORER®: ITS APPLICATIONS

Following the launch of the probe dedicated to pediatrics and the musculoskeletal system in July 2012 and the software application dedicated to obstetrics in 2013, the Group now has a platform that can handle most of the examinations performed by radiologists as summarized in the diagram below. Thanks to this gradual enrichment, radiologists have become the primary target of the Group since 2010, whereas before then, sales and marketing were focused on breast specialists. This comprehensive range combined with a new four-probe interface offers particularly attractive positioning in the Premium segment of general radiology, the largest ultrasound imaging market segment.

This increased footprint also allows the Company to capitalize on the installed base by offering existing customers the opportunity to optimize their equipment with the purchase of new, dedicated probes and/or clinical application software.

The four markets on which Aixplorer® is progressively positioning itself by integrating the associated specialties are: the breast market, the general radiology market, the vascular market and the hepatology/gastroenterology market - a market hitherto unexplored by ultrasound imaging, but for which ShearWave™ quantitative elastographic imaging represents a unique imaging tool for chronic liver diseases.

The diagram below summarizes the progressive expansion of the probe range with the clinical applications covered by each of the available probes.

Evolution of the range of probes:

	SL15-4 Gen II	SL18-5	SL10-2	SLV16-5	SLH20-6	SC6-1	XC6-1	SMC12-3	SE12-3	SEV12-3	XP5-1
											
All applications	Panoramic HI PRF Triplex	Panoramic HI PRF Triplex	Panoramic HI PRF Triplex	Triplex	Panoramic HI PRF Triplex	HI PRF Triplex	HI PRF Triplex	HI PRF Triplex	HI PRF Triplex		HI PRF Triplex
Abdominal	SWE, Anglo PLU.S.	SWE, Anglo PLU.S.	SWE, CEUS, Anglo PLU.S.			SWE, UFD, CEUS	SWE, UFD, CEUS, Anglo PLU.S.				UFD
	Abdomen	Abdomen	Abdomen			Abdomen Liver Difficult Abdo Abdominal Vascular Renal	Abdomen Abdominal Vascular Liver Renal				Abdominal Vascular
Breast	SWE, Anglo PLU.S., TriVu	SWE, Anglo PLU.S., TriVu	SWE, CEUS, Anglo PLU.S., TriVu	SWE							
	Breast Superficial Breast Deep Breast Survey AdvBreast	Breast Superficial Breast AdvBreast Breast1	Breast	Breast	Breast						
General	SWE	SWE	SWE	SWE	SWE	SWE, UFD	SWE, UFD	SWE	SWE, CEUS	SWE, CEUS (only 2D)	
	General Phantom Research	General Phantom Research	General Phantom Research	General Phantom Research	General Phantom Research	General Phantom Research	General Phantom Research	General Phantom	General Phantom Research	General Phantom	General Phantom
Genito-Urinary	SWE	SWE				SWE	SWE		SWE, CEUS	SWE, CEUS (only 2D)	
	Scrotum	Scrotum				Prostate	Prostate		Prostate	Prostate	
MSK	SWE, Anglo PLU.S.	SWE, Anglo PLU.S.	SWE, Anglo PLU.S.		SWE		AngioPLU.S.				
	Shoulder Elbow Hand - Wrist Knee Foot - Ankle Muscle	Shoulder Elbow Hand - Wrist Knee Foot - Ankle Muscle	Shoulder Knee Muscle		Elbow Hand - Wrist Knee Foot - Ankle						

MSK	SWE, Anglo PLU.S.	SWE, Anglo PLU.S.	SWE, Anglo PLU.S.		SWE		AngioPLU.S.				
	Shoulder Elbow Hand - Wrist Knee Foot - Ankle Muscle	Shoulder Elbow Hand - Wrist Knee Foot - Ankle Muscle	Shoulder Knee Muscle		Elbow Hand - Wrist Knee Foot - Ankle						
Ob-Gyn							SWE, Angio PLU.S. (Gyn only)		SWE (only Gyn)	SWE (only Gyn)	
						Early Ob Gen Ob Gyn	Early Ob Gen Ob Gyn		Early Ob Gen Ob Gyn	Gen Ob Gyn	
Pediatric	SWE	SWE	SWE, UFD, CEUS		SWE	SWE, UFD, CEUS	SWE, UFD, CEUS	SWE			
	Neonatal Head Thyroid Neck Abdomen Hip Scrotum Superficial	Neonatal Head Thyroid Neck Abdomen Hip Scrotum Superficial	Neonatal Head Thyroid Neck Abdomen Hip Scrotum Superficial		Thyroid Neck Scrotum Superficial	Abdomen Pelvic Gyn	Abdomen Pelvic Gyn	Neonatal Head Abdomen Pelvis Gyn			
Thyroid	SWE, Anglo PLU.S., TriVu	SWE, Anglo PLU.S., TriVu	SWE, CEUS, Anglo PLU.S., TriVu			SWE	SWE				
	Thyroid Superficial Thyroid	Thyroid Superficial Thyroid	Thyroid			Thyroid	Thyroid				
Vascular	PWV	PWV	CEUS, UFD, PWV			SWE, UFD, CEUS	SWE, UFD, Anglo PLU.S.	UFD			UFD
	Carotid Up Ext Arterial Up Ext Venous Low Ext Arterial Low Ext Venous	Carotid Up Ext Arterial Up Ext Venous Low Ext Arterial Low Ext Venous	Carotid Up Ext Arterial Up Ext Venous Low Ext Arterial Low Ext Venous		Superficial Vascular	Abdominal Vascular Renal	Abdominal Vascular Renal	Carotid Up Ext Arterial Up Ext Venous Low Ext Arterial Low Ext Venous			TCD Abdominal Vascular

Since 2012, the development of new clinical applications such as obstetrics has only required the development of dedicated application software to be combined with an existing probe.

6.5.3. TOWARD A SECOND-GENERATION TECHNOLOGY PLATFORM

The ongoing software enhancement mentioned above is not unlimited without major hardware modification. This is why R&D teams are currently working on the development of the second-generation technology platform, a design radically different from the current one, to maximize scalability and lower the cost of manufacturing.

This choice of a high level of modularity is strategic because it makes possible the creation of a family of ultrasound machines suitable for various market segments that the current Aixplorer® system, which is designed and positioned as a high-end product, does not address for economic reasons, as the unit price is too high for specialty markets, or pricing or practical reasons, to address the portable ultrasound segment, to name but one example.

As it requires significant hardware and software developments, the completion of this second-generation technology platform will only take place by the first half of 2018.

However, since the construction of the proposed development consists of several stages over the period from the end of 2018 to 2020, new ultrasound scanners from this new platform should be able to be launched for new market segments, including the cardiac application. Other developments will still be required to have a new system that, in its most complete modular configuration, will be equivalent to the current Aixplorer®.

There will therefore be a transition period of at least three years during which the ultrasound scanners marketed will not all have the same base depending on the market segments for which they are intended or geographical regions according to the time required to obtain regulatory approvals for the marketing of the new platform.
This is irrelevant to the application probes, which remain operational regardless of the platform to which they will be connected. This will represent a new departure for SuperSonic Imagine, which will be required to manage multiple platforms in parallel.

6.6. PROMISING CLINICAL VALIDATION IN VARIOUS APPLICATIONS

6.6.1. AIXPLORER®: A STRONG CLINICAL POSITIONING

The Company's philosophy is founded on clinical innovation, meaning the demonstration of a clinical benefit for its technological innovations in all the domains where imaging can play a role.

Ultrasound imaging is traditionally positioned as a diagnostic tool, for different organs and different pathologies. However, this role will be progressively extended beyond diagnosis and offer applications for screening and for treatment follow-up or monitoring. Each of these three clinical contexts (screening, diagnosis, and therapy) demands different qualities on the part of the imaging system: detection ability for screening, good characterization for diagnosis, and reproducibility for treatment follow-up or monitoring.

The vision of SuperSonic Imagine is to supplement traditional ultrasound imaging with new functionalities that make this imaging mode capable not only of excelling in the fields where it currently has a role, but also of extending this role and competing with other imaging modes.

This clinical positioning is a strong signature of a Group that is today proving itself as a force to be reckoned with for the major players in the imaging market. SuperSonic Imagine is developing it by coordinating clinical trials around these claims.

6.6.2. A STRONG ROLE IN COORDINATING CLINICAL TRIALS

In addition to the scientists with whom SuperSonic Imagine maintains close relationships, the Company has always involved physicians in its deliberations and work. It encourages them to conduct clinical studies on applications that are suggested for Aixplorer® and to publish their findings. Even if these studies do not form part of a regulatory process for obtaining a marketing authorization, the stakes are high with respect to recognition and acceptance by the market. Obtaining the support of opinion leaders in the relevant field is a precondition for any attempts to impose a new technology for medical procedures that are fully known and mastered by health professionals (radiologists and other clinical specialists). It is therefore necessary to provide a scientific demonstration of the contribution of ultrasound using ShearWave™ Elastography compared to conventional ultrasound, and then to communicate these results to opinion leaders so that they will then adopt the recommendation to use this new procedure.

Numerous clinical studies of the various applications of the ShearWave™ Elastography system are underway in a number of clinical centers around the world. They have already been discussed in over 300 scientific publications. SuperSonic Imagine has conducted a major clinical study on the breast. Health professionals and researchers are conducting studies in other areas of application, with the Company facilitating communication and acting as coordinator between teams interested in the same topics.

The results of studies concerning the three application areas considered as priorities by the Group (breast, liver and prostate) are presented below.

6.6.3. AN INITIAL APPLICATION DEDICATED TO BREAST IMAGING: A SIGNIFICANT IMPROVEMENT IN DIAGNOSIS

6.6.3.1. STILL TOO MANY UNNECESSARY BIOPSIES PERFORMED DURING DIAGNOSIS

- **Ultrasound imaging has a key role in breast cancer screening thanks to its excellent negative predictive value**

Thanks to its excellent sensitivity (around 80% for the specific breast application - see the results of the multi-site study described in Section 6.6.3.2. below), its reproducibility and the standardization of this examination, mammography is the reference examination for the screening of breast cancers. Against this background, the primary objective is to locate and identify, in asymptomatic patients, any anomaly (lesions, foreign bodies, architectural disorganization, etc.), in order to then study it in more depth and perform a biopsy if it is suspect. The place of mammography in screening is today major, since it is the only procedure that has demonstrated a reduction in mortality when used for screening examinations.

Ultrasound imaging, for its part, also has a high degree of sensitivity that allows it to be used at the screening stage, but this technique has the drawback of being more dependent than the others on the operator, his experience and the quality of the device used. On the other hand, the excellent negative predictive value (ability to predict that a lesion will be benign) of ultrasound imaging, combined with a greater degree of specificity than that of mammography, make this imaging technique the ideal tool for the step that comes after screening: the diagnosis proper, which requires characterization of the lesions. Here the primary aim is no longer to detect, but rather to qualify the anomalies detected by mammography in order to identify those that are certainly benign, those that show sufficient risk of malignity to justify an additional medical procedure, biopsy, and finally those for which the risk of malignity is very low and will therefore call for close monitoring.

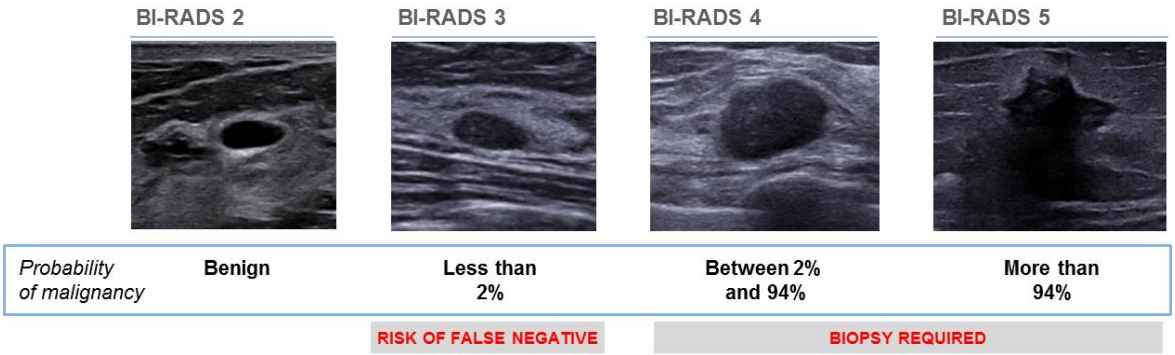
To give an idea of the economic impact, a biopsy in the USA costs on average USD 2,300. On the basis of 1.6 million unnecessary biopsies in the USA every year, this thus represents savings of USD 3.7 billion.

- **However, conventional ultrasound imaging modes have the disadvantage of lacking specificity**

This two-stage sorting process (screening and then characterization) makes it possible to rule out any suspicion for certain typically benign lesions, such as simple cysts. However, despite this two-stage sorting, the vast majority of lesions for which a biopsy is currently performed are benign. In the USA, for example, two million biopsies are performed every year, of which 80% are negative, which highlights the need to improve specificity to reduce biopsies that are not

useful. Conversely, certain lesions classed as probably benign, although this is a rare occurrence (less than 2% of the lesions classed as probably benign), are not biopsied but subsequently prove to be cancers.

For assessing breast lesions detected by mammography and characterized by ultrasound imaging systems, radiologists use a classification system developed by the American College of Radiology (ACR): BI-RADS® (Breast Imaging Reporting and Data System). This is based on the evaluation of different radiological criteria and essentially allows each examined lesion to be ranked on a scale from 1 (examination normal) to 6 (proven malignant lesion). For all lesions with a rank of 4 or 5 in BI-RADS, the risk of malignity is regarded as sufficiently high to justify a biopsy, which makes it possible to obtain an anatomical and pathological result from the tissue sample taken. BI-RADS 2 lesions are certainly benign, while BI-RADS 3 lesions are probably benign and therefore require monitoring.



In this classification, the BI-RADS® class 4 entails the greatest uncertainty concerning the malignancy of the lesion after mammography (between 2% and 94% probability that the lesion is malignant). For this reason, this category is often divided into BI-RADS 4a, 4b and 4c.

6.6.3.2. IMPROVED SPECIFICITY WITH SHEARWAVE™ ELASTOGRAPHY

- **A major multicenter study**

An international, multicenter study, "Breast Elastography 1" (BE1) was initiated in April 2008 at 17 leading sites in the United States and Europe, including the Curie Institute in Paris, Hammersmith Hospital of the Imperial College of Medicine in London (UK), the diagnosis center at Wiesbaden and the university hospitals in Kiel and Greifswald (Germany), as well as Yale Medical Center (Connecticut, USA) and Northwestern Memorial Hospital in Chicago (Illinois, USA). This study was the largest clinical study financed by a company in the ultrasound sector. The proper conduct of the study was supervised by Professor David Cosgrove (Imperial College of Medicine, London) and it enabled the analysis of 1,800 patients in a database of more than 20,000 images. An independent biostatistician, Caroline Dorée at Hammersmith Hospital, London (UK), performed this analysis.

Involving renowned physicians in the field of breast imaging, the BE1 study evaluated the clinical benefits of ShearWave™ Elastography in the context of ultrasonographic diagnosis of breast lesions.

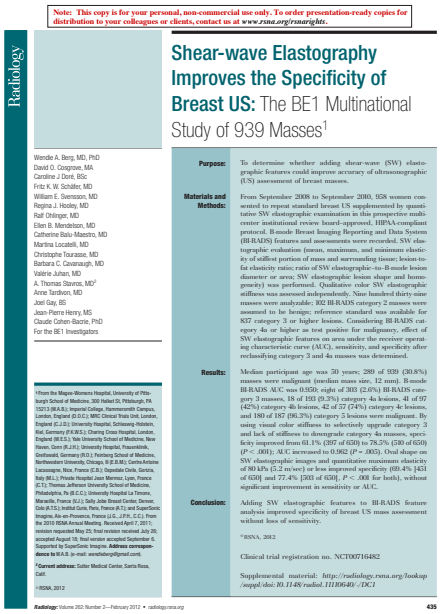
The study had two objectives:
to demonstrate the reproducibility of ShearWave™ Elastography;

to evaluate the diagnostic impact of ShearWave™ Elastography used as an adjunct to conventional ultrasound imaging systems.

Throughout this study, numerous presentations were given at various international conferences.

Full recognition of the contribution of the application for the breast provided by Aixplorer® was awarded in early 2012 by the publication of two articles in the prestigious journals Radiology and European Radiology, both of these being scientific journals that are acknowledged for their independence and critical thinking.

The final clinical results were presented on March 1, 2012, at the ECR (European College of Radiology) Congress in Vienna, Austria.



Radiology

Shear-wave Elastography Improves the Specificity of Breast US: The BE1 Multinational Study of 939 Masses[1]

Wendie A. Berg, MD, PhD
David O. Cosgrove, MA
Caroline J. Doré, BSc
Fritz K. W. Schäfer, MD
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Catherine Balu-Maestro, MD
Martina Locatelli, MD
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Valérie Juhan, MD
A. Thomas Stavros, MD[2]
Anne Tardivon, MD
Joel Gay, BS
Jean-Pierre Henry, MS
Claude Cohen-Bacrie, PhD
For the BE1 Investigators

Purpose: To determine whether adding shear-wave (SW) elastographic features could improve accuracy of ultrasonographic (US) assessment of breast masses.

Materials and Methods: From September 2008 to September 2010, 938 women consented to repeat standard breast US supplemented by quantitative SW elastographic examination in this prospective multicenter institutional review board–approved, HIPAA-compliant protocol. B-mode Breast Imaging Reporting and Data System (BI-RADS) features and assessments were recorded. SW elastographic evaluation (mean, maximum, and minimum elasticity of stiffest portion of mass and surrounding tissue; lesion-to-fat elasticity ratio; ratio of SW elastographic-to-B-mode lesion diameter or area; SW elastographic lesion shape and homogeneity) was performed. Qualitative color SW elastographic stiffness was assessed independently. Nine hundred thirty-nine masses were analyzable; 802 BI-RADS category 2 masses were assumed to be benign; reference standard was available for 837 category 3 or higher lesions. Considering BI-RADS category 4a or higher as test positive for malignancy, effect of SW elastographic features on area under the receiver operating characteristic curve (AUC), sensitivity, and specificity after reclassifying category 3 and 4a masses was determined.

Results: Median participant age was 50 years; 289 of 939 (30.8%) masses were malignant (median mass size, 12 mm). B-mode BI-RADS AUC was 0.550; eight of 303 (2.6%) BI-RADS category 3 masses, 18 of 193 (9.3%) category 4a lesions, 41 of 97 (42%) category 4b lesions, 42 of 57 (74%) category 4c lesions, and 180 of 187 (96.3%) category 5 lesions were malignant. By using visual color stiffness to selectively upgrade category 3 and lack of stiffness to downgrade category 4a masses, specificity improved from 61.1% (507 of 830) to 78.3% (530 of 677) ($P < .001$); AUC increased to 0.962 ($P = .005$). Oval shape on SW elastographic images and quantitative maximum elasticity of 80 kPa (5.2 m/sec) or less improved specificity (69.4% [421 of 606] and 77.4% [503 of 650], $P < .008$ for both), without significant improvement in sensitivity or AUC.

Conclusion: Adding SW elastographic features to BI-RADS feature analysis improved specificity of breast US mass assessment without loss of sensitivity.

©RSNA, 2012

Clinical trial registration no. NCT00716482

Supplemental material: *http://radiology.rsna.org/lookup/suppl/doi:10.1148/radiol.11110640/-/DC1*

From the Magee-Womens Hospital, University of Pittsburgh School of Medicine, 300 Halket St, Pittsburgh, PA 15213 (W.A.B.); Imperial College, Hammersmith Campus, London, England (D.O.C.); MRC Clinical Trials Unit, London, England (C.J.D.); University Hospital, Schleswig-Holstein, Kiel, Germany (F.K.W.S.); Charing Cross Hospital, London, England (W.E.S.); Yale University School of Medicine, New Haven, Conn (R.J.H.); University Hospital, Frauenklinik, Greifswald, Germany (R.O.); Feinberg School of Medicine, Northwestern University, Chicago, Ill (E.B.M.); Centro Antiveno Lecceseprie, Nice, France (C.B.); Ospedale Civile, Gorizia, Italy (M.L.); Privede Hospital Jean Mermoz, Lyon, France (C.T.); Thomas Jefferson University School of Medicine, Philadelphia, Pa (B.C.C.); University Hospital La Timone, Marseille, France (V.J.); Sally Jobe Breast Center, Denver, Colo (A.T.S.); Institut Curie, Paris, France (A.T.); and SuperSonic Imagine, Aix-en-Provence, France (J.G., J.P.H., C.C.). From the 2010 RSNA Annual Meeting. Received April 7, 2011; revision requested May 25; final revision received July 20; accepted August 19; final version accepted September 6. Supported by SuperSonic Imagine. **Address correspondence to** W.A.B. (e-mail: wendiaberg@gmail.com).

Current address: Sutter Medical Center, Santa Rosa, Calif.

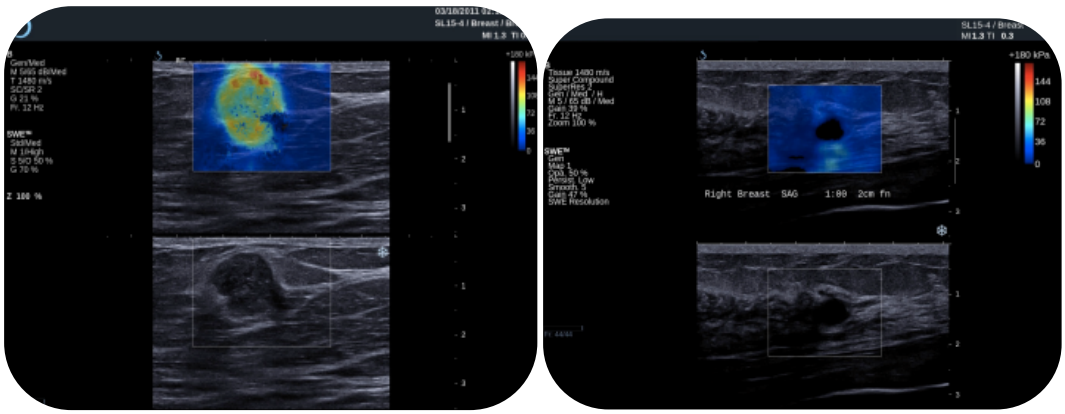
- **The study conducted resulted in a significant improvement in the BI-RADS classification of breast lesions thanks to the better specificity of ShearWave™ Elastography. In fact, the study focused on the classification of breast lesions in the BI-RADS® 3 and 4 categories, and therefore referring patients for medical follow-up or for a biopsy.**

- **Clinical results 1: the accuracy and reproducibility of ShearWave™ Elastography has been proven;**

- **Clinical results 2: ShearWave™ Elastography has been shown to increase the specificity and Positive Predictive Value (PPV) of breast ultrasound imaging.**

Example of images obtained with ShearWave™ technology

Mucinous carcinoma Simple breast cyst



6.6.3.3. OTHER STUDIES CONDUCTED ON THE BREAST

In addition to the recent publications of initial results from the BE1 multinational study, numerous teams across the world have also reported the results of their own experiences. All the clinical publications, classified by application, can be found on the Company's website.

In 2016, the Company completed a study similar to the BE1 study in China across over 20 sites. This study, involving more than 2,000 patients, covered diseases in women with dense breasts for whom conventional RX mammography gives poor results. The results of this study, confirming the results of the BE1 original study, were presented to the 2016 annual meeting of the Radiological Society of North America in Chicago.

6.6.3.4. BI-RADS CLASSIFICATION

The American College of Radiology (ACR) decided to include criteria related to elastography in its most recent update of the BI-RADS classification (*January 30, 2014*).
Translation from the 2nd edition of BI-RADS Atlas on the assessment of elasticity: "Elasticity can be used as a descriptive characteristic for masses and surrounding tissue, in addition to their most important morphological characteristics. This characteristic can be achieved either by manual compression of the mass (static elastography) or by ultrasonic energy delivered within the mass (shear waves). The cancers and their surrounding tissues are generally hard, whereas benign lesions are usually soft; however, as with all other ultrasound criteria, there is an overlap zone. […] The FDA has recently approved meters per second and kilopascals as units of measurement for lesion hardness for shear wave methods. The descriptors applicable to all methods and all available systems are soft, intermediate, and hard."
The integration of elastography into the BI-RADS classification is a significant step forward in the recognition of a distinguishing element of Aixplorer®.

6.6.4. APPLICATION DEDICATED TO BREAST IMAGING: PROSPECTS FOR THE SCREENING AND THERAPY SECTORS

6.6.4.1. PROSPECTS FOR BREAST CANCER SCREENING

Today, ultrasound imaging is attracting interest from many quarters beyond the diagnostic realm, since some studies show that this technique could detect a non-negligible number of lesions that are, moreover, among the most aggressive (29% more cancers were detected when ultrasound imaging was used systematically in addition to mammography for women with dense breasts in the ACRIN 6666 study in which mammography proved to be insufficient).

These women with dense breasts are young patients or those receiving hormone therapy for treatment of the menopause. Additionally, dense breasts are a natural feature of certain populations such as Asian women. Alternatives to screening with mammography alone are therefore being studied, particularly in Japan (J-START study by Dr. Ohuchi *et al.*) to evaluate the benefits of sonography as a complement to mammography for reducing mortality in the context of screening.
As discussed in the preceding section "6.6.3.3. Other studies conducted on the breast", the Group finalized a study of unparalleled scale designed to highlight the clinical benefits of the Group's technology.

That being said, this detection of additional cancers currently comes at the price of numerous false alarms, since ultrasound imaging also detects many benign lesions during screening. This lack of specificity is particularly troublesome since it raises the question of the medico-economic legitimacy of ultrasound screening. The improved specificity permitted by elastography could therefore have a considerable impact on the progressive adoption of ultrasound imaging for screening, by allowing a reduction of its false positives while retaining its power of detection.

This new step in demonstrating the clinical benefits of elastography for screening is a strategic avenue of research for SuperSonic Imagine.

6.6.5. LIVER IMAGING: PRECISE DIAGNOSIS OF LESIONS AND CHRONIC DIFFUSE DISEASES

6.6.5.1. BIOPSIES ARE CURRENTLY THE ONLY DEFINITIVE DIAGNOSTIC TECHNIQUE, DESPITE A REAL RISK OF COMPLICATIONS

The two main types of imaging for the organs of the abdomen, and particularly for the liver, are traditional ultrasound and CT scanning systems:

- since most of the organs of the abdomen are situated at some depth, the ultrasound imaging system used must, if it is to be efficient, offer very good contrast and spatial resolution, as well as good penetration into the organs;

- CT scans are an imaging technique used to make a 3D reconstruction of tissue from a tomographic analysis obtained by X-ray. This technique, which emits radiation, locates tumors and lesions in early stages, but does not allow them to be characterized

The liver is well suited to ultrasound imaging, contrast ultrasound in particular. Easily accessible, it is a prime target for diagnostic ultrasound imaging or biopsy procedure guidance. There are many hepatic pathologies, grouped into those known as focal (nodules and other lesions) and those known as chronic or diffuse (fibrosis, steatosis, cirrhosis and fatty degeneration).

The diagnosis of diffuse and focal hepatic disorders represents a particularly important market (see Chapter 6.4 of this document), with specific medical needs that remain unanswered for the diffuse diseases. For example, hepatitis C affects 270 to 300 million people around the world, and hepatitis B nearly two billion. These hepatic tissue infections develop into fibrosis, then cirrhosis, with the ultimate complication being the onset of cancer sites, portal hypertension or liver failure, which each lead to death of the patient in the absence of treatment. Today, the survival rate at five years after diagnosis of chronic disease is surprisingly low, at only 50%, despite improvements in therapeutic management. If the fibrotic process is not diagnosed sufficiently early and if suitable management is not begun very soon, its development into cirrhosis becomes unstoppable and will result in a liver transplant, at best.

To establish this diagnosis, liver biopsy is currently the only definitive technique. Due to its invasiveness, however, it has a real risk of complications, especially among potentially vulnerable patients, and remains problematic as a method of diagnostic monitoring, where the repetition of the invasive procedure increases the risk of complications.

6.6.5.2. AIXPLORER®: NON-INVASIVE SCREENING OF LIVER FIBROSIS

Several clinical assessments measuring the contribution of ShearWave™ Elastography in the assessment and diagnosis of chronic liver disease are in progress and are subject to clinical collaborations. Several scientific publications have been produced, which showed a clear benefit to the use of Aixplorer® and ShearWave™ Elastography to assess the degree of hepatic fibrosis.

The first collaboration with the Institut Langevin, the Hepatology Unit of the Hôpital Cochin in Paris and an INSERM unit (June 2011) showed for 113 patients with hepatitis C that the SuperSonic Imagine system was a rapid, simple, reproducible and reliable method for **non-invasive** assessment of hepatic fibrosis. By mapping the elasticity of the liver over an extensive and deep area, this method, in contrast to FibroScan® or other non-invasive techniques, made it possible to avoid bias due to the heterogeneity of the fibrosis.

At the end of 2012 and of 2013, two teams published the results of their work, which consisted of evaluating the performance of SWE™ in the diagnosis of hepatic fibrosis in patients carrying the hepatitis C (Ferraioli et al., Hepatology 2012) and hepatitis B virus (Leung et al, Radiology 2013). These two independent publications demonstrated that the measurement of liver tissue elasticity with ShearWave™ Elastography made it possible to distinguish more accurately than with other techniques (FibroScan®) stages of significant, severe fibrosis and cirrhosis, thus having the potential to prevent liver biopsy being performed in some cases, the morbidity rate of which is estimated at 3%.

These results also make ShearWave™ Elastography a very good tool for non-invasive patient monitoring, making it possible both to monitor the development of liver fibrosis and to monitor patients undergoing antiviral therapy.

Several teams are currently working on the evaluation of the benefits of SWE in the context of liver transplants. For example, the South Korean team of Dr. Yoon has showed that SWE allowed the exclusion of any hypothesis of the presence of hepatic fibrosis, thus ensuring the identification of healthy donors. ShearWave™ Elastography also allows

the monitoring of patients who received transplants and identification from four weeks post-transplant of any graft rejections and recurrences of chronic disease.

An international effort to collect clinical information is currently underway with Aixplorer® and ShearWave™ Elastography users. The results of this retrospective study involving 1,300 patients were presented at the ECR (European Congress of Radiology) in April 2015. A press release regarding this presentation can be found on the Company's website.

In parallel, several French university campuses (Paris, Angers, Bordeaux, Grenoble), some of which are international leaders in hepatology, have shown considerable interest in Aixplorer® and ShearWave™ Elastography. Indeed, the addition of a reliable method for measuring hepatic stiffness with an ultrasound imaging device of the liver is a major advance in the diagnosis of chronic liver disease.

6.6.6. PROSTATE IMAGING: AN IMPROVEMENT IN PROSTATE CANCER DIAGNOSIS RESULTING FROM BETTER BIOPSY GUIDING

A publication, which appeared in March 2012, by Drs. Barr, Memo and Schaub from a clinical research center in the United States (Cleveland, OH), presents the results of a study, which aimed to evaluate ShearWave™ Elastography in the detection of prostate cancer. Fifty-three patients participated in this study. These preliminary results concluded that ShearWave™ Elastography provides very high sensitivity (97%) and specificity (70%), which enables the detection and diagnosis of these cancers. According to this study, patients with abnormal blood levels of PSA*, for whom a biopsy is indicated, could avoid this biopsy thanks to non-suspicious results being obtained in a ShearWave™ Elastography scan. This could significantly reduce the proportion of negative biopsies in these patients.

The authors state that shear wave elastography is a very promising technique for detection of prostate cancer on the one hand, and for guiding the biopsy procedure in prostate cancer on the other, and that it could become the principal method for screening and diagnosis of prostate cancer.

Professor Correas's team at the Radiology Department, Necker Hospital, Paris, is also currently conducting a clinical study to evaluate the advantages of ShearWave™ Elastography in the screening and diagnosis of prostate cancer. The results he recently presented to the 2013 Annual Meeting of the *Radiological Society of North America* involved 184 patients recruited by him at the Necker Hospital in Paris and by Dr. Richard Barr (Youngstown, OH, USA), of whom 65 were carriers of a cancer site. Aixplorer® and shear wave elastography enabled 98% of the malignant sites to be correctly diagnosed. In particular, it was possible to predict with extreme accuracy (99%) that a lesion was benign.

Other centers that are currently using Aixplorer® and ShearWave™ Elastography in this clinical application and evaluating the clinical benefits of this technology include: Dr. Nabi at Dundee University, Scotland, Professor Rouvière at Lyon City Hospitals, and Dr. Samir at Massachusetts General Hospital (MGH) in Boston (USA).

Dr. Jochen Walz is a surgeon of German origin and is currently working at the Center for the Fight Against Cancer in Marseille, which is located in the Institut Paoli Calmettes. For the past few months, he has been evaluating ShearWave™ Elastography as part of the diagnosis and detection of prostate cancer and reported an experience similar to Prof. Correas and Dr. Barr. After being surprised by the ease of handling of Aixplorer® and SWE™ technology, all the more so for a non-radiologist, he witnessed the accuracy, reproducibility and high diagnostic value of the measurements made by ShearWave™ Elastography.

The viewing in a color scale of tissue stiffness offered by the Aixplorer® ShearWave™ Elastography mode should also be an important contribution in brachytherapy operations to better view where to put the radioactive element used to destroy diseased tissue.

6.6.7. THE OTHER APPLICATIONS AND THE FUTURE OF CLINICAL INNOVATION AS SEEN BY SUPERSONIC IMAGINE

In addition to the applications of ShearWave™ Elastography in the diagnosis and even screening of breast cancer, and the evaluation of the advancement of hepatic fibrosis and in diagnosing prostate cancer, Aixplorer® is also used in many other clinical domains. The development of an ultra-fast Doppler mode, named "UltraFast™", has also allowed Aixplorer® to position itself in the diagnosis and characterization of vascular pathologies, such as stenosis and the visualization of transient phenomena associated with blood flow turbulence.

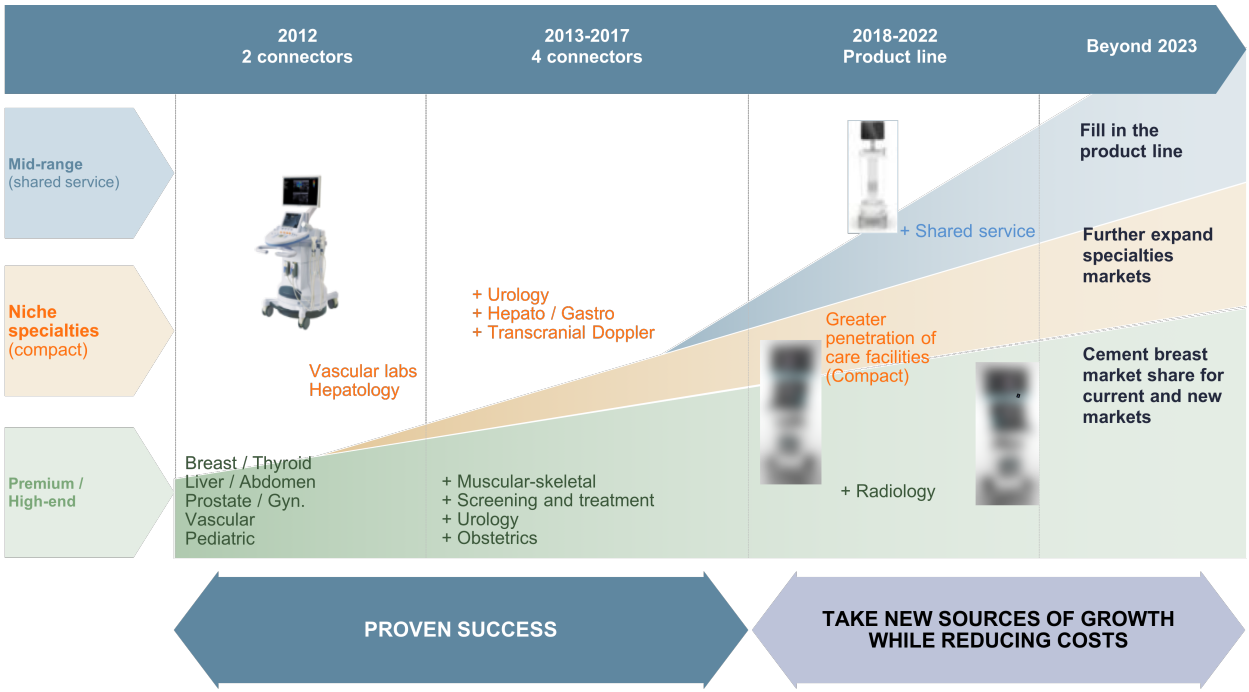
Dr. Stéphanie Franchi-Abella of Kremlin Bicêtre Hospital in Paris, who specializes in pediatric examinations, willingly says that the use of UltraFast™ Doppler in young children ensures acquisitions of good quality and considerable flexibility in pediatrics.

The technological and clinical expertise of SuperSonic Imagine is redefining the shape of the ultrasound imaging market. Demonstration of clinical benefits is an asset for meeting the requirements of the premium/high-end market while allowing the creation of new target markets such as hepatology or gastroenterology for the liver. Indeed, in these clinical specialties markets, a high level of scientific evidence is expected to meet the diagnostic needs of specialists without requiring the expertise of image interpretation by the radiologist. Only such clinical evidence supports the adoption of innovative technology by specialists.

The example of the "liver" clinical application is interesting on this point. In industrialized countries, the increasing number of carriers of hepatitis C has resulted in an urgent need for an alternative to ultrasound-guided biopsy to evaluate in a **non-invasive** manner the degree of liver fibrosis. With equipment easily usable by hepatologists, the recent adoption of FibroScan® allows them to keep hold of their patients without depending on radiologists to perform ultrasound-guided biopsies. However, for monitoring fibrosis patients, only radiologists can still perform a complete ultrasound examination, for a prognosis of cirrhosis complications or even a diagnosis of hepatocellular carcinoma.

As a result, SuperSonic Imagine's ultrasound imaging system, thanks to shear wave elastography, enables radiologists to retrieve diagnostic information for fibrosis even during the ultrasound imaging examination and allows hepatologists to appropriate ultrasound imaging to provide a simple and robust alternative to the FibroScan®. This becomes even more evident in Asia, where the prevalence of hepatitis B continues to grow.

6.6.8. ROADMAP



6.7. RAPID COMMERCIAL DEVELOPMENT

6.7.1. MARKETING AUTHORIZATION IN 63 COUNTRIES

The regulatory aspects of the Group's activity are managed by the Regulatory/Quality team attached to the Chairman of the Management Board. Since Aixplorer® and the probes are medical devices, their marketing requires specific authorizations from the competent national authorities.

As of the date of this report, the Group has marketing authorization:
in 55 countries where authorization has been obtained;

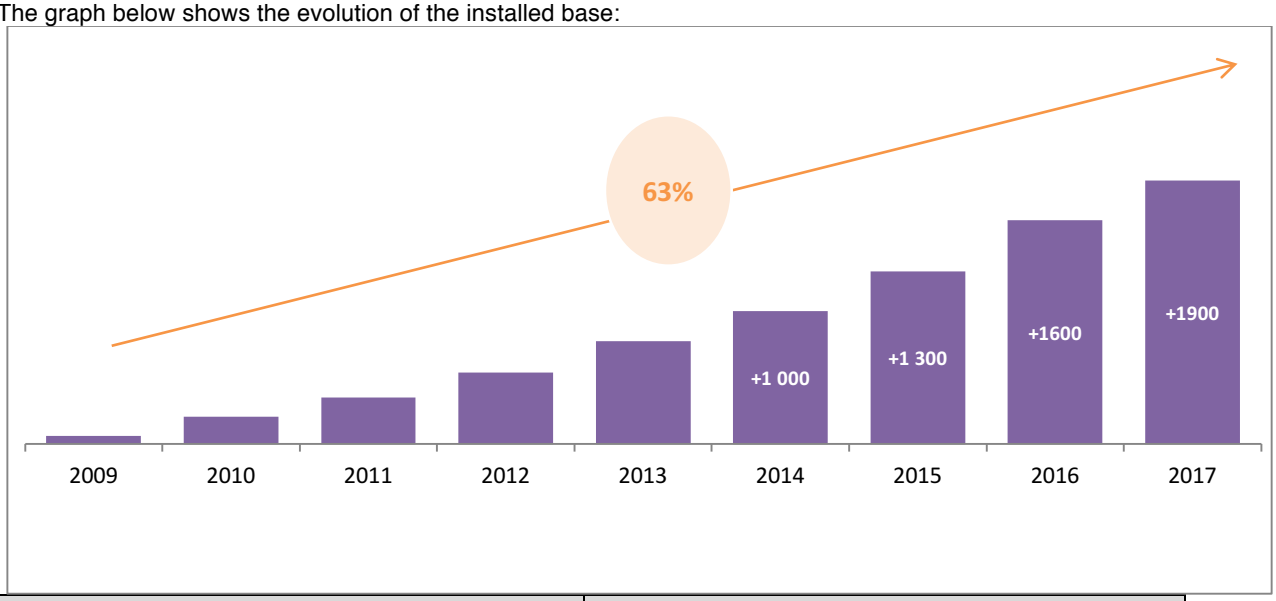
in eight countries for which no authorization is required;

for one country where an application was made and is currently being reviewed.

6.7.2. A CURRENT INSTALLED BASE OF MORE THAN 1,900 UNITS WORLDWIDE

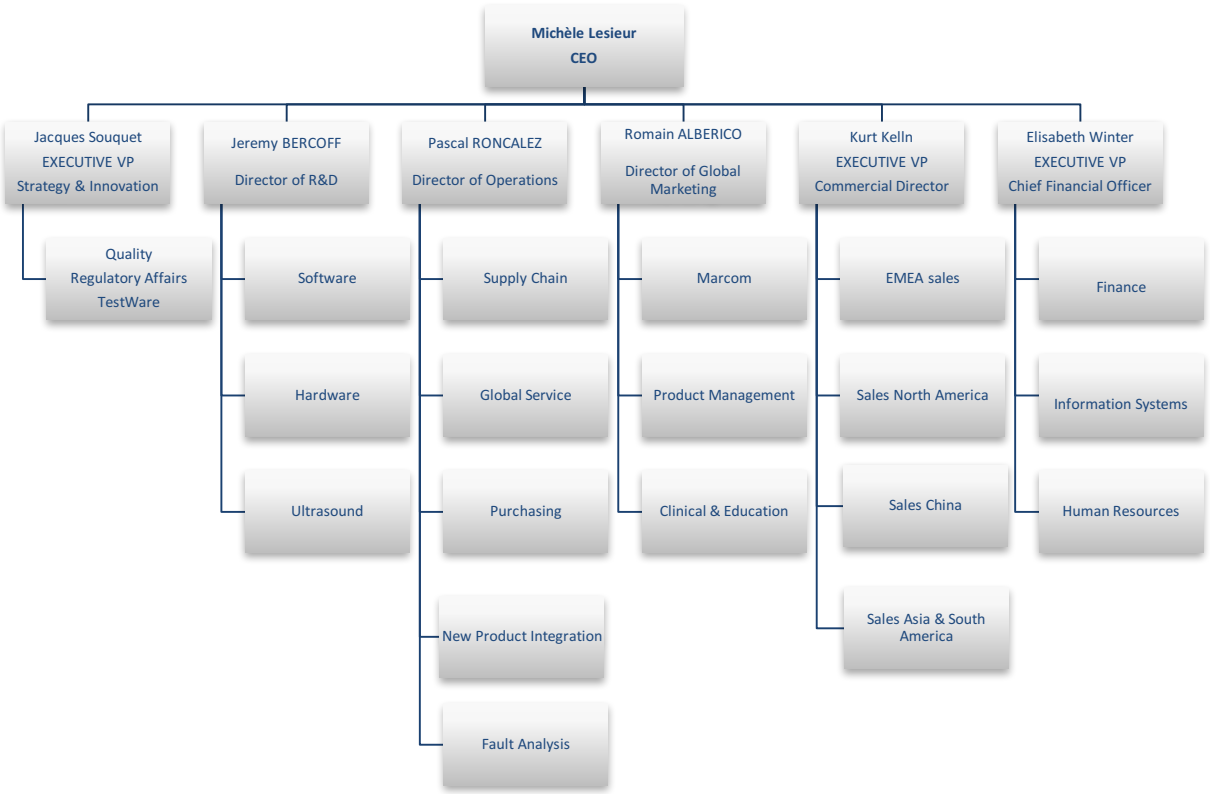
With the CE mark obtained in March 2009 and FDA "510(k)" clearance in August 2009, over 1,900 Aixplorer® devices had been sold as of December 31, 2017, namely within eight years, through a commercial organization that covers the major countries in the world.

The graph below shows the evolution of the installed base:



French	English
63 %	63%
2009	2009
2010	2010
2011	2011
2012	2012
2013	2013
2014	2014
2015	2015
2016	2016
2017	2017
+1000	+1000
+1300	+1300
+1600	+1600
+1900	+1900

6.8. INTERNATIONAL MANAGEMENT THAT FOCUSES ON QUALITATIVE GROWTH



Beyond a relatively conventional organization, including departments for R&D, Operations, Marketing, Distribution and Finance, the Group has established cross-functional teams by project. Furthermore, right from the start it formed a scientific council which brings together physicians and scientists from around the world. SuperSonic Imagine submits ideas to this committee of experts, who play a part in technological and clinical assessment.

6.8.1. TECHNICAL DEPARTMENT: AN ADVANCED RESEARCH & DEVELOPMENT DIVISION

The Company grew out of the will of a high-level multidisciplinary team to develop a next-generation ultrasonic wave medical imaging system and it brought together a strong engineering team assigned to the R&D department.
The R&D division broadly consists of three divisions working together very closely.
Within their respective fields, they operate at two levels:

- **Continuous improvement of the product range (development of new probes and application software); and**
- **over the longer term, the next generation ultrasound scanner as well as targeted collaborative projects (see Chapter 11 of this document).**

- **The "Ultrasound" division**

The objective of this leading division is to develop innovative imaging methods according to clinical needs.

- **The "Hardware" division**

Aixplorer® is a platform that includes mechanics and electronics to which is added software, which requires software developments to make them function properly together and provide integrated functions for measurement, computation and signal processing.

- **The "Software" division**

One of the major assets of the Company is the fact of having selected software architecture for its ultrasound imaging, which enables a reduction in the use of electronic boards, the processing power of which restricts the development of new applications. SuperSonic Imagine with its UltraFast™ technology uses video game technology due to its characteristics of being able to process a large quantity of data with a rapid, high-quality display.

- **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 contact "in the field" and works with the clinical sites in order to obtain clinical benefits. The division's "product management" is active at the global level.

6.8.2. 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 in France, the United States and Germany;
- An indirect approach comprised of a network of distributors;
- A special approach in China through a representative office in Beijing, and a subsidiary (WFOE).

6.8.2.1. THE CURRENT SALES NETWORK

The evolution of consolidated revenue by sales channel is shown in Section 9.2.1.1.

The entire sales force receives regular training on technical and purely clinical aspects, which are always evolving, and in particular on new areas of Aixplorer® medical applications, many sales support tools developed by the marketing department (such as brochures, videos, 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 congresses and industrial and commercial exhibitions;

organization of workshops to train customers and potential customers;

organization of in situ demonstrations in target medical centers.

At December 31, 2017, the global sales network was as follows, covering 53 countries (including French overseas departments and territories) and was divided into four geographical areas involving primarily:

French	English
Etats-Unis	USA
3 vendeurs direct	3 direct salespeople
3 supports cliniques	3 clinical support
3 services	3 services
Distributeur foie (Sandhill) : 24 vendeurs	Liver distributor (Sandhill): 24 salespeople
Distributeur Canada et Mexique	Canada and Mexico Distributor
France	France
4 vendeurs direct	4 direct salespeople
2 supports cliniques	2 clinical support
3 services	3 services
Distributeur foie : 4 vendeurs	Liver distributor: 4 salespeople
Distributeur îles de La Réunion, de la Martinique et Nouvelle Calédonie	Distributor on La Réunion, Martinique and New Caledonia
Chine	China
10 vendeurs direct	10 direct salespeople
6 supports cliniques	6 clinical support
4 services	4 services
35 distributeurs	35 distributors

Strengthening the sales network is one of the Company's short- and medium-term priorities, so as to implement a strategy of wide-scale roll-out of its equipment and to profit to the full from opportunities offered by a Premium/High-end market estimated to be worth almost USD 3.4 billion in 2017 (*Source: InMedica 2013*) (See Chapter 12 of this document).

6.8.2.2. AFTER-SALES

After-sales support is based at the Company headquarters and provided at different levels:
the distributors provide 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 performed by the Group;

each installed system is visited on average twice yearly 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, the United States and Germany.

6.8.3. TARGETED MARKETING

6.8.3.1. OPERATIONAL MARKETING

With five employees dedicated to marketing, the department provides marketing communication and organizes the training of the sales team, distributors, and customers and the monitoring of clinical studies by physicians.

- **The Training division**

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.

A "users' club" through a website dedicated to all users. All documentation on the Group's products, feedback on physician experiences and clinical cases are available, as this site is meant to be a forum for exchange of practitioners' experiences.

- **A dedicated training site**

At the Georges Pompidou European Hospital and the Necker Hospital, 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 establishment.

- **Marketing communication**

The team is responsible for the development of messages and their implementation in the form of multiple communication and marketing materials such as conventions and exhibitions, press relations, brochures, e-mail campaigns, video and social networks.

- **A strong presence in major international conferences**

The Company is present at international conventions, which correspond to its priority targets. Since 2011, SuperSonic Imagine has participated in forty international conventions per year.
The most representative annual conventions are:

- European Congress of Radiology (ECR);
- Les Journées Françaises de Radiologie (JFR) where the Company presented Aixplorer® for the first time in 2008 to radiologists;
- Annual Meeting of the Radiology Society of North America (RSNA);
- Japanese Society of Ultrasound in Medicine (JSUM);
- European Federation of Societies for Ultrasound in Medicine and Biology Ultrasound (Euroson);
- World Federation for Ultrasound in Medicine and Biology (WFUMB), every two years;
- EASL (European Association for the Study of the Liver);
- AASLD (American Association for the Study of the Liver);
- ESCAR (European Society of Gastrointestinal and Abdominal Radiology);
- UEGW (United European Gastroenterology Week);
- AIUM (American Institute of Ultrasound in Medicine).

Prior to these conventions, 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® applications are presented at these conferences.
During conventions, the Company routinely organizes a symposium at which it invites practitioners to present the results of their experience with Aixplorer®.

- **Press relations**

Press relations are an important route of communication for the Company, which primarily targets the trade press, but also develops relationships with the general public, with recent articles in La Tribune, Le Figaro, Les Echos, Le Monde, Femme actuelle, etc.
SuperSonic Imagine attaches particular importance to communication with the general public, which, once educated, can start to make demands. This is why the Company is going to target more extensively women's magazines, men's magazines, health magazines and magazines read by pensioners.
For its press relations, the Company calls on an external agency for France and French-speaking countries and on an independent agent in the United States.

6.8.4. A PRODUCTION CAPACITY ADAPTED TO SUSTAINED GROWTH

6.8.4.1. SUBCONTRACTING OF ASSEMBLY TO A "FIRST-RATE" SUBCONTRACTOR FOR INCREASED PRODUCTION FLEXIBILITY

Fully integrated until the end of 2010, production was partially outsourced during 2011 and more significantly in 2012 to meet the requirements of an expected sharp increase in production in the coming years.

Since 2013, the production of the Aixplorer® platform has been fully subcontracted to Plexus, a global leader in medical device assembly (with a 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).

It produces Aixplorer® devices in their standard configuration, which represents approximately 95% of assembly, in accordance with specifications defined by SuperSonic Imagine, guaranteeing a very high-end level of quality.

Once delivered to the Group's headquarters, teams perform checks on receipt of goods, and as orders come in, for conformity with the purchase orders, for the product configuration according to the specifications required by each customer, and final product testing before shipping.

Production has been done at the Plexus Group plant in Penang, Malaysia since 2014, having been done in Scotland by the same group up to 2013. There were two main reasons behind this transfer: the Malaysian plant is more technologically advanced and purchases are in US dollars, allowing Supersonic Imagine to limit its foreign exchange risk.

As part of this transfer, the Company and its partner have worked together to verify the assembly and testing processes and to qualify and approve new subcontractors used locally in Malaysia.

Secondly, SuperSonic imagine wants to gradually transfer to its partner the stages still performed by the Group. As a result, it would produce platforms configured to order (CTO) and ensure Direct Order Fulfillment (DOF) to customers, allowing us to be more responsive to our customers while saving on transportation costs. The Group is actively working on the development of the necessary IT and logistics infrastructure as well as certification for this activity.

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

6.8.4.2. SELECTED SUBCONTRACTING PARTNERS

The relationship with the critical suppliers, such as those for the power supply for the equipment, the control panels, and also the probes, is maintained directly by SuperSonic Imagine.

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 and regulatory constraints, by production capacity, which matches 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. In fact, the R&D department works in advance with the subcontractors in order 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-industrial phase (subcontractor manufacturing processes) has been validated by the R&D teams, the Supply Chain function takes over.

Finally, the "Supply Chain" department calls on all types of service providers according to local constraints (country), particularly with respect to logistics. Delays in manufacturing are taken into account in order to minimize inventories while ensuring a delivery time to customers in line with market norms. The department provides both shipments of finished products as well as procurement services, where one person is in charge of monitoring and validating suppliers in close contact with the Quality division. This function is also involved very early on – from the design stage – with subgroups in R&D and it plays a part in the industrial strategy.

6.8.4.3. 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 is dated November 22, 2016. Certification covers the 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. The critical subcontractors (which supply products "on contract" or have a strong influence on the quality and safety of the products) 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.).

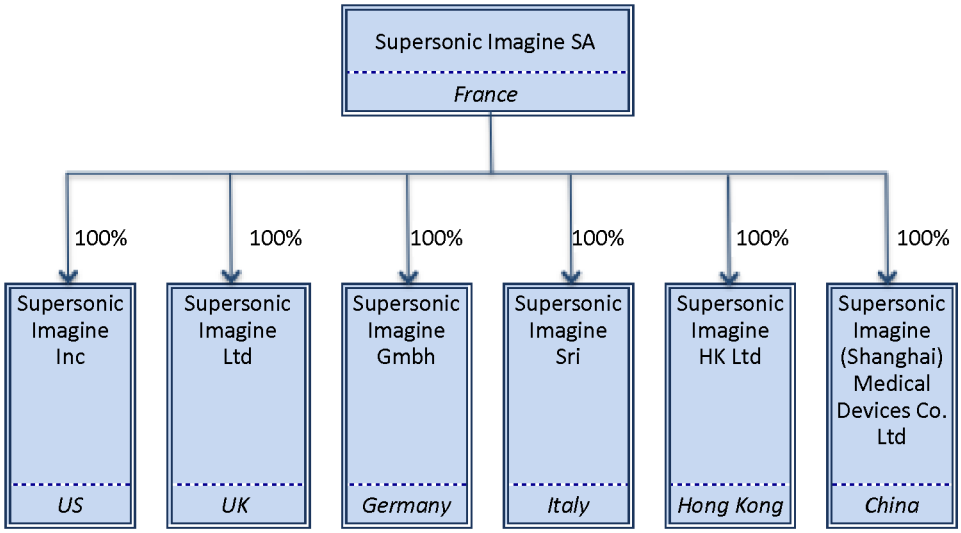
In parallel, the Group's subcontractors are subjected to regular assessments of a number of criteria (organization, financial exposure, etc.) by means of assessment questionnaires, and sometimes by means of audits performed by SuperSonic Imagine at their site, depending on their criticality and their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

Since Q4 2016, SuperSonic Imagine has also been ISO 14001 certified, validating and affirming the company's environmental approach.

7. ORGANIZATIONAL CHART

7.1. GROUP ORGANIZATIONAL STRUCTURE

At present, the Group's legal structure is the following:



7.2. LIST OF SUBSIDIARIES, BRANCHES AND SECONDARY ESTABLISHMENTS

The Company currently has six subsidiaries:
SuperSonic Imagine, Inc.: a US subsidiary incorporated in March 2007 and headquartered in Weston (Florida – United States of America). This entity conducts mostly commercial activity in the United States in addition to marketing. Represented by Michèle Lesieur, this subsidiary had 12 employees as of December 31, 2017.

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 Jacques Souquet, this subsidiary had two employees as of December 31, 2017.

SuperSonic Imagine (HK) Ltd: incorporated in June 2011 in Hong Kong, the purpose of this subsidiary is the development of the Group's business activities in the Asia-Pacific region excluding China. Represented by Jacques Souquet, this subsidiary had three employees as of December 31, 2017.

SuperSonic Imagine Ltd: incorporated in March 2008, it is represented by Jacques Souquet, and had two employees as of December 2017.

SuperSonic Imagine Srl: the Italian subsidiary established in October 2009. This entity is now dormant, the proposal to develop a direct sales force having been abandoned. It has no employees.

Supersonic Imagine (Shanghai) Medical Devices Co. Ltd: Chinese subsidiary incorporated in December 2015, to develop direct sales in the country. This entity is represented by Michèle Lesieur and had 43 employees as of December 31, 2017.

Key figures for the subsidiaries are as follows:

In thousands of euros		SuperSonic Imagine Inc	SuperSonic Imagine Ltd	SuperSonic Imagine, GmbH	SuperSonic Imagine Srl	SuperSonic Imagine (HK) Ltd	Supersonic Imagine (Shanghai) Medical Devices Co. Ltd
Capital		10,396	1	25	10	1	2,007
Shareholders' equity other than share capital		(32,668)	(1,983)	(2,878)	(27)	157	(345)
Percentage of share capital held		100%	100%	100%	100%	100%	100%
Carrying amount of shares held	Gross	11,209	2	25	10	1	2,000
	Net	-	-	-	-	1	1,551
Loans and advances provided and outstanding, net		-	-	-	-	(178)	(2,024)
Securities and guarantees provided by the company		-	-	700	12	-	-
Revenue 2017		828	192	1,515	-	408	3,334
2017 net income (loss)		(4,403)	(183)	(366)	(3)	33	243
Dividends received by the company		-	-	-	-	-	-

7.3. MAIN INTRA-GROUP FLOWS

There are four types of intra-Group agreements.

a) Assistance and service agreements

An agreement for services was entered into on January 1, 2011 between the Company and its subsidiaries SuperSonic Imagine Inc., SuperSonic Imagine GmbH and SuperSonic Imagine Limited.

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

- administrative services,
- sales and marketing services,
- financial and legal assistance,
- treasury services,
- human resources management.

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

As compensation for these services rendered, the Company invoices its subsidiaries the following amounts:

1) invoicing of the total service cost +12% for administrative services,

2) invoicing of the total service cost +8% for other points covered by the agreement.

During the financial year ended December 31, 2017, the Company invoiced the following amounts to each of its subsidiaries under this agreement:

3) €1.202 million to SuperSonic Imagine Inc.;

4) €297,000 to SuperSonic Imagine GmbH;

5) €72,000 to SuperSonic Imagine Limited.

b) Cash management agreement

A cash management agreement was entered into on January 1, 2011 between the Company and its subsidiaries SuperSonic Imagine Inc., 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, 2017, the Company charged the following interest to each of its subsidiaries:

6) €123,000 to SuperSonic Imagine Inc.;

7) €19,000 to SuperSonic Imagine GmbH;

8) €12,000 to SuperSonic Imagine Limited.

9) none to SuperSonic Imagine Srl;

10) none to SuperSonic Imagine (HK) Limited.

c) 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. covers the provision of staff to the Company by its US subsidiary.

An amendment to the said agreement was agreed on January 1, 2013 in order to clarify (i) the extent of services that would be provided and (ii) the terms of billing. Accordingly, as compensation for this service, the subsidiary invoices the Company for the total cost of the staff assigned.

During the fiscal year ended December 31, 2017, the agreement covered the provision of a vice president of sales and a director of product management for an amount invoiced to the Company by its subsidiary of €262,000.

d) 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 Convention was agreed on January 1, 2013 to clarify the billing terms.

As compensation, the subsidiary invoices the Company the total cost of these services plus 8%. As such, during the fiscal year ended December 31, 2017, SuperSonic (HK) Limited billed the Company the amount of €403,000.

On January 1, 2016, the Company signed a service agreement with its subsidiary Supersonic Imagine (Shanghai) Medical Devices 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, 2017 totaled €3.050 million.

e) Services and marketing 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.
A further one was agreed in January 2016 between the company and Supersonic (Shanghai) Medical device Co. 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, 2017, SuperSonic (GmbH) Limited billed the Company €493,000 and the Company billed UK -€169,000 and the Chinese company billed the company €3.050 million.

In addition to these agreements, eight agreements described in Section 16.2 of this Registration Document link some members of the Management Board to the Company.

8. SOCIETAL AND ENVIRONMENTAL INFORMATION AND INFORMATION ABOUT OWNERSHIP

8.1. DESCRIPTION OF REAL ESTATE PROPERTIES

The only premises leased by the Group are as follows:
Headquarters in Aix-en-Provence: the Headquarters consist of two buildings leased from a third party who has no tie with the Company and its managers. The buildings are located at 510, rue René Descartes in Aix-en-Provence.
The lease agreement signed on July 18, 2008 for a period of nine years subject to the commercial lease legal terms and conditions concerns the rental of two buildings, each comprising a ground floor and a first floor covering approximately 1,700 m^2 and 90 outdoor parking spaces. The annual rent is €204,000 excluding charges. A guarantee deposit of €65,000 was paid in cash upon signing the lease agreement.
On June 11, 2015, the company signed a new nine-year lease for a building at 730, rue René Descartes in Aix-en-Provence, which is adjacent to the first two. The lease is for a 410 m^2 ground floor, with annual rent of €51,250 (exceptionally reduced to €47,150 for the first year and €49,200 for the second year).

A) Premises in the United States: The Company changed its premises **in the city of Bothell (Washington)** in the United States in March 2015:

From March 2015 to May 2017:
The company had offices in Bothell (Washington) that were 1,994 sq. ft. (approx. 186 m2) in size and came with six parking spaces, which were leased by SuperSonic Imagine Inc. from a third party with no tie with the Company and its management. A commercial lease agreement had been entered into on January 6, 2015 for a 39-month term as from March 1, 2015 to March 31, 2018. The monthly rent increased over the period by USD 2,600. In accordance with the terms of the lease agreement, a guarantee deposit of USD 4,000 was paid on the date of signing of the lease agreement. This agreement was irrevocably terminated in May 2017. The company no longer has any offices in Washington State.
Since 2017: In Miami: the Group occupies furnished offices within a business center. Following the request for an additional office, a new contract was signed in October 2017. It ends in December 2017 and sets the rent at USD 2,700 including tax per month (i.e. around €2,300).

b) Representative office in Beijing: The Chinese representative office is located in Beijing, Chaoyang District. Covering an area of about 210 m², these offices are leased from a third party, who has no tie with the Company and its management, under the terms of a lease agreement covering the period from December 3, 2016 to December 2, 2019 at an annual rent of RMB 493,000, i.e. approximately €70,000. A guarantee deposit of RMB 78,000 (about €9,000) was paid in cash.

c) Shanghai office: On April 1, 2015, the company signed a two-year lease agreement in Shanghai. Covering an area of about 160 m², these offices are leased from a third party, who has no tie with the Company and its management, from April 11, 2015 to April 10, 2017. The annual rent is RMB 326,000, i.e. around €45,000. A guarantee deposit of RMB 7,000 was paid. This contract was renewed until April 10, 2019.

The other Group entities only have a postal address.

8.2. ENVIRONMENTAL AND CORPORATE ASPECTS

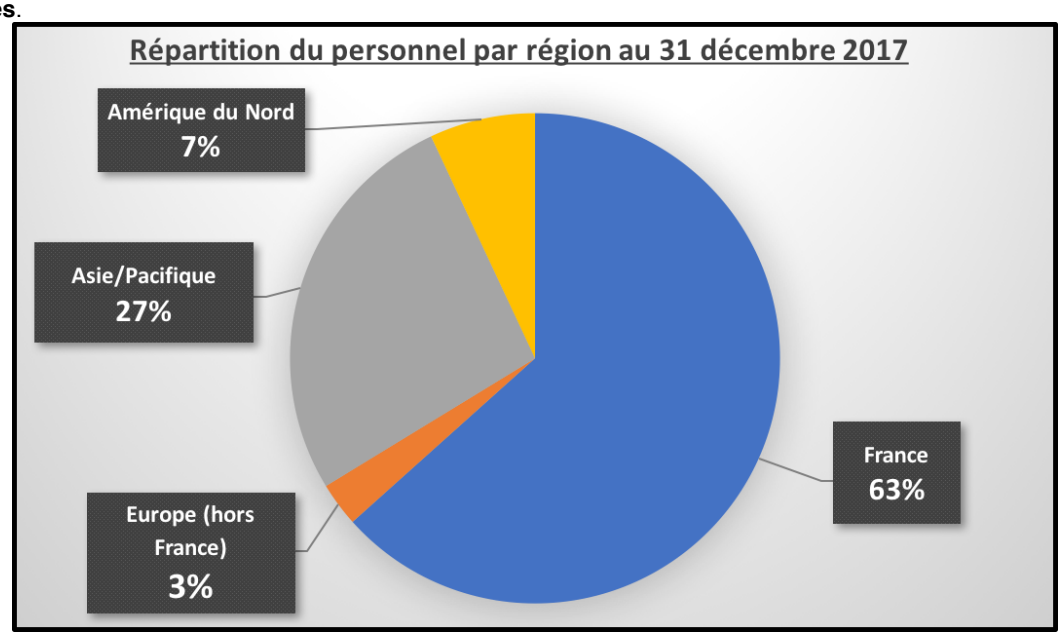
8.2.1. CORPORATE INFORMATION

For this fourth year of publication of information relating to the Grenelle II Law, corporate indicators are reported for the full scope of consolidation unless otherwise stated.

- Employment

1.1.1 Total workforce and distribution of employees by gender, age and region
With its international footprint, the Group employs people of various nationalities, cultures and languages.

As of **December 31, 2017**, the Group had a total of **172 employees** worldwide, versus **161 at December 31, 2016**, excluding vocational training contracts and temporary workers, corresponding to **170.60 full-time equivalent employees**.



French	English
Répartition du personnel par région au 31 décembre 2017	Staff breakdown by region at December 31, 2017
Amérique du Nord 7 %	North America 7%
Asie/Pacifique 27 %	Asia/Pacific 27%
Europe (hors France) 3 %	Europe (excluding France) 3%
France 63 %	France 63%

Global total: 172

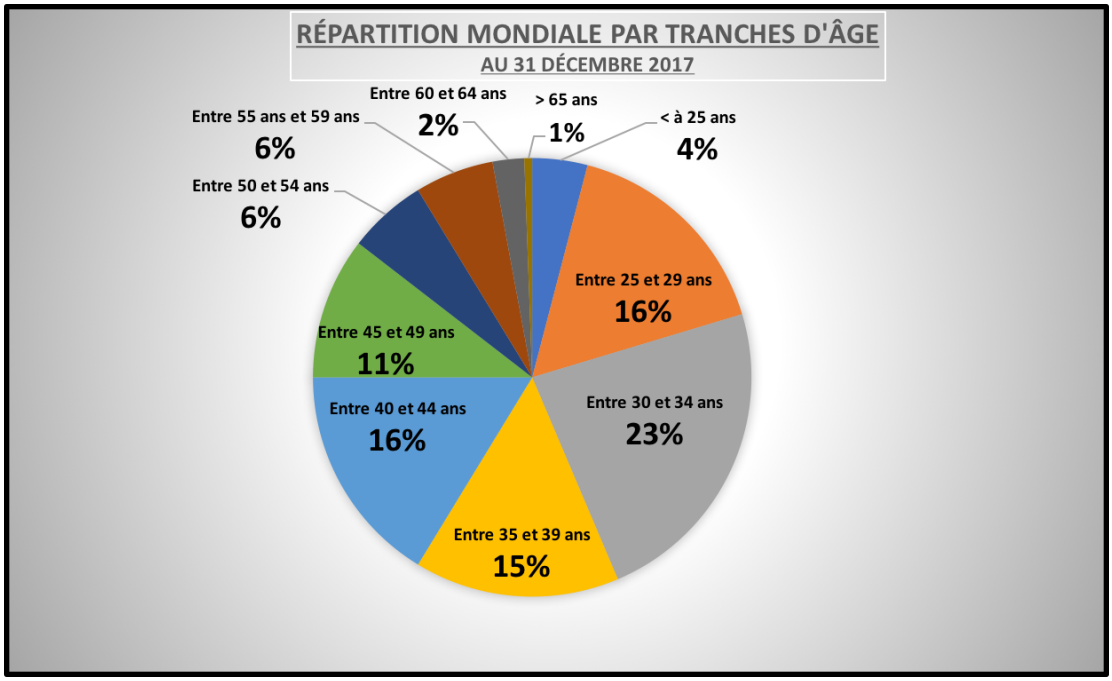
	Dec. 31, 17	Dec. 31, 16
Number of open-ended employment contracts (or local equivalent by country)	165	154
Number of fixed-term employment contracts (France only)	7	7
Total	172	161
Men	111	108
Women	61	53
% women	35.46%	32.91%

Distribution of employees by age	Dec. 31, 17	Dec. 31, 16
Under 25 years old	7	2
Between 25 and 29 years	28	28
Between 30 and 34 years	40	31
Between 35 and 39 years	26	30
Between 40 and 44 years	28	22
Between 45 and 49 years old	18	22
Between 50 and 54 years	10	9
Between 55 and 59 years	10	12
Between 60 and 64 years	4	2
Over 65 years old	1	3
Total	172	161

The average age of employees is 38.3, and 38% of employees are between 30 and 39 years old.

More specifically, the average age of employees in Europe is 39.3, in the United States 47 and in Asia-Pacific 33.

The noteworthy broad trend is of a sharp reduction in the average age in all regions.
The Company saw a significant rate of departure in 2017 and this underpins the fact that the new hires are young. A number of assumptions regarding these departures are discussed in the section below.



French	English
Répartition mondiale par tranche d'âge au 31 décembre 2017	Global breakdown by age bracket at December 31, 2017
Entre 50 et 54 ans 6 %	Between 50 and 54 6%
Entre 55 et 59 ans 6 %	Between 55 and 59 6%
Entre 60 et 64 ans 2 %	Between 60 and 64 2%
> 65 ans 1 %	> 65 1%
< à 25 ans 4 %	< 25 4%
Entre 45 et 49 ans 11 %	Between 45 and 49 11%
Entre 40 et 44 ans 16 %	Between 40 and 44 16%
Entre 35 et 39 ans 15 %	Between 35 and 39 15%
Entre 30 et 34 ans 23 %	Between 30 and 34 23%
Entre 25 et 29 ans 16 %	Between 25 and 29 16%

1.1.2 New hires and departures

	Dec. 31, 17	Dec. 31, 16
Hires	49	39
Departures	41	42

In 2017, the Group hired 49 people, 77.5% of which on open-ended contracts or the local country equivalent.

Of the people who left **22** resigned, accounting for **53.6%** of all these departures.
A portion of the resignations in Asia is due to the highly competitive job market in the Company's sector, where competing Companies tempt away candidates with highly attractive offers, on the back of continued strong growth in these countries.
The other resignations involved employees who had been with the Company for a number of years and who were looking for new challenges.
The Company took steps to prevent the loss of intellectual capital, by ensuring that knowledge was shared by more than one person.

Six departures were due to **dismissals** (**14.6%**). **11 fixed-term contracts expired** (**26.8%**). In the case of **one** employee, the **contract was terminated by mutual agreement** (**2.4%**). And, **one** departure was due to **retirement** (**2.4%**). It should be noted that no employee has retired since 12/31/2017.

Departure rate[1]	2017	2016
Group worldwide	26.11%	25.61%

1.1.3 Compensation and changes

The Group's compensation policy has the following objectives:

Looking for strong consistency with local market practices to ensure competitive compensation levels in each of the countries where the Group operates.

Providing a link to the company's performance and contribution of employees to this performance, with respect for fairness among employees.

Management Board compensation is explained in Section 15.1 of this Registration Document.

The compensation of the Group's employees therefore consists of:

- **fixed compensation** assessed at an absolute value and reviewed from year to year;
- **social protection** consisting mostly of contributions to a pension, reimbursement of medical expenses and disability and death coverage;
- **variable medium-/long-term compensation** consisting mostly of stock option grants (still in force) and an incentive agreement established in 2014 (expired on December 31, 2017) (see Section 1.3.2), in an attempt to encourage greater employee sharing in the Group's success and to improve their performance.

Non-discrimination

For a given job level and an equal level of individual performance, the Group ensures that no wage discrimination takes place due to gender, ethnicity or other reasons.

In thousands of euros	2017	2016
Total payroll	11,161	11,013
Revenue	24,695	22,217
Total payroll/Revenue ratio	45%	50%

- Work organization
  - Organization of working time

The reference working week is set at 35 hours per week for employees in France, pursuant to the Metallurgy Collective Agreement binding on the Company.

However, as stipulated in their employment contracts, and given the technical nature and degree of initiative required for the positions assigned to the Company's managerial staff, it is not bound to follow a specific schedule. All managers must devote the time necessary for the proper performance of their duties, in compliance with applicable legal provisions, including the Collective Agreement based on the allotted number of days for the year (218 days including the day of solidarity described in Article L. 212-16 of the French Labor Code).

As for Non-Managerial employees, the Company's established practice is to allot 36 hours and 50 minutes weekly to allow employees to benefit from days for reduced working time (RTT).

Use of paid overtime is exceptional, the Company preferring compensatory time off.

The telecommuting agreement established in France in 2014 on a trial basis, and made permanent in 2015 to improve working conditions, is still in force.

[1] Departure rate: number of departures during the period compared to the total workforce at the beginning of the period

For the Company's subsidiaries abroad, working time arrangements are made in compliance with the laws in force in the country.

At December 31, 2017, there were seven part-time employees compared with six a year earlier. Two employees work part-time at 80%, three employees work part-time at 90% and two others are on a parental leave working part-time at 80% and 50%, respectively.

	Dec. 31, 17	Dec. 31, 16
Number of part-time employees	7	6
Total workforce	172	161
Percentage of part-time employees	4.06%	3.72%

1.2.1 Absenteeism

This indicator is monitored and controlled locally at each subsidiary. For this fourth report, the Company determined this indicator for France only in order to ensure ongoing consistency for comparison purposes.

This is done to define the relationship between the total number of days of absence during a given period and the number of days normally worked in the same period.

Reason	Number of employees affected (France)	Number of absent days in 2017
Illness	25	316
Maternity, Paternity	7	384
Workplace accident	1	0
Of which commuting accident	1	0
	33	695

The rate of absenteeism was 1.33% in 2017, compared to 3.28% in 2016.
This is sharply down and is also well below the rate of absenteeism in the private sector which stood at 4.59% in 2016 (source: 9th Baromètre de l'Absentéisme® Ayming, formerly Alma Consulting Group). This reduction is due to a number of factors:

- fewer employees on sick leave: 25 in 2017 compared with 33 in 2016, namely 8 fewer,
- a significant reduction in the number of days off: 1,295 days in 2016, compared with 695 in 2017

This represents a reduction from 39 in 2016 to 13 in 2017 in the average number of days off, five employees having been on sick leave for over 20 days in 2017.

- Employee-management relations

1.3.1 Employee representation

Employee-management relations within the Group are based on respect and dialog. In this spirit, employee representatives and Company management meet monthly to discuss, negotiate and conclude agreements and monitor their implementation. Employers are assisted in these meetings by the head of human resources.

In the French entity, the members of the Single Staff Delegation (SSD) serve as both employee representatives and works council members. SSD members were first elected in February 2009. It was most **recently** reappointed on **March 14, 2017**. At the same time this employee representative body was converted from a SSD to an **expanded SSD** with the **incorporation of the Health, Safety and Working Conditions Committee (Comité d'Hygiène et de Sécurité des Conditions de Travail - CHSCT)**.

In other countries, if there are no elected employee representatives, the opportunity is given to employees to express their opinions to management and the human resources department of the Company's head office.
At the same time, the Group communicates regularly with employees about its strategy, results, and the progress of projects.

1.3.2 Summary of collective agreements

Two agreements with employee representatives are still in force in the company:

- **A telecommuting agreement** (applicable only to employees of the French entity).

The work organization at SuperSonic Imagine is based on a very flexible model that facilitates frequent adaptations and rearrangements out of concern for efficiency and productivity. In fact, Company employees frequently request such flexible working arrangements, which allow them to work at home up to one day a week, subject to certain technical conditions being met.
This agreement aims in particular to ensure that telecommuting remains an effective solution and that it is undertaken in the mutual interest of the employees and the Company. Its purpose is to combine a need for operational efficiency and flexibility and improve the work-life balance.

The agreement was made permanent in 2015. In **2017, seven employees** who applied **were able to benefit from it**.

	2017	2016
Employees benefiting from the agreement (France)	7	8

- **An agreement on the carrying over of paid leave**, signed with employee representatives in 2015 that has been made permanent.

This agreement only applies to employees in the French entity, insofar as the labor law and practices in the other Group countries already provide for similar measures. This agreement was thus inspired by measures that exist in the United States or indeed in Germany.

As indicated above, given that the work organization at SuperSonic Imagine is based on a very flexible model, employees regularly ask the Company to carry over their paid leave that hasn't been taken at the end of the reference period.
As a result, given that the Company wanted to move its employees further into line with public policy on paid leave, which applies to both employers and employees, it decided, in agreement with employee representatives, Works Council members, to establish an agreement on the carrying over of paid leave, governed by the provisions of Article L. 3141-21-1 of the French Labor Code.
The choice of carryover method was based on the desire to involve all company employees in the company's goals and to provide them with the greatest possible flexibility as to when they take their leave. In 2017, **53 employees benefited from this agreement**.

- An **incentive agreement** (France only)

Signed with employee representatives in 2014 for a period of three years, this agreement expired on December 31, 2017.

- Health and safety

  - Workplace health and safety conditions

The Company constantly strives to ensure that each employee has optimal working conditions.

- It does this through its health and safety efforts:
  - The Company has a Health, Safety and Working Conditions Committee and a safety assistant that are very active in health and safety matters. Work on these issues is performed in close collaboration with the Human Resources Department and the Management.

    While the Health, Safety and Working Conditions Committee only covers France, employee representatives nevertheless retain a close relationship with foreign staff.

    These parties meet as many times as necessary, formally and informally, and each meeting publishes an action plan whose progress is evaluated frequently.

  - Regulatory safety courses are regularly offered. Sessions such as "How to Use Fire Extinguishers" or "Rescue Aid Officer" are offered. All employees whose duties require work on live equipment have been issued an "Electric Certification" certificate after special training. These courses are monitored by the Human Resources Department so that retraining arrangements can be made as needed.

  - Aixplorer® manufacturing is outsourced to Malaysia and configuration is done at the Company's headquarters in Aix-en-Provence (Configuration To Order – CTO). Equally, there are few safety issues in manufacturing. Nevertheless, managers, who are assisted by the Human Resources Department, ensure that all safety principles are learned by employees through awareness campaigns or in-house training. These efforts occur regularly and are also monitored.

- Finally, personal protection equipment (PPE) is always available to employees, and it must be worn if handling anything that requires it. To support its awareness campaigns, posters with basic safety rules to follow are hung in strategic places.

• At the same time, the Company seeks to guarantee the most pleasant working conditions possible and, to accomplish that, several measures have been taken.

- Workstations are adapted to everyone's needs and limits: all employees may request to be provided with equipment such as a footrest, noise-canceling headphones to reduce any noise caused by work in open-space areas, or an ergonomic seat.

- The Company also attaches great importance to work-life balance. This is why all employees have a lot of flexibility in their schedules, under the rules for the organization of working time (see 1.2.1 Organization of working time), and with the consent of their superiors. Employees can therefore organize their time freely, the only restriction being that business-related obligations are observed.

Moreover, as mentioned earlier, the Company has a telecommuting agreement and seven employees took advantage of it in 2017.

1.4.1 Workplace health and safety agreements

To date, there is no workplace health and safety agreement in effect within the Company.

1.4.2 Workplace accidents and occupational diseases

The figures set out below relate to France only.

In 2017, Supersonic Imagine reported one commuting accident (with no time lost) and no occupational disease.

- Training

1.5.1 Policies implemented

Training is one of the levers for encouraging innovation. It is of great importance in SuperSonic Imagine.

Although the company's training policy changes from year to year, the desire on the part of Management to support an innovative atmosphere for all employees remains constant. This is particularly true in Research & Development, and in other departments such as Marketing, Sales, or Support functions, where creativity is always in demand.

Many of the courses included in the plan are technical courses, to keep abreast of developments, learn new methods, or build expertise.

An increasing amount of training also covers the improvement of sales techniques and of the marketing strategy.

Furthermore, the Company is establishing management modules to support employees as they rise into managerial positions.

The company's training plan is divided into the following stages:

- Definition of strategic priorities by Management and Human Resources

- Deployment of needs analysis to employees: each employee can make a request personally, and managers can add individual or group requests for their teams

- Centralization of requests by Human Resources and quantification

- Initial screening of requests with team leaders

- Final decision by Management according to defined strategic priorities and the allotted budget

- Approval of the final training plan after consultation with the Works Council

- Distribution of training plan to employees

- Implementation

While the training plan more specifically covers France, the company nevertheless occasionally pays for training for employees of foreign entities depending on their needs.
In fact, the foreign-based staff are mostly involved in sales and application functions, alongside service technicians, who require less training than say R&D staff, who have to maintain performance levels and stay up to date with the most recent technological changes in order to successfully complete their development projects.

1.5.2 Total number of training hours

Since worldwide training figures are not consolidated, they are published for France only in this report. The **French workforce** represents **63%** of the Group's **total workforce**.

In 2017, employees in France received **675.5 training hours**, involving some **50 people**, namely **45.9%** of the employees in the French entity.
In 2017, the average number of hours devoted to training is 13.51 hours per trained employee.

Employee training:

	2017	2016
Number of employees trained in France	48	60
Number of hours of training	675.5	592

- Equal treatment

SuperSonic Imagine believes that diversity is a source of wealth and good performance that must be fully included in the Company's development strategy.

1.6.1 Measures taken to promote gender equality

At December 31, 2017, the **proportion of women** in the Company's workforce was **35.47%** (i.e. **61 women**) compared with **33.13% at December 31, 2016** (i.e. **53 women**), an increase of a little over two points.

Women accounted for 44.9% of new hires in 2017. 63.6% of these were middle managers (or equivalent abroad).

Amongst senior management, there are **7 women out of a total of 20 directors**. This represents a sharp increase of **12%** in women holding such positions. This is due to their promotion to management positions. It should also be noted that the Company has been led by a woman CEO since 2016.

	2017	2016
Percentage of women in management positions	35%	23%

1.6.2 Measures to employ people with disabilities

Given its size, the Company has not yet implemented a specific policy for the employment of people with disabilities. In this regard, a contribution of €21,196.64 was paid to AGEFIPH in 2017 in respect of 2016.

Nevertheless, all positions are open to people with disabilities: the Company in particular posts its job openings on the website of the AGEFIPH (Association de Gestion du Fonds pour l'Insertion professionnelle des Personnes Handicapées) and has recourse to firms specialized in hiring people with disabilities. Few applications are presented primarily due to a mismatch of skills to the profiles of open positions.

It should be noted that in **2017** the Company had a **staff member** on a six-month fixed-term contract **who was officially recognized as a worker with a disability**.

The Company also employs various measures to promote employment and integration of workers with disabilities, such as when it used several organizations that help people with disabilities back into work (ESATs) for a number of office supply orders.

1.6.3 Anti-discrimination policy

The Company does not have an anti-discrimination policy, but it believes that its practices are not discriminatory. It undertakes to act in a non-discriminatory manner to ensure the equal treatment of individuals regardless of their nationality, gender, race or ethnic origin, religion or beliefs, disability, sexual orientation or age. The Company commits to hiring young people and people with disabilities and to retaining older employees as well as to gender equality.

Furthermore, during annual interviews and annual salary increases, the Company verifies that no discrimination in terms of career management and compensation is taking place among its employees.

The Company saw the **percentage of women** rise from 32.91% in 2016 to **35.46%** in **2017** representing a two percent increase, with a sharper 12 percent rise in the proportion of **women in management positions**, from 23% in 2016 to **35%** in **2017**.

- Promotion and enforcement of the provisions of the fundamental conventions of the International Labor Organization

The Group has promised to comply with the following stipulations:

- A fair wage policy (compliance with contractual salary scales at a minimum);
- Prohibition of moral or physical harassment;
- Prohibition of all forms of discrimination in employment and professional life.

As the Company's workforce is comprised of highly qualified staff, who are assertive, such issues do not apply to them.

- Respect for freedom of association and the right to collective bargaining

The Group has promised to comply with the ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work, in particular with respect to the freedom of association and right to collective bargaining.

- Elimination of discrimination in employment and professional life

The Company does not have an anti-discrimination policy, but it believes that its practices are not discriminatory.

1.7.1 Elimination of forced or compulsory labor

The Company has no manufacturing activity in a country where the practice of forced or compulsory labor might still exist.
Production of Aixplorer® is outsourced to a US group that manufactures the device at its plant in Malaysia. Nevertheless, despite the geographical location of the plant, risk is limited because the US Company applies strong internal controls and carries out internal audits on its sites.

1.7.2 Effective abolition of child labor

The Group has no manufacturing activity in a country where the practice of child labor might still exist.
Production of Aixplorer® is outsourced to a US group that manufactures the device at its plant in Malaysia. Nevertheless, despite the geographical location of the plant, risk is limited because the US Company applies strong internal controls and carries out internal audits on its sites.

8.2.2. ENVIRONMENTAL INFORMATION

For this year of publication of information relating to the Grenelle II Law, environmental indicators are reported for France only. Insofar as possible, the Company undertakes to expand its scope of reporting to its subsidiaries in the coming years.

2.1 General environmental policy

2.1.1 The organizational structure of the Company takes into account environmental issues and, where appropriate, environmental assessment and certification procedures

Due to the outsourcing of its industrial manufacturing, the Group believes that its environmental impact is low.
The bulk of research and development activities take place at the head office. These activities do not include industrial manufacturing or distribution and therefore do not generate significant consumption of raw materials or significant emissions into the environment or greenhouse gases.

However, one of the selection criteria used by the Company regarding suppliers or carriers is that the supplier or carrier have environmental certification or at least be working towards one.

Furthermore, in order to achieve responsible environmental management, the Company undertakes to voluntarily establish an environmental management system benefiting its customers and investors. It thus obtained ISO 14001:2015 certification from LNE.

In achieving this certification, SuperSonic Imagine shows that it is heavily committed to limiting the environmental impact of its business and its desire to improve its environmental performance. It accordingly reflects its desire to design eco-friendly products and to involve all its employees in this approach.

2.1.2 Environmental protection training and information campaigns for employees

As part of its **ISO 14001:2015** certification, the Company raises the awareness of all its employees, and more specifically those at its French site affected by this standard, by means of regular briefings: best cooling/heating management practices, recycling of certain waste, and light management in workspaces for example.

Similarly, every new hire receives training from the quality unit on the standard's best management practices: its purpose, the resources put in place and the benefits.

2.1.3 The resources devoted to environmental risk and pollution prevention

This section only applies to France and more particularly the headquarters.

Our Environmental Management System, which was recently recognized with receipt of **ISO 14001** certification, allows us to determine, manage, oversee and control environmental-related risks, which must be taken into account to prevent or reduce undesirable effects.

We have therefore identified the environmental aspects of our operations, products and services that we can control and that we can influence, along with the related environmental impacts, from a life-cycle perspective.

To this end, an environmental analysis was undertaken to determine what aspects have or may have a major environmental impact, using established criteria (risk rating grid).

This analysis allowed us to take measures to prevent or mitigate the adverse environmental impacts of emergency situations and assess their effectiveness.

For example,

- Our waste electrical and electronic equipment (WEEE) is managed under our contract with Recylum, an environmental organization that collects and recycles our WEEE and ultrasound waste from the Aix site and customer sites;

- Used office paper and mixed waste (plastic cups and bottles, ink cartridges) is collected using selective sorting bins and then recycled and recovered by the ELISE Group;

- Our hydrocarbon consumption is managed thanks to grouped or optimized shipping, and our carriers are picked on the basis of the environmental policies (**ISO 14001** certified or with a sustainable environmental approach);

- A policy to reduce/improve packaging was put in place by SuperSonic Imagine and gave rise to new packaging (outer and inner) made from recycled wood;

- The design of our probes allows for repair, which is currently managed by our subcontractors, when the defect detected can be repaired;

- The alcohol wipes used in our lab are recycled using special containers, which are collected by an accredited third party;

- The potential risk of spills of petroleum products in the parking areas was identified and is managed using an oil separator with a trap installed at the condominium, but also by means of an oil absorber available on the premises.

- The risk of refrigerant leaks causing ground and air pollution is managed through the annual maintenance of air-conditioning systems;

- Lastly, fire risk is managed through the maintenance of extinguishers but also by training some of our employees in their use.

2.1.4 The amount of provisions and guarantees for environmental risks, provided that such information is not likely to cause serious harm to the Company in ongoing litigation
The Group has not recorded provisions and guarantees for environmental risks.

2.2 Pollution and Waste Management
2.2.1 Measures to prevent air, water and soil emissions
Air emissions
Laboratory emissions are captured and filtered by special vents that are periodically maintained and inspected.
Similarly, the Company regularly inspects the air conditioning system (hot/cold production) to limit the risk of refrigerant leaks.

Water emissions
SuperSonic Imagine's business activity generates no direct water emissions.

Soil emissions
SuperSonic Imagine's business activity generates no direct soil emissions.

2.2.2 Waste recycling and disposal measures
The Company sorts its waste, and to this end has installed containers for collection of paper/cardboard and other waste on its site in Aix-en-Provence:

Three dumpsters for paper/cardboard sorting are always in place:
• **two dumpsters** installed by VEOLIA are managed by the ASL (Association Syndicale Libre) for the whole business park where the Company is based at Aix-en-Provence (which has five buildings, of which two are occupied by the company), one of which is for paper/cardboard and the other Non-Hazardous Industrial Waste (NHIW).
• **one dumpster** set up by 13RECYCLAGE is managed directly by the Company.

In order to improve reporting, the VEOLIA dumpsters used by SuperSonic Imagine were placed in such a way as to make access to them more difficult for other companies on the site. It is not, however, possible to conduct a more detailed analysis of the waste recycled, seeing that access to the dumpsters is unrestricted.

SERVICE PROVIDER	2017	2016
Non-Hazardous Industrial Waste	13.14 T	12.35 T
Recycled waste	6.624 T	2.24 T

Awareness campaigns targeting Company employees were carried out, with regular refreshers, the **ISO 14001:2015 certification obtained at end-2016** along with training of new hires in this standard enhances this approach. There was an increase in recycled waste (in value) in 2017. Having regard to the 2016 performance, Non-Hazardous Industrial Waste rose slightly but it is the increase in recycled waste that is most significant, namely **+4.384 T**. The ratio of recycled waste to total waste was **33.5%** in **2017** compared with 15% in 2016. Efforts to raise the awareness of employees and neighboring companies following a series of issues have paid off.

In addition, as part of its **ISO 14001,2015** certification, the Company has recourse to a service provider (ELISE), which is tasked with recycling and recovering office waste (paper, printer cartridges, plastic cups and bottles) while creating socially responsible jobs.

Accordingly, bins to collect these different waste items are installed on the premises and employees are trained and receive regular refreshers regarding their proper usage.
For 2017, ELISE reported:

- **770 kilos of paper/cardboard collected and recycled** (i.e. 11 hours of work entrusted to people experiencing hardship). For reference, this represents a saving of around 13 uncut trees, 5 months of drinking water consumption for one person in France, 25 days of energy consumption for a household of four or indeed 2 months of CO2 emissions for a vehicle.

- **43.5 kilos of plastic** (bottles and cups) collected and recycled.

- 18 kilos of ink cartridges collected and recycled.

Furthermore, in order to limit a certain category of waste, the Company continued using rechargeable batteries, which, besides their clear economic benefit, have undeniable environmental advantages.
Since 2015, each department has had a charger and a set of batteries to ensure better rotation and optimal management with regard to battery usage.

Lastly, waste electrical and electronic equipment (WEEE) is managed under a contract with Recylum, an environmental organization that collects and recycles our WEEE and ultrasound waste primarily from the Aix site and client sites (France only).

2.2.3 Noise pollution

This indicator is not relevant in the case of SuperSonic Imagine because:

- Production is outsourced

- The company's business activity takes place in buildings (that consist of offices and laboratories) located in a business park.

2.3 Sustainable use of resources

2.3.1 Water consumption

The Company's water consumption is mainly for sanitary purposes and employees are aware of ways that this natural resource may be used reasonably.

The 2017 indicator takes account of the enlargement of the premises in 2015, which resulted in increased consumption.

	2017	2016
Consumption of water distributed to common areas (estimate)	1,985 m3	1,457 m3

2.3.2 Consumption of raw materials

The main raw material consumed is paper. As with water, employees are made aware of the need for smart consumption and awareness campaigns are regularly run within the Company.

The printing equipment was upgraded in 2016 to enable better monitoring of paper consumption and provide an option to print on both sides to limit paper consumption. There was a sharp fall in this consumption between 2015 (19.85 T) and 2016 (10.46 T), but 2017 saw a new increase in paper demand.

	2017	2016
Paper consumption (in Metric Tons)	14.32	10.46

2.3.3 Energy consumption

The energy consumed on the SuperSonic Imagine site is mainly from electricity consumption for heating and cooling of buildings and the operation of laboratory facilities and computer equipment.

	2017	2016
Energy consumption	339,116 kWh	322,973 kWh

Although no significant energy saving measure was put in place, a reorganization of the premises in 2016 made it possible to better partition work spaces thereby avoiding the energy loss (heating, air-conditioning) noted around the entrances to these spaces.

At present, the Company does not use any form of renewable energy to meet its energy needs.

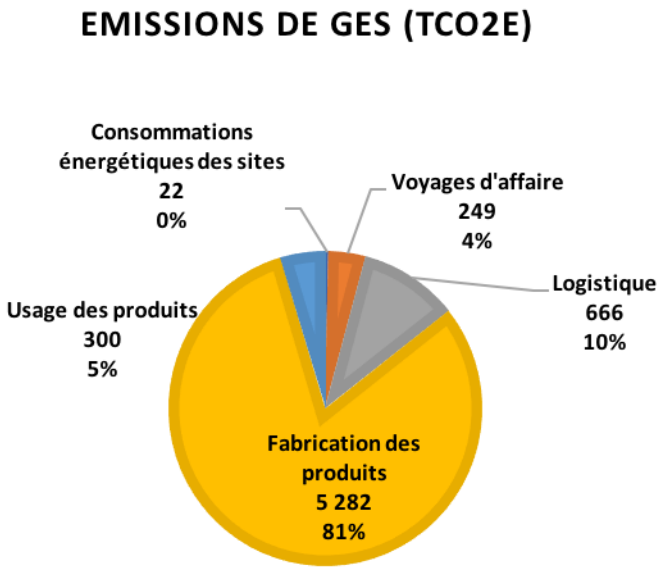
2.3.4 Land use

Manufacturing is outsourced and the activities are located in two buildings situated in a business park.
The total area of the premises is around **2,092 m2** (two buildings of 843 m2 and 842 m2 and a ground floor of 410 m2).

2.4 Climate change

2.4.1 Greenhouse gas emissions

Greenhouse gas emissions are mainly linked to employee travel as well as the manufacture, transport and usage of our products.



French	English
Emissions de GES (TC02E)	GHG emissions (TC02E)
Usage des produits	Product usage
300	300
5 %	5%
Consommations énergétiques des sites	Energy consumption of sites
22	22
0 %	0%
Voyages d'affaire	Business travel
249	249
4 %	4%
Logistique	Logistics
666	666
10 %	10%
Fabrication des produits	Product manufacturing
5 282	5,282
81 %	81%

- CO2 emissions from power consumption:

	2017	2016
CO2 emissions from power consumption (CO2 emissions factor for electricity according to ADEME (average consumption mix) was 0.0647 in 2017	21,940 kg	26,483 kg

- CO2 **emissions** from employee air travel from January 1 to December 31, 2017:

⇒ **248,784 kg CO2 equivalent** (versus 189,188 kg at December 31, 2016). This total includes air and rail transport. This increase was driven by two factors: the fact that manufacturing is based in Malaysia resulting in significant travel and more long trips in connection with the development and manufacturing of the latest version of the Premium ultrasound Aixplorer® Ultimate.

For 2017, the calculation of CO2 emissions covers air and rail transport and only includes trips booked through the booking system made available to employees in France.

It should be noted that employees are encouraged to take public transport through a 50% reimbursement for employees' travel expenses.

- In 2017, in order to more accurately calculate the carbon footprint, **goods transport** was factored in and more specifically the CO2 impact of the Company's two largest carriers.

  ⇒ **460,399 kg** CO2 equivalent (France only)

Greenhouse gas emissions are mainly linked to our employee travel as well as the manufacture, transport and usage of our products.

2.4.2 Adaptation to climate change
No specific measures have been put in place.

2.5 Protection of biodiversity
The Company's offices are located in an area of professional activity, and its operations have no significant impact on biodiversity. No special protective measures were taken.

8.2.3. SOCIETAL INFORMATION

3.1 Territorial, economic and social impact of the Company
3.1.1 Employment and regional development
The Group employs 172 people of different nationalities on different sites, most of whom are trained in France.

Despite having experienced strong growth over the last 10 years, a still-growing SME such as SuperSonic Imagine can have only a limited impact on employment and development in an area such as Provence Alpes Côte d'Azur, but it is nevertheless important to emphasize the **non-negligible growth in its workforce**.

More indirectly, the Company regularly employs service providers for specific developments, thereby creating employment.

3.1.2 Local populations
The Company makes every effort to encourage relationships with local engineering, business and other local schools, to find candidates for internships, and regularly works with the employment agencies located in the region.

Similarly, for the maintenance of its offices and buildings, the Company uses local service companies.

3.2 Relationships with persons or organizations with a stake in the Company's activity
3.2.1 Manner of dialog with such persons or organizations
The SuperSonic Imagine Quality Assurance & Regulatory Affairs Department is in regular contact with various bodies:

- The notified body (LNE-GMed) and the certification bodies (QPS, TUV Sud, TUV Rheinland Brazil). These bodies carry out regular audits to ensure:
  - **Compliance with the requirements of the ISO 13485 and ISO 14001 standards** (quality management system for medical devices & environmental management system)
  - **Compliance with technical standards that ensure the safety of our equipment** (60601-1 and 60601-1-2 standards, and other equivalent standards, IEC 60601-2-37, IEC 62304, IEC 62366, etc.)
  - Maintaining our laboratory ISO 17025 certification.
  - The specific marks required in certain countries (USA, Canada, Brazil).
- The competent authorities of various countries/regions around the world: ANSM (French National Agency for Medicines), FDA (Food and Drug Administration), Health Canada, KFDA, etc.
- Distributors, which make it possible to grow sales in their geographic area.
- Recycling companies (Recylum, Elise).

The Company is a member of SNITEM (the French National Medical Technology Industry Union).

It also has contractual dealings with Recylum and Bureau Veritas.

These regular contacts make it possible to:

- monitor changing standards and regulations;
- ensure compliance with applicable global or local requirements;
- contribute to the company's environmental approach.

3.2.2 Partnerships and sponsorships

The Company does not currently engage in corporate philanthropic actions.

3.3 Subcontractors and suppliers

Importance of outsourcing and consideration of social and environmental responsibility in relationships with suppliers and subcontractors

Industrial production and R&D purchases (excluding shipping), totaled €15,216,914 in 2017, 41% up on the previous year, driven by the development and mass production costs associated with the launch of a new product, which is scheduled to come onto the market in 2018.

In France and abroad, SuperSonic Imagine works with specialist outside firms, with recognized technical skills and expertise, to ensure a high level of quality, innovation, competitiveness and safety.

The use of outsourcing is governed by a procurement policy, an industrial procurement management process and related procedures. SuperSonic Imagine closely controls outsourced activities and ensures that health, safety and environmental protection requirements are taken on board throughout the procurement process.

A procedure has in particular been put in place to govern the selection and (re)qualification of suppliers/subcontractors that defines SuperSonic Imagine's demands having regard to the criticality of these suppliers. For SuperSonic Imagine, critical supplier means:

- a supplier of Aixplorer® parts with a potential impact on the safety and effectiveness of the finished product; and/or
- a single source supplier.

The criteria applied include: quality certification (ISO9001, 13485, 14001), compliance with the RoHS and REACH directives, the HSE policy, and the anti-corruption policy.

In addition to these items and to underpin our environmental approach vis-à-vis our suppliers, following our ISO14001 certification obtained in 2016, a quality and environmental questionnaire was prepared and sent out to all our critical suppliers.

Accordingly, our main subcontractor Plexus, which is responsible for the manufacturing of our Aixplorer® ultrasound platform, meets the following requirements:

- RoHS & REACH compliance;
- ISO 14001 certification;
- A code of conduct and ethics;
- A code of conduct and ethics for its own suppliers;
- Declaration of a protection policy to combat human trafficking;
- Membership of the Electronic Industry Citizenship Coalition, (this code sets out rules designed to ensure safe working conditions throughout the electronic sector's supply chain, dignified and fair treatment of employees as well as operations that are environmentally ethical and responsible.

SuperSonic Imagine's Procurement Department systematically verifies supplier best practices and ensures, with the support of the Quality team, that the procedure is followed. Compliance with requirements is verified by means of telephone calls, regular site visits by company employees and quality audits.

SuperSonic Imagine is ISO 13485 and ISO 14001 certified, and complies with US, Canadian, Taiwanese, Brazilian, Japanese and South Korean requirements.

The scope of certification covers the whole value chain, from design to after-sales service.

All critical suppliers/subcontractors are, in addition to regular visits and conference calls, audited at least every 3 years on the basis of the criteria set out in the above paragraph.

Supplier audits, as part of a listing decision or during manufacturing, are done by a team of internal auditors trained in the requirements of ISO 13485, and since 2016 in the requirements of ISO 14001. The schedule of supplier audits is prepared annually.

3.4 Fair practices

3.4.1 Anti-corruption efforts

In 2014, SuperSonic Imagine updated its rules to include an anti-corruption charter. In France, a copy is given to all Company employees, who must acknowledge receipt and state that they have reviewed it.

For foreign entities, an English version (Code of Conduct) that includes the anti-corruption charter is given to all employees, who, similarly, must acknowledge receipt and state that they have reviewed it.

Moreover, the Company has updated its standard distribution agreement, incorporating an anti-corruption clause and questionnaires. All new distributors must sign a contract with these stronger terms and the Company is in the process of having all long-standing distributors sign new contracts or amendments to comply with the new clause.

In the same context, a code of interactions with health professionals has been established to properly inform all Group employees of the rules to be observed in this context.

Furthermore, in order to have a proactive anti-corruption approach, at end-2015 the company launched an e-learning module to raise awareness among employees and distributors. The module combines theory, activities and case studies. All distributors that currently have contracts with the company and all employees likely to be in contact with clients have been enrolled in this e-learning module.

When creating this e-learning module, a whistleblowing system was established by the company, so that employees or distributors can report any unethical behavior or behavior that contravenes anti-corruption rules. These whistleblowing alerts are effected by emailing a secure email address, which is only read by the CFO and the Head of Human Resources.

SuperSonic Imagine complies with all global anti-corruption laws, including the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the United Nations Convention against Corruption (UNCAC) and other international anti-corruption laws such as for example the UK Bribery Act 2010.

3.4.2 Measures taken to promote consumer health and safety

Since it is in the medical imaging sector, the health and safety of patients and users are at the heart of SuperSonic Imagine's requirements.

The Company is ISO 13485 certified and was successfully inspected by the FDA (US Food and Drug Administration) in 2014. Our manufacturing is audited at least every six months as part of US/Canadian and Brazilian inspections. Our laboratory is also accredited (ISO 17025). All these audits and inspections make it possible to ensure that the design and manufacturing of our devices are done in an environment and on the basis of a methodology that are well-controlled.

The ultrasound ranges (Aixplorer®, Aixplorer® Ultimate) are designed by our teams in Aix-en-Provence in accordance with a strictly defined process (expression of needs, technical and functional specifications, prototyping, verification/validation, transfer to Production and Service).

Before being released into the field and the renewal of any registration, the device is certified by an external accredited body, which guarantees the safety and performance of our product in electrical, mechanical, acoustic, electromagnetic compatibility, software validation and usability terms. This certification is recognized worldwide (CB scheme).

Our ultrasound systems have the most reliable safety guarantees because they have received the CE mark and 510(k) clearance in the USA and in over 60 countries worldwide.

In addition, procedures for handling customer complaints, Post-production monitoring, and medical device reporting are in place at SuperSonic Imagine.

It should be mentioned that the Company has not had an instance of medical device reporting (FCA level 1), recall since 2012.

3.5 Human rights

3.5.1 Actions taken to support human rights

Although it did not take any actions to support human rights, respect for human rights is one of the values held by the Company, which believes that these principles apply to individuals, nations, and by extension to businesses.

8.3. REPORT BY THE INDEPENDENT BODY ON THE CONSOLIDATED CORPORATE, ENVIRONMENTAL AND SOCIETAL INFORMATION IN THE MANAGEMENT REPORT

SuperSonic Imagine

Year ended December 31, 2017

Report by the independent body on the consolidated corporate, environmental and societal information in the management report

To the Shareholders,

In our capacity as an independent body accredited by COFRAC[1] (No. 3-1050) and a member of the network of one of the SuperSonic Imagine statutory auditors, we hereby report on the consolidated corporate, environmental and societal information for the fiscal year ended December 31, 2017 presented in the management report, hereinafter the "CSR information" under the provisions of Article L. 225-102-1 of the French Commercial Code.

Corporate Responsibility

It is the responsibility of the Management Board to prepare a management report that includes the CSR information described in Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the procedures used by the Company (hereinafter the "Reference Guides"), which are summarized in the introduction to Section 8.2 "Environmental and corporate aspects" of the management report.

Independence and quality control

Our independence is defined in the regulations, the professional code of ethics and the provisions of Article L. 822-11-3 of the French Commercial Code. In addition, we have put in place a quality control system that includes documented policies and procedures that ensure compliance with the rules of conduct, professional standards and applicable laws and regulations.

Responsibility of the independent body

It is our responsibility, on the basis of our work, to:

- certify that the required CSR information is presented in the management report or, if not, that it is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Certification of inclusion of CSR Information);

- provide limited assurance of the fact that the CSR information, taken as a whole, is accurately presented in all material respects in accordance with the Reference Guides (Reasoned opinion on the accuracy of CSR Information).

Our work drew on the expertise of two people and was carried out between November 2017 and February 2018, taking around sixteen weeks in total.

We conducted the work described below in accordance with the professional standards applicable in France and the Decree of May 13, 2013, which determines the manner in which the independent body conducts its mission concerning the accuracy of the reasoned opinion, and with the ISAE 3000 international standard[2].

1. Certification of inclusion of CSR Information

Nature and scope of work

Based on interviews with the heads of the relevant departments, we reviewed the explanatory guidelines for sustainable development, based on the social and environmental consequences of the company's business activity and its societal commitments and, where appropriate, the actions or programs that result.

We compared the CSR information contained in the management report with the list contained in Article R. 225-105-1 of the French Commercial Code.

Where some of the consolidated information is absent, we verified that explanations were provided in accordance with Article R. 225-105, paragraph 3 of the French Commercial Code.

[1] Scope of accreditation available at www.cofrac.fr

[2] ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*

We verified that the CSR information covered the scope of consolidation, i.e., the company and its subsidiaries as defined by Article L. 233-1 of the French Commercial Code and the companies it controls as defined by Article L. 233-3 of that Code with the limits specified in the methodological note in Section 8.2 of the management report.

Conclusion
Based on this work, and given the limitations mentioned above, we confirm the presence of the required CSR information in the management report.

2. Reasoned opinion on the accuracy of CSR Information

Nature and scope of work
We conducted three interviews with the persons responsible for preparing the CSR information in the departments tasked with the information gathering process and, where necessary, responsible for internal control and risk management procedures in order to:

- assess the appropriateness of the Reference Guides in terms of their relevance, completeness, reliability, neutrality and understandability, taking into account, where appropriate, industry best practices;

- verify the implementation of a collection, compilation, processing and control process to ensure the completeness and accuracy of the CSR information and review the internal control and risk management procedures relating to the preparation of the CSR Information.

We determined the nature and scope of our tests and controls based on the nature and importance of the CSR information with regard to the characteristics of the company, the social and environmental challenges of its business activities and its sustainable development and industry best practice guidelines.
For the CSR information we considered to be most important[1]:

- at the parent company, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organizational structure, policies, actions, etc.), we applied analytical procedures for the quantitative information and, using surveys, verified the calculations and data consolidation, and we verified their accuracy and consistency with the other information contained in the management report ;

- at a representative sample of entities selected by us[2] based on their activity, their contribution to the consolidated indicators, their location and risk analysis, we conducted interviews to verify the correct application of procedures and implementation of detailed tests based on samples, which consist of verifying calculations and reconciling the data in the supporting documentation. The sample picked in that way represents on average 63% of the workforce and 100% of the quantitative environmental information presented, considered to be magnitudes that are reflective of social and environmental issues.

For the other consolidated CSR information, we assessed their consistency with our knowledge of the company.

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[1] **Corporate information:**

- *Indicators (quantitative information)*: *total registered workforce.*
- *Qualitative information*: employment (total workforce and distribution, hiring and departures, compensation and pay increases), organization of working time, training policies implemented, total number of hours of training, diversity and equality of opportunity and treatment (gender equality measures taken, the employment and on-boarding of people with disabilities, anti-discrimination efforts), promotion of and compliance with the provisions of the fundamental ILO Conventions (freedom of association, elimination of discrimination, forced labor and child labor).

Societal and environmental information:

- *Indicators (quantitative information)*: GHG emissions (scopes 1 and 2)
- *Qualitative information*: general environmental policy (the organizational structure of the Company takes into account environmental issues and, where appropriate, environmental assessment and certification procedures, environmental protection training and information campaigns for employees, the resources devoted to environmental risk and pollution prevention, the amount of provisions and guarantees for environmental risks, provided that such information is not likely to cause serious harm to the Company in ongoing litigation), the circular economy (the waste prevention and recycling measures and other forms of waste recovery and elimination, efforts to combat food waste, water consumption and water supply having regard to local constraints, energy consumption, measures taken to improve energy efficiency and the use of renewable energy, land use), extent of outsourcing and consideration of social and environmental issues in purchasing policy and relations with suppliers and subcontractors, fair practices (anti-corruption efforts, consumer health and safety measures), actions taken to support human rights.

[2] The parent company SuperSonic Imagine.

Finally, we assessed the relevance of any explanations related to the total or partial absence of certain information.
We believe that the sampling methods and sample sizes that we used in the exercise of our professional judgment allows us to provide a moderate level of assurance; a higher level of assurance would have required more extensive work. Because of the use of sampling techniques and other inherent limitations of any information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be completely ruled out.

Conclusion
Based on this work, we found no significant anomalies likely to call into question the fact that the CSR information, considered as a whole, is presented accurately, in accordance with the Reference Guides.

Paris-La Défense, March 1, 2018

The Independent Body
ERNST & YOUNG et Associés

Christophe Schmeitzky
Sustainable development associate

Bruno Perrin Partner

9. REVIEW OF THE RESULTS AND FINANCIAL POSITION

9.1. GENERAL OVERVIEW

The information below concerning the review of the Group's results and financial position is solely based on the financial statements under IFRS that appear in Section 20.1 of this Registration Document and must be read in conjunction with the rest of the Registration Document.

It should be noted that the following information can be found in Sections:

- 20.1: the procedures for preparing the consolidated financial statements;
- 20.1 and Chapter 6: description of the company's business;
- 20.1: details of the nature of the various line items;
- 6.3.3: the Group's breakthrough technology.

9.1.1. PRO FORMA FINANCIAL STATEMENTS

None.

9.1.2. MAIN FACTORS AFFECTING THE BUSINESS AND ITS RESULTS

Since inception, the Company has carried out significant technological developments, which required significant investments and generated significant losses.

These efforts have allowed it to:

- consistently improve its existing products, as well as its development and manufacturing procedures, and launch new development projects;
- very significantly expand its commercial offering and the addressable markets;
- pursue clinical studies allowing it to create a differentiated positioning based on diagnostic performance;
- improve its subcontractor selection and manufacturing processes;
- obtain the first CE mark in March 2009 and the first FDA 510(k) clearance in August 2009;
- obtain marketing authorization in China in July 2010.

In terms of Quality Assurance and Regulatory Affairs, the company's ISO 13485 certification, which is essential for its business, was obtained in 2008 and has been continuously renewed. This enables the Company to comply with the regulatory requirements governing its industry, as well as set the required stringency level and appropriate methods for the development, manufacturing and marketing of innovative medical devices. At end-2016, the company also obtained ISO 14001 certification, validating and affirming the company's environmental approach.

2017 saw a strengthening of our commercial positioning, reflected in the double-digit revenue growth (+11%). It should be noted that, due to the ongoing increase in the installed base, services grew sharply during the year (+34%).

The Company experiences seasonality with a major portion of its revenue generated in Q4, as is normal in the sector.

In 2017, the company continued its R&D drive in connection with the completion of the development of the future platform and in order to maintain its technological edge. The year also saw major investment in mass producing the new platform.

The commercial strategy developed over the past number of years has been ramped up.
The work done in recent years on the commercial strategy continues to pay off. Two of the three geographical areas have improved their profitability and the third is close to break-even.

Finally, the Company continues to reduce its ratio of overheads to revenue (-9%).

9.2. TWO-YEAR COMPARISON

9.2.1. BREAKDOWN OF OPERATING INCOME (LOSS)

9.2.1.1. REVENUE AND OTHER OPERATING INCOME

Breakdown of revenue by type

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016	Change Amount	Change %
Revenue	24,695	22,217	2,478	11%
Other income	-	1,023	-1023	-100%
Total revenue	24,695	23,240	1,455	6%

The true reflection of our performance is revenue from sales of products and services.

Total Group revenue, which was €24.7 million in 2017, was up 11% from 2016. At constant exchange rates, revenue was up 13% to €25.1 million.

Other income essentially consists of income linked to Group technology which is not recurring in nature, as it does not fall within the framework of current activity.

Revenue by type

In thousands of euros	Dec. 31, 2017	%	Dec. 31, 2016	%
Sale of goods	21,827	88%	20,074	90%
Sale of services	2,869	12%	2,143	10%
Total	24,695	100%	22,217	100%

Sales of goods and services accounted for €21.8 million and €2.9 million, respectively 88% and 12% of revenue over the year.

- **Sales of goods: +9% growth in revenue from sales of goods**

Revenue from products grew 9% to €21.8 million in 2017, compared to €20.1 million in 2016 (+10% at constant exchange rates).

- **Sales of services and spare parts: +34% growth in revenue from services and spare parts**

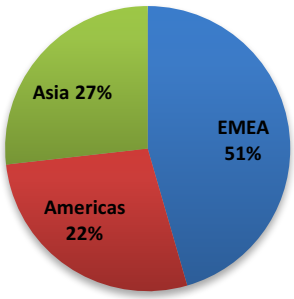
Sales of services rose sharply to €2.9 million (+34%, and +35% at constant exchange rates), namely 12% of total revenue versus 10% in 2016. This sharp growth is due to the continued expansion of the installed base of Aixplorer systems, plus their regular use by practitioners.

NB: Sales of services include both the sale of maintenance contracts after the warranty period ends, technical interventions on platforms not covered by these contracts, sales of spare parts and software updates.

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016	Change Amount	Change %
Maintenance agreements	1,853	1,335	518	39%
Spare parts/Software updates	1,016	808	208	26%
Revenue from services	2,869	2,143	726	34%

The growth was driven by maintenance contracts, amounting to +39% or close to €1.9 million in revenue. This sharp growth stems from the expansion of the installed base.

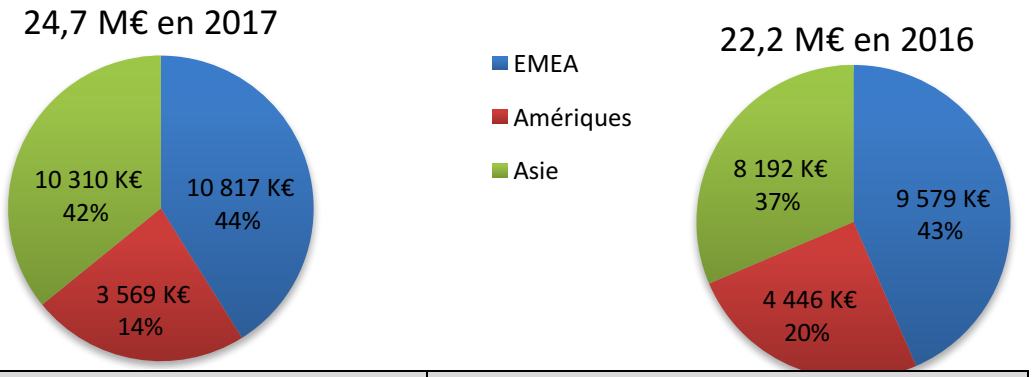
At December 31, 2017, SuperSonic Imagine had an installed base of over 1,900 systems worldwide, breaking down as follows:



Sales of spare parts and software updates totaled €1.0 million in 2017 (+26%).

Geographical distribution of sales

The Group's consolidated revenue by geographical region for the fiscal years ended December 31, 2017 and 2016 is as follows:



French	English
24,7 M€ en 2017	€24.7 million in 2017
10 310 K€	€10.310 million
42 %	42%
3 569 K€	€3.569 million
14 %	14%
10 817 K€	€10.817 million
44 %	44%
EMEA	EMEA
Amériques	Americas
Asie	Asia
8 192 K€	€8.192 million
37 %	37%
4 446 K€	€4.446 million
20 %	20%
9 579 K€	€9.579 million
43 %	43%
22,2 M€ en 2016	€22.2 million in 2016

With an increase in revenue in this region (+13%), EMEA remains the largest market with €10.8 million, representing 44% of total revenue.

Sales in Asia saw the sharpest rise to €10.3 million (+26%), representing 42% of total revenue in 2017 versus 37% in 2016.

The share generated by the Americas amounted to €3.6 million (-20%) and represented 14% of total revenue compared to 20% in 2016.

➢ **EMEA (Europe Middle East & Africa):**

In thousands of euros	Dec. 31, 2017	%	Dec. 31, 2016	%
France	5,104	47%	4,403	46%
EMEA	5,713	53%	5,176	54%
Total EMEA	10,817	100%	9,579	100%

✓ **France**

In 2017, revenue in France accounted for €5.1 million, representing 47% of the region's total revenue.

Sales were up sharply in France in 2017 (+16%), representing a significant increase in market share.

✓ **Other EMEA (Europe Middle East & Africa):**

Growth continued in 2017 with revenue increasing 10% to €5.7 million in the EMEA region excluding France.

➢ **Americas (USA, Canada, South America):**

The Americas region earned total revenue of €3.6 million in 2017, down 20% compared to 2016. The United States generated the largest share at €3 million, representing 90% of total revenue.

	Dec. 31, 2017	%	Dec. 31, 2016	%
USA	3,205	90%	4,004	90%
Other Americas	363	10%	443	10%
Total	3,569	100%	4,447	100%

The United States was down 20% (18% at constant exchange rates). The Company continued to restructure its sales and marketing team in this market in Q4 and confirms its goal of stepping up its efforts in order to achieve lasting growth.

➢ **Asia**

Along with the EMEA region, Asia posted significant growth between 2016 and 2017 with revenue rising from €8.2 million to €10.3 million, up 26%.

	Dec. 31, 2017	%	Dec. 31, 2016	%
China	7,487	73%	5,797	71%
Other Asia	2,824	27%	2,395	29%
Total Asia	10,310	100%	8,192	100%

✓ **China**

In 2017, revenue in China totaled €7.5 million, versus €5.8 million in 2016, up 29% (+33% at constant exchange rates). This sharp sales growth reflects the success of a premium positioning strategy in the Chinese market.

✓ **Asia excluding China**

Asia (excluding China) also saw sales increase (+18%), with revenue going from €2.4 million in 2016 to €2.8 million in 2017.

Breakdown of total revenue by sales channel
Revenue by distribution channel is as follows:

In thousands of euros	Dec. 31, 2017	%	Dec. 31, 2016	%
Direct	16,587	67%	14,057	63%
Indirect	8,108	33%	8,160	37%
Total	24,695	100%	22,217	100%

9.2.1.2. OPERATING EXPENSES AND OPERATING INCOME (LOSS)

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Revenue	24,695	22,217
Other income	-	1,023
Revenue	24,695	23,240
Cost of sales	(13,608)	(12,628)
Gross margin	11,088	10,611
Gross margin on revenue [(1)]	11,088	9,588
Gross margin as a % of revenue [(2)]	44.9%	43.2%
Research and development expenses	(2,558)	(3,046)
Selling and marketing expenses	(12,341)	(11,987)
General and administrative expenses	(5,775)	(5,447)
Other operating income / (expenses)	(294)	(403)
Current operating income (loss)	(9,880)	(10,272)
Other non-current operating income/(expense)	-	-
Operating income (loss)	(9,880)	(10,272)

1 Gross margin on revenue = Revenue – Cost of sales

- Gross margin on revenue = Gross margin on revenue/Revenue

See Note 3.18

9.2.1.3. COST OF SALES

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Revenue from Products	21,827	20,074
Revenue from Services	2,869	2,143
Other income	-	1,023
Total revenue	24,695	23,240
Cost of sales	13,608	12,628
Gross margin on total revenue	11,088	10,611
Gross margin as a % of total revenue	44.9%	45.7%
Gross margin on revenue	11,088	9,588
Gross margin as a % of revenues	44.9%	43.2%
of which cost of equipment sales	11,870	10,915
Gross margin equipment sales	9,957	9,159
Gross margin as a % of product revenue	45.6%	45.6%
of which activity from Services	1,738	1,713
Gross margin from services	1,130	430
Gross margin as a % of services revenue	39.4%	20.0%

The gross margin on total revenue fell 0.8 points to 44.9% in 2017, from 45.7% in 2016. The gross margin corresponds to total revenue (€24.695 million) minus the cost of sales (€13.608 million).

The gross margin on revenue corresponds to revenue (€24.695 million) minus the cost of sales. The cost of equipment sales includes:

- **the cost of purchasing raw materials and components;**
- **the cost of manufacturing done in Malaysia and assembly;**
- **provision for warranties;**
- **royalties due;**
- **provisions for write-down of inventory due to obsolescence and scrapping.**

The percentage gross margin on revenue rose 1.7 points to 44.9% in 2017, from 43.2% in 2016.
This improvement is mainly due to the higher gross margin on service revenue, with the margin on sales of systems remaining unchanged.
The gross margin on services was plus €1.130 million (+163% vs. 2016), with the percentage gross margin rising from 20.0% in 2016 to 39.4% in 2017. This improvement is due to the larger installed base, resulting in the increased productivity of the technical teams.

9.2.1.4. RESEARCH AND DEVELOPMENT EXPENSES

The research and development expenses recognized during the fiscal year were mainly comprised of the wages of the R&D team and subcontracting costs. They also included the amortization of capitalized development costs.
The breakdown by type and method of the recording of total R&D expenses is as follows:

In 2017:

In thousands of euros	R&D expenses	Capitalized expenses	Total Expenditures
Personnel	739	3,365	4,105
Fees, External Services	483	1,872	2,355
Travel expenses and entertainment	83	61	144
Depreciation, amortization & provisions	1,954	393	2,348
Purchases and consumables	105	344	450
Others	195	191	386
Subtotal expenses	3,560	6,228	9,788
Operating grants	(932)	(354)	(1,286)
Research tax credits	(71)	(2,077)	(2,147)
Subtotal income	(1,002)	(2,077)	(3,079)
Total	2,558	3,797	6,355

In 2016:

In thousands of euros	R&D expenses	Capitalized expenses	Total Expenditures
Personnel	539	3,480	4,019
Fees, External Services	486	1,523	2,009
Travel expenses and entertainment	108	60	168
Depreciation, amortization & provisions	1,662	510	2,172
Purchases and consumables	98	224	322
Others	259	119	378
Subtotal expenses	3,153	5,917	9,070
Operating grants	(27)		(27)
Research tax credits	(80)	(2,182)	(2,262)
Subtotal income	(107)	(2,182)	(2,289)
Total	3,046	3,735	6,781

The Group continues to invest heavily in research and development with €9.8 million spent in 2017 (39.6% of revenue) and €9.1 million in 2016 (40.8% of revenue).
The Company obtains grants and tax credits (RTC: Research Tax Credit, Innovation Tax Credit, Job Competitiveness Tax Credit), which reduces the cost of research and development. The research tax credit represents the bulk of tax credits obtained and is calculated on the basis of R&D-related expenditure.
The capitalized amounts, which consist primarily of personnel costs, are inherent in the successive development of Aixplorer® versions V3 to Ultimate, as well as those relating to the next generation of sonography. The portion capitalized as intangible assets amounted respectively to €3.735 million in 2016 and €3.797 million in 2017.
Over the periods being compared, the RTC recognized by the Company amounted to €2.262 million for 2016 and €2.147 million for 2017.

9.2.1.5. SALES AND MARKETING EXPENSES

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Personnel	6,225	6,473
Fees, External Services	2,299	1,782
Travel expenses and entertainment	2,533	2,624
Depreciation, amortization & provisions	390	437
Others	893	675
Total	12,341	11,987

Selling and marketing expenses mainly include the following costs:

- commercial roll-out (sales force);
- marketing;
- sales administration (contract management, letters of credit, order administration, issuing of invoices, etc.).

They also include most of the overheads incurred by the sales subsidiaries.

The primary gage of sales and marketing expenses is the percentage of revenue.
For the second year running since the listing, we saw a decline in the ratio of sales and marketing expenses to revenue to 50.0% in 2017 from 54.0% in 2016, namely €12.3 million in 2017 versus €12.0 million in 2016.
On the back of the higher revenue, this relative reduction (-4%) nevertheless allowed us to continue investing in our sales and marketing teams, in the United States and China.

9.2.1.6. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Personnel	3,174	3,075
Fees, External Services	1,958	1,723
Travel expenses and entertainment	151	231
Depreciation, amortization & provisions	188	242
Others	304	176
Total	5,775	5,447

General and administrative expenses mainly include:

- wages of senior management, Finance Department, IT Department, Quality Assurance & Regulatory Affairs Department, Procurement, Logistics & Customer Satisfaction Department. The latter encompass production planning, inventory management, preparation and distribution of price lists, customer and distributor training as well as improvements in after-sales service processes;
- audit, legal and consultancy fees, costs of regulatory affairs and quality assurance (obtaining certification for Group products);
- insurance and rental costs (excluding those covered by the sales subsidiaries and accordingly presented under sales and marketing expenses).

The ratio of general and administrative expenses to revenue fell further to 23.4% in 2017 from 24.5% in 2016, representing €5.8 million in 2017 compared to €5.4 million in 2016.
The €0.4 million year-on-year increase was mainly due to heightened regulatory constraints and higher legal and tax costs.

9.2.1.7. OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Customer provisions	(265)	(408)
Miscellaneous	(155)	(6)
Other operating expenses	(420)	(414)
Reversal of used customer provisions	-	-
Reversal of unused customer provisions	127	9
Miscellaneous	(1)	1
Other operating income	126	10
Other operating income and expenses	(294)	(404)

In 2017, provisions for bad debts (customer provisions) fell from €408,000 in 2016 to €265,000 in 2017.
In parallel, there was a €127,000 reversal of provisions for bad debts in 2017, mainly due to the recovery of the bulk of the former claims of the US subsidiary.
In addition, a €155,000 provision for human resources risk was recognized in 2017.

9.2.1.8. CURRENT OPERATING INCOME (LOSS)

At December 31, 2017, there was a current operating loss of €9.9 million, compared with €10.3 million the previous year, a €0.4 million improvement. The ratio of the loss to revenue improved to 40.0% from 46.2% in 2016.

9.2.1.9. NON-CURRENT OPERATING INCOME (LOSS)

As in 2016, non-recurring expenses were not material in 2017.

9.2.2. NET INCOME (LOSS)

9.2.2.1. FINANCIAL INCOME (LOSS)

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Foreign currency exchange losses	(400)	-
Interest	(2,010)	(662)
Financial expenses	(2,410)	(662)
Foreign currency exchange gains		441
Interest	6	-
Financial income	6	441
Financial income (loss)	(2,405)	(221)

Financial income (loss) fell €2.2 million as a result of:

a) -€920,000 due to the early redemption of the Norgine bonds and interest on the Bpifrance repayable advance for 2010-2016. These are extraordinary expenses for 2017;

b) -€841,000 exchange rate movement between 2017 and 2016, resulting from a €441,000 exchange rate gain in 2016 and a €400,000 exchange rate loss in 2017;

c) -€422,000 in additional interest, which totaled €1.084 million in 2017 versus €662,000 in 2016.

9.2.2.2. INCOME TAX

Given the losses recorded for the last two years, the Company has not recorded any income tax with the exception of a flat tax in China totaling €11,000 in 2017, versus €62,000 in 2016. It obtained a research tax credit, which is deducted from research and development expenses in the IFRS consolidated financial statements (see Section 9.2.1.4 above).
It also enjoys a family tax credit that is set against tax expenses and an extraordinary reversal in 2017 for taxes at its US subsidiary refunded by the Authorities.

At December 31, 2017, unrecognized deferred tax assets amounted to €48.973 million, versus €43.840 million at December 31, 2016.

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

The consolidated net loss totaled €12.247 million in 2017, compared with €10.555 million in 2016. 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 €0.61 in 2017 and €0.65 in 2016.

9.3. BALANCE SHEET ANALYSIS

The balance sheet total at December 31, 2017 was €56.1 million compared to €45.7 million at December 31, 2016.

Assets

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Total non-current assets	19,035	16,044
Cash and cash equivalents	19,017	11,250
Total current assets	37,148	29,691
Total assets	56,183	45,735

Liabilities

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Total shareholders' equity	25,591	27,305
Total non-current liabilities	12,682	4,357
Total current liabilities	17,910	14,073
Total liabilities and shareholders' equity	56,183	45,735

9.3.1. NON-CURRENT ASSETS

Net non-current assets break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	14,158	12,333
Property, plant and equipment	4,443	1,330
Other non-current assets	434	2,381
Total non-current assets	19,035	16,044

The increase in non-current assets was mainly attributable to the increase in intangible assets driven by the development costs capitalized for 2017.

Other non-current assets primarily consist of cash and shares pledged.

9.3.2. CURRENT ASSETS

Net current assets break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Inventories	5,037	5,082
Trade receivables	8,680	8,971
Other current assets	4,414	4,389
Cash and cash equivalents	19,017	11,250
Total current assets	37,148	29,691

The changes in the main items can be analyzed as follows:

- Inventories:

The €500 decline in net inventories between 2016 and 2017 was mainly due to inventory impairment.

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Raw materials & spare parts	3,257	2,873
WIP and finished goods	1,864	2,686
Demonstration equipment	1,483	1,653
Total gross inventories	6,604	7,212
Inventory impairment	(1,567)	(2,130)
Total Net Inventories	5,037	5,082

- Trade receivables:

There was a significant improvement in trade receivables from 2016 to 2017 despite an 11% increase in revenue. Impairment of receivables rose €120,000, due to the funding of a provision for various international receivables.

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Trade receivables	10,419	10,591
Provisions for bad debt	(1,740)	(1,620)
Trade receivables, net	8,680	8,971

- Other current assets:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Research tax credit receivable	2,212	2,408
VAT receivable	739	510
Prepaid expenses	274	315
Prepayments	738	885
Operating grants receivable – current portion	452	273
Total other current assets	4,414	4,389

The main changes in "Other current assets" break down as follows:
Tax credits receivable: the amount is unchanged and is comprised of Research Tax Credits, Innovation Tax Credits and Job Competitiveness Tax Credits.

- Cash and cash equivalents

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Cash on hand	19,009	10,496
Marketable securities	8	754
Cash and cash equivalents	19,017	11,250

Cash held at banks is principally held in euros. The Group invested its excess cash primarily in money market funds. Given the very low, and sometimes negative, returns from these securities, the company decided to sell them all on June 30, 2017.

Available cash stood at €19.0 million at December 31, 2017 (versus €11.3 million at December 31, 2016), representing a positive net improvement in the cash position of €7.7 million, which breaks down as follows:
(a) -€4.7 million in cash consumption related to operating activities in 2017 (versus -€9.0 million in 2016), representing an improvement of €1.6 million;

(b) -€7.9 million in cash consumption related to investing activities in 2017 (versus -€5 million in 2016), on the back of the increase in expenses for the next product generation;

(c) +€18.9 million in additional cash related to financing activities with in particular a capital increase in June 2017, a Venture Loan in March and December 2017 and short-term financing to cover the working capital requirement;

(d) +€2.0 million in reclassification of cash following the redemption of the Norgine bonds;

(e) -€0.5 million relating to the impact of exchange rate movements on cash.

A detailed net cash flow analysis is presented in Section 10.2 below.

9.3.3. SHAREHOLDERS' EQUITY

Shareholders' equity stood at €25.6 million at December 31, 2017, compared to €27.3 million the previous year. This €1.7 million decline was mainly due to losses for the period (€12.2 million) offset by the capital increase (€11.5 million). The breakdown of the change in consolidated shareholders' equity is presented in the schedule, which forms part of the financial statements presented in Section 20.1 of this Registration Document.

9.3.4. NON-CURRENT LIABILITIES

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Financial debt - Long-term portion	11,294	3,037
Retirement obligations	481	486
Provisions and other non-current liabilities	907	834
Total non-current	12,682	4,357

Non-current liabilities break down as follows:

- **Financial debt – Long-term portion which was €8.26 million up on 2016 and at December 31, 2017 comprised** the long-term portion of the €7.8 million bond issue, the non-current portion of Bpifrance repayable advances totaling €1.2 million, a long-term loan of €1.8 million arranged with Bpi as well as put options connected with the Kreos bonds totaling €0.5 million.
- **Retirement obligations** were unchanged year-on year, totaling €0.5 million at December 31, 2017.
- **Provisions and other non-current liabilities** were up €0.1 million at December 31, 2017 compared to 2016 and were comprised of €478,000 in discounted future payments for fixed minimum royalties on acquired patents and licenses and €429,000 in deferred income from maintenance agreements.

9.3.5. CURRENT LIABILITIES

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Financial debt - Short-term portion	7,034	5,135
Trade payables and related accounts	5,226	4,361
Provisions and other current liabilities	5,650	4,576
Total current liabilities	17,910	14,073

Current liabilities break down as follows:

- **Financial debt – Short-term portion**, primarily comprised of an RTC pre-financing facility of €1.7 million, and €1.7 million in trade receivables factoring. As of December 31, 2016, it was comprised of the €2.8 million short-term portion of the bond issue, and RTC pre-financing of €2 million.
- **Trade payables and related** were up 19% (+€0.86 million), primarily driven by increased R&D expenditure in light of the stage of development of the new platform.
- **Provisions and other current liabilities** were down 29% (-€1.1 million), and broke down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Social security costs	2,966	2,321
Deferred revenue - current portion	868	575
Operating grant repayable		790
Provisions for other current liabilities	685	492
Tax debt	810	287
Advances received on orders	307	100
Miscellaneous	14	14
Total other current liabilities	5,650	4,576

- **Social security liabilities** were up €645,000 (+28%), mainly due to the increase in payroll;
- **Deferred revenue** was up €293,000 year-on-year, mainly due to the commencement of the sale of maintenance contracts in China;
- **The amount of operating grants to be repaid** was not material in 2017;
- **Provisions for other current liabilities** are linked to the provision for warranty on equipment sold;
- **Tax debts** rose €523,000 mainly due to Chinese taxes.
- **Advances received on orders** totaled €0.3 million at December 31, 2017.

9.4. SUMMARY OF THE CORPORATE FINANCIAL STATEMENTS

For the year ended December 31, 2017:

- revenue excluding sales tax amounted to €23.835 million, compared to €22.146 million a year earlier;
- total operating income amounted to €31.483 million, compared to €28.727 million the previous year;
- operating expenses for the fiscal year amounted to €41.597 million, compared to €37.255 million the previous year;
- the operating loss amounted to €10.115 million, compared to a loss of €8.528 million the previous year;
- wages and emoluments totaled €7.402 million, compared to €7.081 million the previous year;
- payroll taxes totaled €2.997 million, compared to €2.760 million the previous year;
- depreciation and amortization amounted to €2.715 million, compared to €2.554 million the previous year;

The salaried workforce at December 31, 2017 was 109, versus 103 the previous year.

Given a financial loss of €2.667 million primarily related to the impairment of receivables from its subsidiaries, the loss from continuing operations before tax amounted to €12.782 million, compared to a loss of €12.098 million the previous year.

In light of the above, exceptional income of €460,000, an income tax credit of €2.129 million, which mostly represents the amount of the research tax credit, and the tax for the Chinese representative office, there was a loss of €10.192 million for the fiscal year, compared to a loss of €9.964 million the previous year.
The information below concerning the review of the Group's results and financial position is solely based on the financial statements under IFRS that appear in Section 20.1 of this Registration Document and must be read in conjunction with the rest of the Registration Document.

10. CASH AND CAPITAL RESOURCES

10.1. INFORMATION ON CAPITAL RESOURCES, CASH AND EQUIVALENTS, AND GROUP FINANCING SOURCES

Note 15 to the consolidated financial statements, and the table showing changes in shareholders' equity reported in accordance with IFRS standards and appearing in Section 20.1 of this document, respectively set forth changes in the Company's share capital and in the Group's shareholders' equity.

At December 31, 2017, Group shareholders' equity amounted to €25.591 million, versus €27.305 million at the end of 2016.

10.1.1. INFORMATION ON CASH AND CASH EQUIVALENTS BALANCES

At December 31, 2017, the total amount of cash and cash equivalents held by the Group totaled €19.017 million, compared to €11.250 million at the end of 2016.

Cash and cash equivalents include cash. This cash mostly comes from the funds raised upon listing, grants and the new loan arranged with Kreos for €12 million, part of which enabled the redemption of the Norgine bonds. This cash is used to finance the Group's operations. With respect to the early redemption of the Norgine bonds, the €2 million in cash presented under other non-current assets in the financial statements at December 31, 2016 were reclassified in cash.

At December 31, 2017, financial debt consisted of:

- debts related to repayable advances granted by Bpifrance;
- bonds with equity warrants issued in March 2017 in the case of the first tranche, and December 2017 in the case of the second
- short-term borrowings comprising the 2017 RTC pre-financing by means of the assignment of receivables (subject to the provisions of Articles L214-169 to L214-175 of the French Monetary and Financial Code) as described in Note 35.4.
- A trade receivables factoring agreement put in place in December 2016.

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Cash in banks	19,009	10,496
Marketable securities	8	754
Total	19,017	11,250
Current financial liabilities	7,034	5,135
Financial debt - current (A)	7,034	5,135
Non-current financial liabilities	11,294	3,037
Financial debt - Non-current (B)	11,294	3,037
Financial debt (A)+(B)	18,329	8,172
Net financial debt	(689)	(3,078)

10.1.2. INFORMATION ON THE GROUP'S FINANCING SOURCES

SuperSonic Imagine is a growing company engaged in the medical device sector, with a product range that includes innovations for the most part. The innovation policy adopted by the Company has resulted in negative operating cash flow since its creation.

The Company has used several financing sources to support its growth, primarily:

- share issues, especially during the initial public offering and three bond issues by historical shareholders that were then converted into shares;
- a bond with equity warrants;
- the Research Tax Credit;
- Bpifrance repayable aid;
- other public financing in the form of grants and premiums;
- short-term financing.

The table below shows, by type and year, all funding obtained at December 31 of each year by the Company since its inception.

In thousands of euros	Share capital increase	Research tax credit	Repayable aid	Grants, bonuses	Bond warrant issue	Short-term debt	Total per year	Cumulative total
2005	337	0	44	1,000	-	-	1,381	1,381
2006	5,000	148	-	197	-	-	5,345	6,726
2007	5,000	993	28	38	-	-	6,059	12,785
2008	13,302	1,269	507	342	-	-	15,420	28,205
2009	13,271	1,603	500	1,179	-	-	16,553	44,758
2010	23,041	1,537	516	1,178	-	-	26,272	71,030
2011	9,917	1,599	-	244	-	-	11,760	82,790
2012	1,583	1,680	424	1,314	-	-	5,001	87,791
2013	14,391	1,045	-	133	5,000	-	20,569	108,360
2014	54,817	-	-	340	-	3,000	58,157	166,516
2015	97	3,585	242	275	-	5,615	9,814	176,330
2016	5	2,128	27	264	-	2,153	4,577	180,907
2017	11,507	2,262	61	279	12,000	5,860	31,969	212,876
Total	152,268	17,849	2,349	6,783	17,000	16,628		212,876

10.1.2.1. EQUITY FINANCING

At December 31, 2017, the Company had received a total of €141.455 million (before transaction costs recorded as a deduction from share issuance premiums) through capital increases carried out since its establishment in 2005 to the current time. These successive fundings are detailed in the table below.

Date	Nature of operations	Category of shares	Gross amount raised (in €K)	Number of shares	Price per share
Total equity financing at December 31, 2015			140,755	16,217,179	
6/30/2016	Exercise of stock options	Ordinary	3	32,000	0.10
6/30/2016	Exercise of BSPCE	Ordinary	-		0.10
6/30/2016	Exercise of warrants	Ordinary	2	21,802	0.10
12/31/2016	Exercise of stock options	Ordinary	0	500	0.10
Total equity financing at December 31, 2016			140,761	16,271,481	
6/30/2017	Exercise of stock options	Ordinary	0	3,250	0.10
6/30/2017	Share capital increase	Ordinary	693	6,931,829	0.10
12/31/2017	Exercise of BSPCE	Ordinary	-	-	0.10
12/31/2017	Exercise of warrants	Ordinary	-	-	0.10
12/31/2017	Exercise of stock options	Ordinary	0	2,567	0.10
Total equity financing at December 31, 2017			141,455	23,209,127	

Details of subscriptions during the two fiscal years can be found in Section 20.1 in Note 16.1.2.

10.1.2.2. FINANCING BY BOND ISSUE

In December 2013, the Company had carried out a bond issue with a nominal value of €5 million with an annual interest rate of 10.13%. Over a period of 60 months, including a grace period of 24 months or 36 months, depending on performance, it was repayable in constant and equal installments from the end of the grace period. The detailed repayment conditions can be found in Note 17.2 to the consolidated financial statements prepared under IFRS for the 2016 fiscal year. These bonds were redeemed early in April 2017.

In March 2017, the Company issued bonds with a nominal value of €12 million in two tranches bearing interest at an annual rate of 10.75%. Over a period of 42 months, it is repayable in constant and equal installments from the disbursement of the tranches. The detailed repayment conditions can be found in Note 17.2 to the consolidated financial statements prepared under IFRS for the 2017 fiscal year. The first €6.0 million tranche was subscribed on March 13, 2017 and the second on December 22, 2017 for the same amount.

10.1.2.3. FINANCING THROUGH THE RESEARCH TAX CREDIT

The Company benefits from the provisions of Articles 244 *quater* B and 49 *septies* F of the French General Tax Code (CGI) pertaining to the Research Tax Credit.

During the period presented, the change in the Research Tax Credit receivable amounting to €2.077 million at December 31, 2017, was as follows:

B/S receivable as at Dec. 31, 2015	2,336
+ 2016 RTC recorded over the period	2,182
+ Tax Credit for Competitiveness and Employment (TCCE) recorded over the period	95
+ 2016 ITC	80
+ Family Tax Credit	10
- 2015 RTC payment received	(2,128)
- 2015 TTCE payment received	(86)
- 2015 ITC payment received	(80)
Foreign tax liabilities	-
B/S receivable as at Dec. 31, 2016	2,408
+ 2017 RTC recorded over the period	2,077
+ Tax Credit for Competitiveness and Employment (TCCE) recorded over the period	123
+ Family Tax Credit	12
- 2016 RTC payment received	(2,182)
- 2016 ITC payment received	(80)
- 2016 TTCE payment received	(106)
- Cancellation 2012 Export Tax Credits	(40)
Foreign tax liabilities	
B/S receivable as at Dec. 31, 2017	2,212

From its inception to the end of 2017, the Group obtained a total Research Tax Credit refund of €17.849 million (see detailed table in Section 10.1.2 above).

The cumulative total (including the 2017 receivable) thus amounts to €19.926 million.

10.1.2.4. FINANCING THROUGH REPAYABLE ADVANCES

In addition to the bond referred to in Section 10.1.2.2 above, at December 31, 2017, consolidated financial debt included repayable advances from Bpifrance, the IMPULSE incubator and Business France.

The Company currently benefits from the following six repayable advances:
Completed projects:

- 1st repayable advance received from the IMPULSE incubator.
- 2nd repayable advance from Bpifrance (HIFU-Brain Therapy project);
- 3rd repayable advance from Bpifrance (Prostate)

Project ongoing

- **4th grant from** Bpifrance **(Portion relating to the collaborative project – TUCE):** on December 4, 2008, the Group was granted a financial package by Bpifrance that included both a repayable advance and a grant. This collaborative project carried out in a partnership with Theraclion, entitled TUCE (*Thérapie Ultrasonore Contrôlée par Elastographie*/Ultrasound Therapy Controlled by Elastography), has the goal of developing a medical device that will allow the non-invasive ablation of the parathyroid glands by combining innovative imaging, monitoring of the temperature of the tissues, and ablation by High Intensity Focused Ultrasound (HIFU). Of the total €8.522 million in grants awarded, the share attributable to the Company totaled €1.615 million, of which €1.208 million in subsidies and €407,000 in repayable advances.

In accordance with an amendment dated December 20, 2010, the start date for the R&D work was moved from June 30 to December 31, 2009, thus pushing back the end date of the 60-month program to December 31, 2014.
In accordance with a second amendment dated November 30, 2012, the project duration was increased from 60 to 84 months to take into account the development of an OEM system based on the new platform, thereby postponing the program end date to December 31, 2016.

As for the portion pertaining to the repayable advance granted to the Company, the drawdown schedule specified in the new agreement was as follows:

- €77,200 at the completion of Key Stage 2 as defined in the agreement, i.e., December 31, 2011;
- €0 at the completion of Key Stage 3 as defined in the agreement, i.e., December 31, 2012;
- €51,000 at the completion of Key Stage 4 as defined in the agreement, i.e., December 31, 2013;
- €191,000 at the completion of Key Stage 5 as defined in the agreement, i.e., December 31, 2014;
- €27,000 at the completion of Key Stage 6 as defined in the agreement, i.e., December 31, 2015;
- the balance of €60,900 at the end of the program, on December 31, 2016.

On June 26, 2012, the Company received the first installment of €77,000, €242,000 on July 1, 2015, €27,000 on June 13, 2016 and €61,000 on July 5, 2017. Repayments will be based on future sales of products resulting from the project, such as Aixplorer® prototypes whose size enables integration into another device (focused ultrasound therapy cameras, for example), i.e., 2.5% of revenue once €1.5 million has been achieved and will be spread over a period of eight consecutive years at most. Because the project was scheduled to end in 2016 but was pushed back to 2017, no repayment should be made before that date. Repayments may therefore exceed the nominal amount deposited, but in the absence of reliable estimates of the amounts to be repaid, no additional amount was recorded. This will also depend on the success rate of the project at the end of the program.

- **5th grant from** Bpifrance **(ICARE Project):** On May 6, 2009, Bpifrance granted the Company a financing package including both a repayable advance (loan) and a grant. The ICARE project is a collaborative program, carried out in partnership with the company Vermon, which relates to the development of an ultra-rapid echocardiogram capable of imaging the heart in three dimensions and offering quantification of cardiac mechanisms.

- The project obtained grants of €7.296 million, including €5.876 million attributable to the Company and broken down into a total of €2.837 million in subsidies and €3.038 million in repayable advances.

The project is expected to take about 60 months. Project launch was postponed from September 15, 2009 to May 15, 2010.

Regarding the repayable grant provided to the Company, the drawdown schedule originally specified in the agreement is as follows, it being stipulated that it was subject to the prior contribution of €13.270 million in equity:

- €515,000 upon signing;
- €734,000 at the completion of Key Stage 1, as defined in the agreement, i.e., August 15, 2011;
- €1.078 million at the completion of Key Stage 2 as defined in the agreement, i.e., June 15, 2012;
- €255,000 at the completion of Key Stage 3 as defined in the agreement, i.e., June 15, 2013;
- the balance, €456,000, at the completion of the program, i.e., September 15, 2014.

At December 31, 2014, the Company had received the sum of €863,000 (the first payment of €515,000 mentioned above was received in 2010 and €347,000 in 2012). The €347,000 represents only a portion of the Step 1 amount

stipulated in the initial contract (€734,000) because since this is a collaborative program with a partner that does not always share the same priorities, the project was delayed. No further advance was received in 2013.

The initial contract stipulates that the advance will be repaid based on future sales of products resulting from the project, amounting to 3.3% of revenues, with a discount rate of 3.74% upon reaching €12 million, until the fiscal year ending in 2022. Repayments may therefore exceed the nominal amount received.
The discussions undertaken with Bpifrance resulted in an agreement regarding repayments. The discount rate and the threshold are unchanged. The threshold will apply on a renegotiated revenue base on the sale of products from the new technological platform. The repayments will be in six annual lump sums plus profit-sharing with a threshold of €80 million. This agreement allowed the company to recognize outstanding interest representing 25% of the repayable advance received, calculated at €267,000 at period-end.
In addition to the advance of €863,000, the Group also received a grant of €1.775 million under the ICARE program.

6th grant from 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 3 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.

Repayable advances at December 31, 2017 are summarized as follows:

Repayable aid *In thousands of euros*	BPI ICARE	BPI TUCE	Business France	TOTAL
Debt as at December 31, 2015	707	319	-	1,026
+ payments received	-	27	15	42
- repayments	-	-	-	-
- discounting	-	-	-	-
+ accretion	26	-	-	26
- Cancellation of the debt	-	-	-	-
+/- change in assumption	-	-	-	-
Debt as at December 31, 2016	733	346	15	1,094
+ payments received	-	61	-	61
- repayments	-	-	-	-
- discounting	-	-	-	-
+ interest provision	267	-	-	267
+ accretion	25	-	-	25
- Cancellation of the debt	-	-	-	-
+/- change in assumption	-	-	-	-
Debt as at December 31, 2017	1,026	407	15	1,448

With regard to their respective characteristics, these advances were restated in the consolidated financial statements in accordance with IFRS and presented at their fair value (see Note 17.1 to the consolidated financial statements prepared in accordance with IFRS and inserted in Section 20.1 of this document).

10.1.2.5. OTHER PUBLIC GRANTS

Since its creation, the Company has also benefited from many grants in connection with its development projects, whether or not collaborative in nature, particularly from the national research agency (ANR), and a government grant for territorial development (*Prime d'Aménagement du Territoire*); the amounts drawn down from these sources are summarized below:

In thousands of euros	Grants received				Amount of grant on contract	Balance receivable
	Before 2016	2016	2017	Cumulative total		
ICARE - OSEO	1,775			1,775	2,838	1,063
DARMUS – DGA	645			645	645	
CARDIO – ANR	215			215	215	
TUCCIRM – ANR	126			126	126	
Elastobus – OSEO	454			454	454	
TUCE – OSEO	1,027		181	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	94		18	112	118	6
IDITOP – OSEO	268			268	335	67
IDITOP – PACA	152	67		219	250	31
Cartographics – INCA INSERM	133			133	133	
Capacity – BPI						
SOLUS		197		197	408	211
Ultra Fast 4D-ANR	92			92	306	214
RHU STOP AS			80	80	203	123
Total	5,241	264	279	5,783	7,716	1,933

At December 31, 2017, the Group had received a total of €6.783 million, €5.783 million of which was in grants and €1.0 million in various bonuses. €1.933 million in grants is still outstanding.

10.1.2.6. OTHER SHORT-TERM FINANCING

At December 31, 2017, the Group had recourse to the assignment of receivables (subject to the provisions of Articles L214-169 to L214-175 of the French Monetary and Financial Code) to pre-finance the Research Tax Credit for the past year.
In 2017, the company signed a trade receivables factoring agreement.

10.1.3. OFF BALANCE SHEET COMMITMENTS

Off-balance sheet commitments are detailed in Note 35 to the consolidated financial statements prepared under IFRS for 2017.

10.2. CASH FLOWS

For the period presented, changes in cash by type of cash flows were as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Net cash flows provided from/(used in) operating activities	(4,629)	(9,029)
Net cash flows provided from/(used in) investing activities	(7,979)	(5,062)
Net cash flows provided from/(used in) financing activities	18,853	(3,832)
Changes in net cash flow	6,244	(17,923)
Cash opening balance	11,250	29,476
Reclassification of non-current assets as Cash	2,000	
Impact of foreign exchange on cash	(477)	(303)
Cash closing balance	19,017	11,250

10.2.1. CASH FLOW RELATED TO OPERATING ACTIVITIES

Cash consumption related to operating activities for the fiscal years ended December 31, 2017 and 2016 amounted respectively to €4.629 million and €9.029 million.

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Net income (loss)	(12,247)	(10,555)
Elimination of items with no impact on cash		
Amortization and depreciations of assets	2,556	2,598
Changes in the provisions for contingencies	196	32
Changes in the provision for retirement obligations	(9)	79
(Income)/Expenses linked to share-based payments	321	-
(Income)/Interest expenses, net	2,004	583
Gain or loss on disposal of assets	183	-
Income tax expense	(38)	62
Cash flow linked to operating activity, before changes in WCR	(7,034)	(7,201)
Inventories	45	870
Trade receivables	291	(628)
Other receivables	(52)	352
Tax credit for research and operating grants	(550)	344
Suppliers and other liabilities	2,627	(2,609)
Taxes on paid income	44	(157)
Net cash flow linked to operating activities	(4,629)	(9,029)

Cash flow from operations (CFO) (net consumption of cash from operating activities before changes in the working capital requirement) for the fiscal years ended December 31, 2017 and 2016 amounted to -€7.034 million and -€7.201 million respectively.

This year-on-year change of circa €167,000 in CFO was mainly due to the improvement in current operating income.

The +€2.4 million change in working capital requirement was mainly due to higher investment linked to expenses for the next generation of products. These investments have a knock-on effect on trade payables.

10.2.2. CASH FLOWS FROM INVESTING ACTIVITIES

Cash consumption related to investing activities for the fiscal years ended December 31, 2017 and 2016 increased by nearly €2.9 million and totaled €7.979 million and €5.062 million respectively.

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Acquisitions of property, plant and equipment	(3,717)	(615)
Acquisitions and production of intangible assets	(6,391)	(6,234)
Receipt of research tax credit allocated to capitalized R&D expenses	2,182	1,854
Receipt/Disbursement of financial assets	(53)	(67)
Income from interest received and capital gain on disposals of cash instruments	-	-
Net cash flows related to investment operations	(7,979)	(5,062)

The main changes relate to R&D investment on new projects.

The intangible assets break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Capitalized R&D expenses	5,874	6,191
Licenses and patents	3	-
Other (software, etc.)	160	43
Operating grants	354	
Total acquisitions of intangible assets	6,391	6,234

The “Capitalized R&D expenses” line item is for expenses incurred over the fiscal year that meet the requirements for capitalization (€6.228 million of spending incurred for R&D and subsequently capitalized).

Property, plant and equipment break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Equipment	3,657	481
Office and IT equipment	46	44
Others	14	84
Total acquisitions of property, plant and equipment	3,717	615

The equipment is primarily related to R&D equipment and production.

10.2.3. CASH FLOWS FROM FINANCING ACTIVITIES

Net cash flow from financing activities totaled +€18.853 million in 2017 and -€3.832 million in 2016.

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Profit from transactions on share capital	11,507	5
Expenses related to capital increases	(786)	-
Incurment of financial debt	17,437	2,196
Repayment of financial debt	(7,679)	(5,615)
Interest disbursed	(1,597)	(506)
Acquisitions of treasury shares	(30)	89
Net cash flows related to financing operations	18,853	(3,832)

Net cash flows from financing activities have as major components:

- The Group's short-term financing policy:

In 2016, the Group had used two forms of short-term financing: pre-financing of 91% of the 2016 RTC totaling €2 million and lease-back financing of leased systems reclassified under financial debt for €100.
In 2017, the company used the following forms of financing:

- A €12 million loan arranged with Kreos, consisting of two €6 million tranches of bonds with share warrants (OBSA). The first €6 million tranche was subscribed following the Management Board meeting of March 13, 2017. The second €6 million tranche was subscribed following the Management Board meeting of December 22, 2017.
- €11.5 million capital increase with preferential subscription rights in June 2017.
- Pre-financing of 91% of the 2017 RTC totaling €1.7 million.
- Trade receivables factoring agreement totaling €1.7 million at December 31, 2017.
- €1.6 million in **interest**, representing the financial expenses on the redemption of the convertible bonds subscribed in December 2013 as well as the subscription of a new bond issue in March 2017 for the first tranche and December 2017 for the second.

10.3. INFORMATION ON THE TERMS FOR REPAYABLE ADVANCES AND THE FINANCING STRUCTURE

A breakdown of this information is presented in Section 10.1.2 above.

10.4. RESTRICTION ON USES OF CAPITAL RESOURCES

Pledge of marketable securities
€51,000 in investment securities that were pledged to PRIMOPIERRE as security for rent on the premises in Aix-en-Provence, renegotiated in 2016. This guarantee was given for a period of nine years and will end on September 30, 2024.

Pledge of bank accounts
As security for the bond issue, the Company had granted the holders of bonds with share warrants (OBSA) a pledge on the bank accounts of SuperSonic Imagine SA. In June 2014, this pledge was supplemented by a commitment to maintain a credit balance of at least €2 million in its bank accounts at all times.

As part of this commitment, €2 million in cash was presented as non-current assets in the financial statements up to December 31, 2016. This pledge was canceled as part of the early redemption of the Norgine bonds in March 2017.

In order to guarantee all of the Company's obligations under the Venture Loan, it provided a number of securities in the event of default: pledge of bank accounts, pledge of certain receivables and pledge of certain intellectual property rights (patents and trademarks).

10.5. SOURCES OF FINANCING REQUIRED IN THE FUTURE

The available cash at December 31, 2017 was €19.0 million compared to €11.3 million at December 31, 2016.

As of April 27, 2018, the Company had the necessary funds to meet its obligations over the following twelve months thanks to the receipt of the first €6 million bond tranche.

SuperSonic Imagine decided to arrange additional funding by means of bond issue signed in March 2017 (an initial €6 million tranche received in March 2017 and a 2nd €6 million tranche received in December 2017) plus a capital increase of €11.5 million.

This financing strategy allows the company to continue operating beyond 12 months while supporting its investment requirements.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, TRADEMARKS AND DOMAIN NAMES

11.1. INNOVATION POLICY

11.1.1. GENERAL

In 2009, SuperSonic Imagine put on the market a 3rd generation ultrasound imaging device called Aixplorer®, with a radically new, entirely software-based architecture that integrates several technological innovations (see Section 6.3.3 above).
The Company's research and development 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 specific problems of diagnosis, screening and therapeutic follow-up, 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 2017, a large proportion of the Company's resources was dedicated to the development of Aixplorer®. 2017 saw a major investment in upgrading the technological platform and the upcoming launch in 2018 of a new product family to replace Aixplorer. For 2017 alone, the total gross expenditure on research and development eligible for the Research Tax Credit amounted to €7.2 million and the net amount of grants received was €279,000 (see Section 10.1.2.1 above). Some of these research and development activities were conducted through collaborative projects with public research laboratories (Langevin Institute, CNRS, Inserm), independent laboratories, university hospital centers, higher education and research establishments and private companies, for which the Company received allowances, grants and repayable advances (Bpifrance, formerly OSEO, ANR). These collaborative projects integrate perfectly into the Company's strategy for technological development because they enable it to conduct feasibility studies, which, when positive, may lead to the incorporation of innovations into the Aixplorer®.
On November 22, 2017, Verasonics Inc filed a lawsuit in the U.S. District Court for the Western District of Washington in which it alleged that SuperSonic Imagine had infringed three of its US patents and claimed trade secrets.
SuperSonic Imagine rejects these claims and will vigorously defend itself.
SuperSonic Imagine intends to challenge the validity and legitimacy of the asserted intellectual property.

11.1.2. A LEGAL FRAMEWORK OF INNOVATION WITHIN THE COMPANY

SuperSonic Imagine attaches great importance to its technology development strategy; this can be seen, with regards to the inventions realized by its employees, by the Company's attention to (i) ensure that the rights to these inventions are strengthened and (ii) motivate its employees to produce inventions. This approach is characteristic of the particular attention paid by the Company to the development of innovation.

- Strengthen the Company's rights with respect to the inventions realized by its employees

The Company's standard work contract specifies, for each employee assigned to research and development activities, the nature of the inventive missions that are entrusted to them. The inventions produced by Company employees in the exercise of their functions, in principle, are "mission inventions", with the resulting automatic assignment of ownership of the invention to the Company (Article L. 611-7 of the French Intellectual Property Code). The employment contract also recalls the legal principles of devolution to the employer of the industrial property rights to the inventions realized by its employees. This is intended to prevent potential conflicts between the Company and the employee inventor as to the ownership of inventions that may be produced and to make the employee aware of the strategic importance that the Company grants to inventions created in-house, while preventing possible concealment or hijacking of inventions, as far as possible.
A non-disclosure clause is also intended to prevent public disclosure of the invention by the employee, which would result in the inability to protect the invention by means of a patent.
Finally, a non-compete clause limits the risk of improper use of the Company's expertise in the event of the employee leaving the Group.

- Encouraging employees to innovate

The Company has established an internal document relating to the process of innovation management, which has an innovation incentive component that specifically provides for additional compensation for the employee inventor.

11.2. PATENTS AND PATENT APPLICATIONS

11.2.1. INTELLECTUAL PROPERTY POLICY - STATUS OF THE PORTFOLIO

The field of ultrasound imaging traditionally generates extremely rich intellectual property from all global players. SuperSonic Imagine has set up a process (INNO process) for intellectual property management within its quality system, which aims to protect the innovations integrated into its product range or likely to be integrated.
In order to maintain its competitive advantage in the medical imaging industry, the Company's intellectual property policy is both meant to ensure the protection of its products and to fight against the emergence of alternative products incorporating one or more of the innovations developed by the Company.
Accordingly, new patent applications are filed regularly. These applications and the resulting patents are intended to protect inventions covering improved versions of existing products and modes or new products or modes.
The Company's current intellectual property portfolio includes:

- 26 families of patents (which it either owns, co-owns or holds under exclusive licensing agreements) including 20 imaging patents listed below and 5 in therapy;

- Four licensing agreements.

With respect to the Company's current stage of development, all of these intellectual property titles do not have the same strategic importance today.
There is reason to distinguish among these families of patents, by decreasing order of importance, those covering innovations currently incorporated into the Aixplorer® from those covering current research on future applications that may eventually, as the case may be, be incorporated into the Aixplorer®.

11.2.2. PATENTS/PATENT APPLICATIONS

These relate to families covering the following imaging innovations:

- **EP 2249708 family**: a device that allows simultaneous display on the main screen and on an additional screen in order to facilitate use of the ultrasound imaging system, which is owned by the Company;

- **EP 2160597 family**: a method providing imaging of all the viscoelastic properties of an area (elasticity and viscosity), which is owned by the Company;

- **EP 2101191 family**: a synthetic and ultrafast method of image formation based on plane waves and applicable to all ultrasonic wave imagery modes (B, Doppler, SWE, contrast), which is owned by the Company;

- **EP 1546757 family**: shear wave elastography method using a supersonic push (ultrasonic wind generation in the tissue using ultrasonic radiation pressure) to generate the radiation force and the plane waves ultrafast imagery to obtain a film of the displacement of the wave, which is owned by the Company; and

- **EP 2790584 family**: ultrasound acquisition and processing device based on GPU clusters, which is owned by the Company;

- WO 2016/102991 family: imaging method employing shear waves to increase the imaging rate by means of a strobe effect.

- **EP 1998680 family**: a complementary method to shear wave elastography allowing the viscoelastic area to be characterized by comparing the response of the area inside and outside the shear wave source (one application of which is cyst/solid lesion differentiation), which is owned by the Company;

- **EP 2069821 family**: 1.5D probe designed for an optimal shear wave elastography mode for high imaging rate, which is owned by the Company;

- **EP 2084702 family**: effective method for shear wave generation based on radiation pressure on an acoustic interface, which is owned by the Company;

- **EP 1866667 family**: 3D viscoelastic imaging patent with a specific determining treatment method for reliability of results, which is owned by the Company;

- **EP 1531729** family: ultrasound wave focusing method by iterative learning, which is owned by the Company;

- **EP 2146640** family: one dimensional method for measuring the viscoelasticity of an area based on acoustic radiation force and evaluation of the propagation in the area of interest, which is owned by the Company;

- **EP 2437666 family**: imaging procedure and device for assessing heart contractility based on shear wave elastography, which is owned by the Company;

- **EP 2459071 family**: procedure and device for viscoelastic characterization of an area based on shear wave elastography within an area subjected to transient change (change of temperature or compression rate), which is co-owned by the Company;

- **EP 2561380** family: generation and summation method of shear waves by radiation force that increases the distance of the wave propagation in complex areas, which is co-owned by the Company;

- **EP 2958495 family**: device for selection and activation of ultrasound probes without mechanical relays, which is owned by the Company;

- **EP 2673657 family**: new ultrafast imaging method for a spatially limited area without loss of image quality due to the spheroidal base, which is owned by the Company;

- **WO/2015/110583 family**: use of a contrast agent imaging method employing a phase shift, which is owned by the Company;

- **WO/2016/067073 family**: patent for adaptive gain for continuous intensity imaging during a transition between imaging states;

- **WO/2016/067072 family**: patent for the calculation and display of a stability index for performing shear wave elastography: “stability index”;

- **WO/2016/102991 family:** patent for adapting the push angle during shear wave elastography for muscle fiber imaging.

Other patents within the focused ultrasound therapy domain. The patent portfolio is unchanged on previous years:

- **EP1326536 family**: method of focusing the ultrasound beam in the brain based on time reversal, which is owned by the Company;

- **EP2210128 family:** insonification device with a three-dimensional network of spiral emitters able to generate a beam of high-intensity focused waves, which is owned by the Company;

- **EP2257942 family**: insonification device with an internal cooling chamber, which is owned by the Company;

- **US7837623 family**: non-invasive method of obtaining a pre-determined acoustic wave field in an essentially uniform medium which is concealed by a bone barrier, imaging method and device for carrying out said methods, which is owned by the Company;

- **US7679988 family**: procedure and device for focusing sound waves, under license.

The Company is of the view that all of its intellectual property is properly protected.

As part of the Venture Loan arranged with Kreos (see in particular Section 22.5), the Company pledged the following patents:

- **EP 2249708 family**: a device that allows simultaneous display on the main screen and on an additional screen in order to facilitate use of the ultrasound imaging system, which is owned by the Company;
- **EP 2160597 family**: a method providing imaging of all the viscoelastic properties of an area (elasticity and viscosity), which is owned by the Company;
- **EP 2101191 family**: a synthetic and ultrafast method of image formation based on plane waves and applicable to all ultrasonic wave imagery modes (B, Doppler, SWE, contrast), which is owned by the Company;
- **EP 1546757 family**: shear wave elastography method using a supersonic push (ultrasonic wind generation in the tissue using ultrasonic radiation pressure) to generate the radiation force and the plane waves ultrafast imagery to obtain a film of the displacement of the wave, which is owned by the Company.

11.2.3. LICENSING AGREEMENTS

The Company has four licenses:
A first license, granted by SEISME, concerns patent families/patent applications currently being used as part of ongoing research and development programs.

Licensing agreement: on July 20, 2011, the Company entered into a licensing agreement with Societe d'Elastographie Impulsionnelle pour les Systèmes de Mesures de l'Elasticité (SEISME), valid until the expiration date of the relevant patent WO2000055616 held by the latter, to the benefit of SuperSonic Imagine. This agreement includes exclusive exploitation in 2011 and 2012 in return for payment of a lump sum. It is non-exclusive from 2013 until the end of the contract.
The main clauses of the license agreement are described in Chapter 22 of this document.
The license, which was granted by LRT for a number of patent applications has expired and will not be renewed in light of the expiry of the patents.
Second licensing agreement CNRS AUTOFOC, this agreement is discussed in Chapter 22. It is being renegotiated with the academic partners.
The company also agreed two non-exclusive licensing agreements, one of which is a company unilateral licensing agreement, with two major industry players.
A summary of the material provisions of this agreement is contained in Chapter 22 of this document.

11.3. OTHER INTELLECTUAL PROPERTY

The Company is also the owner of trademarks and domain names.

11.3.1. TRADEMARKS FILED BY THE COMPANY

In its strategy for filing trademarks, the Company registers them either by a national or by an international route. Trademarks are usually registered for a period of ten years and can be renewed indefinitely. Some countries require proof of use for the rights to be maintained. In other countries, the registrations remain valid unless a third party having an interest initiates a procedure for revocation due to the trademark not being used.

The Company has already ensured the protection of brand names and semi-figurative marks in a large number of countries; the list of trademarks owned by SuperSonic Imagine is broken down into three categories:

Semi-figurative trademarks  in class 10 of the Nice Classification (except Canada, a country in which there is no classification)

“AIXPLORER” trademarks filed in class 10 of the Nice Classification

Semi-figurative trademarks  filed in classes 10, 41 and 42

As part of the Venture Loan arranged with Kreos (see in particular Section 22.5), the Company pledged certain industrial property rights and in particular the Aixplorer MultiWave international trademark and the Aixplorer MultiWave community trademark.

11.3.2. DOMAIN NAMES FILED BY THE COMPANY

At present, the Company also owns 49 domain names, which are usually renewable every year or every two years and indefinitely, allowing it to cover the main TLDs (.fr .com .us .cn, etc.) as well as the Group’s main key words (supersonicimagine, Aixplorer).

12. TRENDS

12.1. RECENT DEVELOPMENTS SINCE THE 2017 BALANCE SHEET DATE

This chapter summarizes the major developments of 2017 up through the date of this report. The major developments in 2017 are detailed in Section 6.1.

Additional financing has been obtained (see Note 37 in Section 20.1).
On April 18, 2018, the Group announced its revenue for Q1 2018. It totaled €5 million, 11% up on Q1 2017. At constant exchange rates, the growth was 20% over the quarter.

12.2. OUTLOOK FOR THE FUTURE AND OBJECTIVES

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.
The Group has thus started work on its future platform, which will make it possible to streamline its product cost because it can be used across range and application, to make the product more reliable, to facilitate connectivity for remote maintenance and future big data applications.
In parallel, the Group plans to continue investing as a matter of priority in sales teams in its three major markets (China, United States and France) while continuing to grow in other regions through distributors.
Over the past two years, we have refocused the company's strategy along two main lines:

(1) Clinical: liver and breast imaging;

(2) Geographic: direct sales in France, China and USA.

On the back of this refocusing, the Group's medium and long-term goals have been changed compared with what was set out in the IPO[(1)]:

- to generate 40% of our revenue from clinical specialties;

- to, over the medium-term, generate a gross margin of over 50%, a target that was revised downwards in light of market conditions and in line with other industry players;

- to reach break-even in terms of EBITDA within five years from the Company's initial public offering (IPO). EBITDA* improved €1.2 million to minus €6.6 million in 2017 from minus €7.8 million in 2016. EBITDA is expected to turn positive in 2019 in line with the IPO target.

* 2016 EBITDA represents the current operating loss, namely -€10.3 million, before taxes of -€379,000 and depreciation, amortization and provisions of -€2.1 million. 2016 EBITDA thus totaled -€7.8 million.
* 2017 EBITDA represents the current operating loss, namely -€9.9 million, before taxes of -€724,000 and depreciation, amortization and provisions of -€2.5 million. 2017 EBITDA thus totaled -€6.6 million.

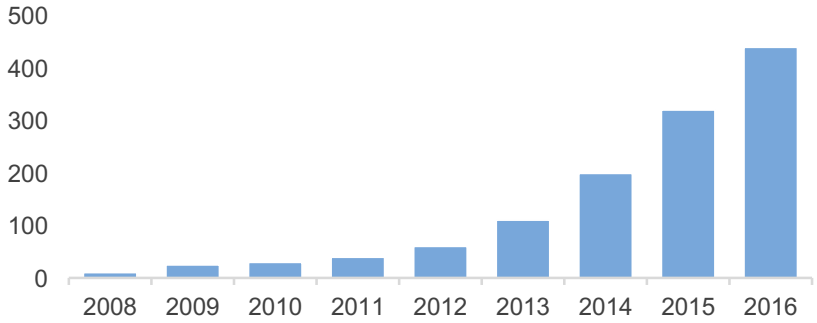
(1) In 2013, the Group had set itself the following medium and long-term objectives:

- to capture approximately 7% market share of the global ultrasound imaging market within 10 years (a market worth USD 5.8 billion in 2012 that should achieve 5% average annual growth through 2017 – (*source: InMedica 2013 study*),

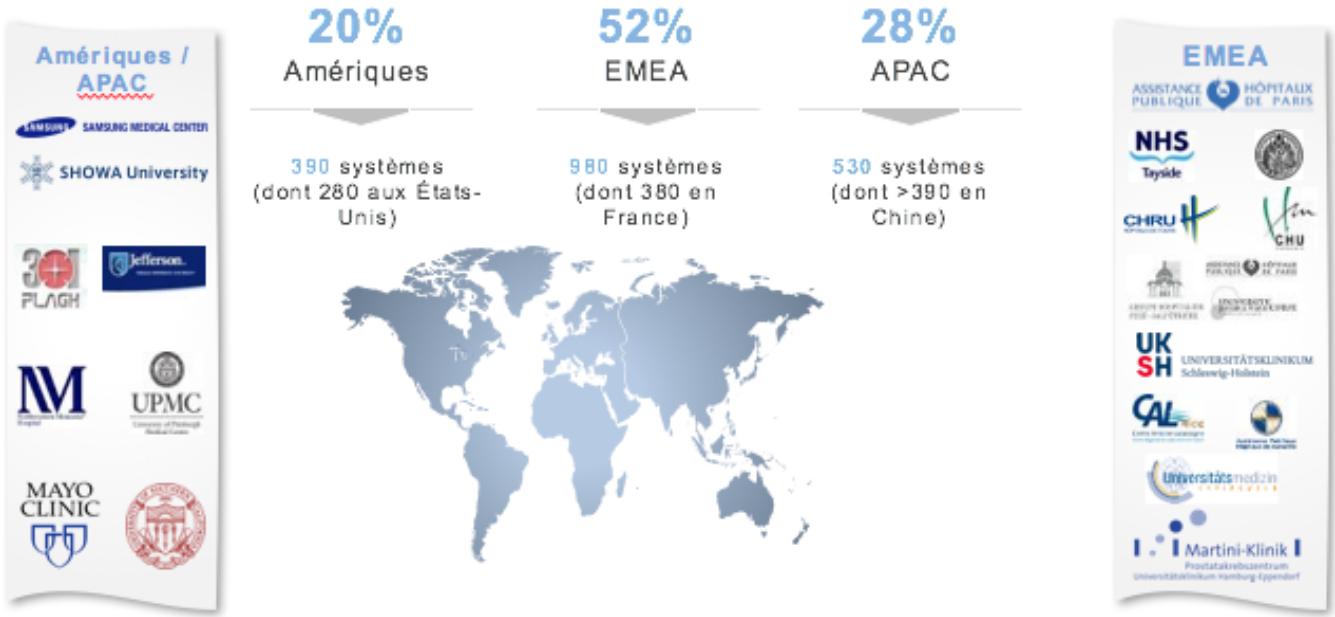
- to achieve in the medium term a gross margin of approximately 60%, following the example of other players in the sector, while simultaneously benefiting from optimized variable production costs and a rise of the services activity thanks to a growing installed base, and an EBITDA margin of approximately 20% of revenue. By way of comparison, the gross margin achieved by SonoSite in 1999 was 36% before rising dramatically to 71% by 2005, with this level still maintained in 2011 when it was acquired by Fujifilm. Margins at the start of an activity are rarely optimal due to the sales volumes compared to the start-up infrastructure, as well as the priority of marketing a product rather than optimizing production cost; and

- to reach break-even in terms of EBITDA within five years from the Company's initial public offering (IPO).

Technological innovation is continually underpinned by new clinical publications in peer-reviewed journals worldwide. At present, there are over 400 publications on the breast and the liver.
Compendium of publications done using Aixplorer:



The ongoing adoption of Aixplorer by more and more leading institutions reaffirms the company's strategy.



French	English
20 %	20%
Amériques	Americas
52 %	52%
EMEA	EMEA
28 %	28%
APAC	APAC
390 systèmes (dont 280 aux États-Unis)	390 systems (including 280 in the USA)
980 systèmes (dont 380 en France)	980 systems (including 380 in France)
530 systèmes (dont >390 en Chine)	530 systems (including >390 in China)

13. EARNINGS ESTIMATES AND FORECASTS

The Group does not plan to make forecasts or estimates of income.

14. COMPOSITION OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The Company is organized as a French *société anonyme* with a Management Board and a Supervisory Board.

The Company's Bylaws and the Charter of the Supervisory Board are found in Section 21.2 on the Company's website.

14.1. DIRECTORS AND MEMBERS OF THE SUPERVISORY BOARD

14.1.1. COMPOSITION OF THE MANAGEMENT BOARD

The Management Board must be composed of no more than seven members. As of the date of this report, it had four members. The members of the Management Board are natural persons. They are not required to be shareholders.

They are appointed for a term of four years by the Supervisory Board. All terms of Management Board members expire on December 31, 2020. Any member of the Management Board is re-eligible for a new term.

On June 21, 2017, Claude Cohen Bacrie resigned from the Management Board.

The members of the Management Board may not be older than 75 years of age.

Name	Position	Operating duties and other positions held in the Group	Position dates
Michèle Lesieur	Chairwoman of the Management Board	Corporate officer of: - SuperSonic Imagine SA	Date of first appointment: November 23, 2016 Date of expiration of term: December 31, 2020
Jacques Souquet	Member of the Management Board	Director of Strategy and Innovation Corporate officer of: SuperSonic Imagine Gmbh SuperSonic Imagine HK SuperSonic Imagine Ltd SuperSonic Imagine SRL	Date of first appointment: March 12, 2005 Term renewed on: December 1, 2008, December 14, 2012 and December 31, 2016 Date of expiration of term: December 31, 2020
Kurt Kelln	Member of the Management Board	Executive Vice President and Chief Business Officer	Date of first appointment: April 19, 2012 Term renewed on: February 14, 2014 and December 31, 2016 Date of expiration of term: December 31, 2020
Elisabeth Winter	Member of the Management Board	Executive Vice President and Chief Financial Officer	Date of first appointment: June 21, 2016 Date of expiration of term: December 31, 2020

The members of the Management Board have the Company's headquarters as their professional address: 510, rue René Descartes, Les Jardins de la Duranne Bât E & Bât F, 13857 Aix-en-Provence Cedex 3 - FRANCE.
The management expertise and experience of these individuals was gained from the various salaried and management functions they have previously exercised (refer to Section 14.1.5).

14.1.2. COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board must consist of at least three members and no more than 18 members. It is currently composed of six members, three of whom are independent.
The Supervisory Board members serve a term of three years, which expires at the end of the Ordinary Shareholders' Meeting that votes on the financial statements of the last fiscal year, which is held during the year in which such term expires. Members of the Supervisory Board may be re-elected, but they may not be over 85 years of age.

In accordance with the terms of the Supervisory Board's charter, the Supervisory Board must, insofar as possible, have at least two independent members. This number may be reduced to one member if the Board has five or fewer members.

Name	Position	Main offices held outside the Group	Position dates
Michael Brock	Chairman of the Supervisory Board and **independent** member	Consultant	Date of first appointment: October 31, 2016 Date of expiration of term: Ordinary Shareholders' General Meeting called to approve the financial statements for the year ended December 31, 2019
BPI France (a) represented by Philippe Boucheron	Member of the Supervisory Board	Director of Investments, BPI France Investissement	Date of first appointment: December 14, 2010 Date of first renewal of term: June 27, 2013 and March 11, 2016 Date of expiration of term: Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018
MERIEUX PARTICIPATIONS represented by Thierry Chignon	Member of the Supervisory Board	Chief Executive Officer of Mérieux Développement	Date of first appointment: September 27, 2010 Date of first renewal of term: June 27, 2013 and March 11, 2016 Date of expiration of term: Ordinary Shareholders' General Meeting called to approve the financial statements for the year ended December 31, 2018
Alexia Perouse	Independent member of the Supervisory Board	Chairwoman Cyann Holding	Date of first appointment: May 29, 2015 Date of expiration of term: Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2017
Sabine Lochmann Beaujour	Independent member of the Supervisory Board	Chief Executive Officer of BPI group	Date of first appointment: Supervisory Board meeting of May 28, 2013 Ratification: Shareholders' Meeting of June 27, 2013 Date of first renewal of term: March 11, 2016 Date of expiration of term: Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018
Guy Frija	Member of the Supervisory Board		Date of first appointment: December 20, 2017 Date of expiration of term: Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2019

- Bpifrance SA, which owns Bpifrance Participations SA, which in turn owns Bpifrance Investissement SAS, is jointly owned by EPIC Bpifrance and Caisse des Dépôts et Consignations (CDC).

The Company applies Recommendation R3 of the Code of Corporate Governance published in September 2016 by MiddleNext regarding independent members of the Supervisory Board.

Michael Brock, Alexia Perouse and Sabine Lochmann Beaujour are independent members of the Supervisory Board as defined by those provisions insofar as they:

- are neither employees nor Executive Directors of the Company or of a company in its Group, and have not had such status during the last five years;
- are not significant clients, suppliers, or bankers for 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 in the Company or holders of significant voting rights;
- do not have any close family ties with a director or a major shareholder; and
- have not been a statutory auditor of the Company in the last six years.

The Supervisory Board currently has four men and two women, which means that 25% of its members are women. There are plans to seek more balanced representation when appointing new members. The company fully complies with the provisions of Articles L.225-69-1 and L.226-4 of the French Commercial Code.
Following the arrangement of the March 2017 loan, a representative of Kreos Capital V (UK) Limited attends Supervisory Board meetings of SuperSonic Imagine as a non-voting member (*censeur*).
The professional addresses of Supervisory Board members are as follows:

Name	Address
Michael Brock	Skovringen 31, 2950 Vedbaek - Denmark
BPI France (b) represented by Philippe Boucheron	Bpifrance, 6-8 Bd. Haussmann, 75009 Paris - France
MERIEUX PARTICIPATIONS represented by Thierry Chignon	Merieux Participations, 17, Rue Bourgelat, 69002 Lyon - France
Alexia Guibert Perouse	iBionext - 74 rue du Faubourg Saint-Antoine 75012 Paris - France
Sabine Lochmann Beaujour	73 rue de Turbigo 75003 Paris - France
Guy Frija	3, rue du Dome, 75116 Paris - France

14.1.3. OTHER POSITIONS HELD BY MEMBERS OF THE MANAGEMENT BOARD AND MEMBERS OF THE SUPERVISORY BOARD

Other positions currently held (outside the Group)

Other positions currently held outside the Group			
	Type of position SB: Supervisory Board BD: Board of Directors	Company	Listed Company
Michèle Lesieur	-	-	-
Jacques Souquet	Member of the Strategy Committee	LL TECH	No
Elisabeth Winter	-	-	-
Kurt Kelln	-	-	-

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	DDD Diagnostic	No
	Chairman	Biolid Group	No
	Director	Xena Network A/S	No
	Director	Floating Power Plant	No
	Director	Brunata	No
	Director	Unisense	No
	Director	Ibsen Photonics	No
BPI France Investissements (Philippe Boucheron)	Director	GAMAMABS PHARMA	No
	SB member	ADEMTECH	No
	Director	ADVICENNE PHARMA	No
	Non-voting director	STENTYS	NYSE Euronext, Paris
	Director	ARTERIAL REMODELLING TECHNOLOGIES	No
	Director	COREWAVE	No
	Director	Limflow	No
Mérieux Participations (Thierry Chignon)	Chairman of the BD	AIRINSPACE SE	No
	Director	NOVACAP	No
	Director	Ineldea	No
Alexia Perouse	Director	iBionext	No
	Director	Spineguard	Alternext, Paris
	Chairman	Cyann Holding	No
	Director	BrainEver	No
	Director	Tilak Healthcare	No
	Director	Chronolife	No
Sabine Lochmann Beaujour	Chairman	BPI SAS	No
	Chairman	BPI Holding (SAS)	No
	Chairman	BPI US Holding (United States)	No
	Chairman	BPI US Partners LLC (United States)	No
	CEO	Leroy Consultants (SA)	No
	Chairman and member of the Board of Directors	Management Outplacement Administration S.A.U (Spain)	No
	Member of the Management Board and Chairman of CJSC “Brainpower C.I.S”	Brainpower (Russia)	No

Guy Frija	Chairman	Eurosafe Imaging	No
	Co-Chairman	ISRQSA	No
	Consultant	HEGP	
	Member of the Scientific Committee	IRSN	
	Co-Chairman	MEDICEN	

Other positions held during the last five fiscal years which have now ended (outside the Group)

Positions held outside the Group during the last five fiscal years which have now ended			
	Type of position	Company	Listed Company
Michèle Lesieur	-	-	-
Jacques Souquet	Director	MEDIAN TECHNOLOGIES	Alternext Paris
Kurt Kelln	-	-	-
Elisabeth Winter	-	-	-

Other positions held outside the Group during the last five fiscal years *but which have now ended*			
	Type of position BD: Board of Directors SB: Supervisory Board	Company	Listed Company
Michael Brock	Chairman and CEO	BK Medical	No
	Chairman of the BD	Reson	No
	Chairman of the SB	DDD Diagnostic	No
	Chairman	Omni-Drive	No
	Chairman	Solum Group	No
	Chairman	Vesicon S.A.	No
BPI France Investissements (Philippe Boucheron)	SB member	LIBRAGEN	No
	SB member	CRYOLOG	No
	SB member	TXCELL	Euronext Paris
	SB member	AUREUS PHARMA	No
	Director	INTETRAGEN	Alternext, Paris
	Non-voting director	VEXIM	Alternext, Paris
Mérieux Participations (Thierry Chignon)	Permanent representative	MATIGNON INVESTISSEMENT ET GESTION	No
	Director	ANTEIS	No
	Director	ARTERIAL REMODELLING TECHNOLOGIES	No
	Director	MAPI (Vice Chairman of the Board)	Euronext, Paris
	Director	MEDICREA	Euronext, Paris
	Director	NANOBIOTIX	No
	Director	ORTEQ	Euronext, Paris
		VISIOMED	
Alexia Perouse	-	-	-
Sabine Lochmann Beaujour	CEO	DEPUY France	No
	CEO	ETHICON	No
	CEO	CORDIS	No
Guy Frija	Chairman	HEGP	No
	Chairman	SFR (Société Française de Radiologie)	No
	Chairman	ESR (Société Européenne de Radiologie)	No

14.1.4. DECLARATIONS BY MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

To the knowledge of the Company, there are no family relationships among the individuals named above.

To the knowledge of the Company, none of these individuals, during the last five years:
has been convicted of fraud;

has been associated as a senior executive or director with bankruptcy, sequestration or liquidation;

has been subject to a prohibition on having a management role; or

has been subject to convictions or official public sanctions handed down by legal or regulatory authorities, including by designated professional bodies.

14.1.5. BIOGRAPHIES OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

The biographies are available on the Company's website:
for Management Board members in the SuperSonic Imagine / Management Team section: http://www.supersonicimagine.com/SuperSonic-Imagine/Executive-Committee.

for Supervisory Board members in the SuperSonic Imagine / Supervisory Board section: http://www.supersonicimagine.com/SuperSonic-Imagine/Supervisory-Board.

14.2. CONFLICTS OF INTEREST IN ADMINISTRATIVE BODIES AND SENIOR MANAGEMENT

The members of the Management Board and of the Supervisory Board are shareholders, directly or indirectly, of the Company and/or holders of securities giving access to the Company's capital (see details in Section 17.3).

Related-party transactions are described in Note 36 to the consolidated financial statements in Section 20.1, "Consolidated financial statements prepared under IFRS for the fiscal year ended December 31, 2017" and the related-party agreements entered into by the Company are described in Section 19.3 "Reports by the Statutory Auditors on the related-party agreements entered into for the fiscal year ended December 31, 2017".
The Company's Charter provides mechanisms for the prevention and management of conflicts of interest. Each member of the Supervisory Board commits to maintaining independence in analysis, judgment and action, and to participating actively in the Board's work. Members will inform the Board of conflicts of interest that they may face. In addition, the charter reminds members of the regulations pertaining to the dissemination and use of inside information that are in effect and specifies that members must refrain from carrying out transactions involving the Company's shares when they have inside information. Each member of the Supervisory Board is required to declare to the Company and to the French Financial Markets Authority (Autorité des Marchés Financiers) any transactions involving the Company's shares that they carry out directly or indirectly.
To the best of the Group's knowledge, there are no current or potential conflicts of interest between the private interests of the members of the Company's Management Board and Supervisory Board, and the interests of the Company.
To the best of the Company's knowledge, there have been no pacts or agreements whatsoever entered into with any of the shareholders, customers, suppliers, or other persons under the terms of which one of the members of the Management Board or of the Supervisory Board has been appointed.
To the best of the Group's knowledge, as of the registration date of this registration document, the individuals mentioned in Section 14.1 "Senior managers and members of the Supervisory Board" of this document are not subject to any restrictions regarding the sale of their shareholding in the Company.

15. COMPENSATION AND BENEFITS

15.1. COMPENSATION OF CORPORATE OFFICERS

Table No. 1: table summarizing the compensation, options and free shares granted to each Executive Director

In euros	FY 2017	FY 2016
Michèle Lesieur - Chairwoman of the Management Board		
Compensation payable for the year	385,445	29,125
Value of options granted during the year (1)		
Value of performance shares granted during the year	68,373	
Total	453,818	29,125
Bernard Doorenbos - Chairman of the Management Board		
Compensation payable for the year		200,000
Value of options granted during the year (1)		
Value of performance shares granted during the year		
Total	-	200,000
Jacques Souquet - Member of the Management Board (2)		
Compensation payable for the year	293,961	220,000
Value of options granted during the year (1)		
Value of performance shares granted during the year	22,791	
Total	316,751	220,000
Claude Cohen-Bacrie - Member of the Management Board (2)		
Compensation payable for the year	391,475	177,269
Value of options granted during the year (1)		
Value of performance shares granted during the year	72,864	
Total	464,339	177,269
Kurt Kelln - Member of the Management Board (2)		
Compensation payable for the year	263,671	257,529
Value of options granted during the year (1)		
Value of performance shares granted during the year	22,791	
Total	286,461	257,529
Jerôme Destoppeleir - Member of the Management Board		
Compensation payable for the year		210,027
Value of options granted during the year (1)		
Value of performance shares granted during the year		
Total	-	210,027
Elisabeth Winter - Member of the Management Board (2)		
Compensation payable for the year	207,124	115,813
Value of options granted during the year (1)		
Value of performance shares granted during the year	22,791	
Total	229,915	115,813
Total	1,751,285	1,209,762

(1) The valuation method is described in Note 16 to the consolidated financial statements which appear in Section 20.1 of this document;

(2) These Management Board members are not compensated for their offices, but for their employment contract, which is separate from their corporate office.

Table No. 2: table summarizing the compensation of each Executive Director

The following table presents the compensation payable to Executive Directors for the fiscal years ended December 31, 2017 and 2016 and the compensation received by these same individuals during these same periods.

Summary of compensation granted to each corporate officer				
	FY 2017		FY 2016	
In euros	Amounts payable	Amounts paid	Amounts payable	Amounts paid
Michèle Lesieur - Chairwoman of the Management Board				
Fixed annual compensation	275,000	275,000	28,125	28,125
Variable compensation (9)	96,548			
Extraordinary compensation				
Directors' attendance fees				
Benefits in kind (5) (7)	13,897	13,897	1,000	1,000
Total	385,445	288,897	29,125	29,125
Bernard Doorenbos - Member of the Management Board				
Fixed annual compensation			200,000	200,000
Variable compensation				
Extraordinary compensation				17,089
Directors' attendance fees				
Benefits in kind				
Total			200,000	217,089
Jacques Souquet - Member of the Management Board				
Fixed annual compensation (8)	220,000	220,000	220,000	220,000
Variable compensation (1)	73,961			
Extraordinary compensation				
Directors' attendance fees				
Benefits in kind				
Total	293,961	220,000	220,000	220,000
Claude Cohen-Bacrie - Member of the Management Board				
Fixed annual compensation (2) (6)	116,667	116,667	174,997	174,997
Variable compensation				
Extraordinary compensation (11)	273,294	273,294		
Directors' attendance fees				
Benefits in kind (5)	1,515	1,515	2,272	2,272
Total	391,475	391,475	177,269	177,269
Kurt Kelln - Member of the Management Board				
Fixed annual compensation (3)	182,461	182,461	233,763	233,763
Variable compensation (1)	60,881			
Extraordinary compensation				
Directors' attendance fees				
Benefits in kind (6)	20,329	20,329	23,767	23,767
Total	263,671	202,790	257,529	257,529
Jerôme Destoppeleir - Member of the Management Board				
Fixed annual compensation			97,773	97,773
Variable compensation				
Extraordinary compensation			112,254	112,254
Directors' attendance fees				
Benefits in kind				
Total			210,027	210,027
Elisabeth Winter - Member of the Management Board				
Fixed annual compensation (10) (6)	141,900	141,900	115,813	115,813
Variable compensation (1)	64,774			
Extraordinary compensation				
Directors' attendance fees				

Benefits in kind (5)	450	450		
Total	207,124	142,350	115,813	115,813
Total	1,541,676	1,245,512	1,209,762	1,226,851

(1) The variable compensation of members of the Management Board is provided for under the employment contracts for each of the members except the Chairman. For each person, this compensation is capped at 50% of the gross annual salary, if 100% of objectives are met. These objectives are determined by the Company's Supervisory Board, at the proposal of the compensation committee. They concern achievement of a combination of collective and individual objectives, which are first set and adapted to the areas of expertise covered by each of them, representing 75% and 25% of variable compensation. For example, the objectives could concern the launch of new versions of Aixplorer, a minimum revenue growth in certain priority geographical areas, the securing of financing or the signing of new distribution agreements.

(2) Compensated pursuant to an employment contract signed with SuperSonic Imagine SA as Director of Research and Development entered into on July 1, 2005. He resigned from the Management Board on June 21, 2017 and left the company on August 31, 2017.

(3) Compensated pursuant to a US employment contract with SuperSonic Imagine Inc. relating to his office as Executive Vice President and Chief Business Officer effective April 15, 2012.

(4) Article 15.4 of the employment contract states that, in exchange for his non-compete obligation and commitment not to solicit clients, which is applicable for a period of 12 months from the expiration of the employee's notice period and covers the European Union, the United States and China, he will receive a gross monthly indemnity equal to 5/10ths of the monthly average compensation as well as the contractual benefits and bonuses received by the employee during the 12 months preceding the termination of the contract. In the event of dismissal not due to gross negligence, this monthly indemnity will be increased to 6/10ths of the above-mentioned average, so long as the employee has not found new employment within the non-compete and customer non-solicitation obligations period. This indemnity will be payable monthly during the period for which it is due in order to compensate the employee given the restrictions imposed on his activities starting from his effective departure from the Company.

(5) Company vehicle.

(6) Company vehicle and health insurance.

(7) Contribution to housing costs.

(8) Compensated pursuant to his employment contract as Director of Strategy and Innovation

(9) The variable compensation is capped at €125,000, assuming 100% of objectives are met. These objectives are determined by the Company's Supervisory Board, at the proposal of the compensation committee.

(10) Compensated pursuant to an employment contract signed with SuperSonic Imagine SA on June 21, 2016 as Chief Financial Officer and Executive Vice-President.

(11) Golden handshakes.

Table No. 3: table of attendance fees and other compensation received by non-executive directors

Attendance fees and other compensation received by non-executive directors		
Corporate officers non-executive	FY 2017 Amounts paid	FY 2016 Amounts paid
Hermann Requardt		
Directors' attendance fees	12,500	
Other compensation		47,476
Michael Brock		
Directors' attendance fees	10,000	
Other compensation (1)	52,500	12,500
Sabine Lochmann Beaujour		
Directors' attendance fees	18,750	
Other compensation		
Alexia Perouse		
Directors' attendance fees	16,250	5,000
Other compensation		
Total	110,000	64,976

(1) In 2017, €52,000 was paid in respect of the position as Chairman of the Supervisory Board.

Table No. 4: stock options granted to each Executive Director by the Company or any Group company during the fiscal years ended December 31, 2017 and 2016

None

Table No. 5: stock options exercised by each Executive Director during the fiscal years ended December 31, 2017 and 2016

None.

Table No. 6: free shares granted to each Executive Director during the fiscal years ended December 31, 2017 and 2016

Stock options granted during the fiscal year to each Executive Director by the issuer and by any company in the group						
Directors	No. and date of allocation of plan	Nature of options	Valuation of options according to the method used for the consolidated financial statements	Number of options granted during the fiscal year	Exercise price	Exercise period
Allocations in 2017						
Michèle Lesieur	Free Share Plan 03/31/2017	Performance shares		300,000		from March 31, 2017 to March 30, 2022
Jacques Souquet	Free Share Plan 03/31/2017	Performance shares		100,000		from March 31, 2017 to March 30, 2022
Claude Cohen-Bacrie	Free Share Plan 03/31/2017	Performance shares		100,000		from March 31, 2017 to March 30, 2022
Kurt Kelln	Free Share Plan 03/31/2017	Performance shares		100,000		from March 31, 2017 to March 30, 2022
Elisabeth Winter	Free Share Plan 03/31/2017	Performance shares		100,000		from March 31, 2017 to March 30, 2022
Allocations in 2016						
Michèle Lesieur	None					
Jacques Souquet	None					
Claude Cohen-Bacrie	None					
Kurt Kelln	None					
Elisabeth Winter	None					

Table No. 7: free shares that became available for each Executive Director during the fiscal years ended December 31, 2017 and 2016

None

Table No. 8: history of equity-linked instruments granted to directors (executive and non-executive)

This information is presented in Sections 21.1.4.1, 21.1.4.2, 21.1.4.3 and 21.1.4.4 of this document.

Table No. 9: stock options granted to the 10 most highly compensated employees who are not directors and stock options exercised by them

- **Options and other equity-linked financial instruments granted to the 10 employees receiving the highest number of options**

None

- **Options and other equity-linked financial instruments held by the 10 employees with the highest number of options thus purchased**

Total number of shares subscribed or purchased	Weighted average price	Plan
In 2017:		
5,817 share subscription options	€0.10	2013 ordinary options
In 2016:		
5,150.2 warrants entitling their bearers to subscribe for 21,802 shares	€0.10	09-2010 warrants and 2013 warrants
32,500 share subscription options	€0.10	2013 ordinary options

Table No. 10: history of free share awards to directors (executive and non-executive)

The company undertook, upon her appointment in November 2016, to award 300,000 free shares to Michèle Lesieur. The award was made as part of the March 31, 2017 performance share award for employees and corporate officers (see Section 21.1.4.4).

Table No. 11: compensation terms and other benefits granted to Executive Directors

Member of the Management Board	Employment contract		Additional retirement plan		Indemnity or benefit due or likely to be due as a result of a termination or change of position		Indemnity relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Jacques Souquet	X			X		X (3)	X (1)	
Michèle Lesieur		X		X	X (4)			X
Kurt Kelln	X			X		X (3)		X
Elisabeth Winter	X			X		X	X (2)	

(1) The Company's shareholders' agreement has been null and void since the date of the initial listing of the Company's shares on the regulated market of Euronext in Paris (April 10, 2014), except for a non-compete clause regarding Mr. Souquet of a term of 12 months, effective as from his departure date from the Company, which specifies as compensation a payment to him, for the same duration, of a monthly indemnity equal to 50% of his most recent monthly gross remuneration excluding any bonuses. However, the Company may relieve Mr. Souquet of this obligation, in which case no indemnity will be owed to him. Seeing that Jacques Souquet resigned as Chairman of the Management Board from April 1, 2015 and is now a salaried employee, he is subject to a non-compete clause under his employment contract.

(2) *Article 15.4 of the employment contract states that, in exchange for his non-compete obligation and commitment not to solicit clients, which is applicable for a period of 12 months from the expiration of the employee's notice period and covers the European Union, the United States and China, he will receive a gross monthly indemnity equal to 5/10ths of the monthly average compensation as well as the contractual benefits and bonuses received by the employee during the 12 months preceding the termination of the contract. In the event of dismissal not due to gross negligence, this monthly indemnity will be increased to 6/10ths of the above-mentioned average, so long as the employee has not found new employment within the non-compete and customer non-solicitation obligations period. This indemnity will be payable monthly during the period for which it is due in order to compensate the employee given the restrictions imposed on his activities starting from his effective departure from the Company.*

(3) *See Section 1.3.2.1 of the report of the Chairman of the Supervisory Board presented in Section 16.4 below.*

(4) *The Supervisory Board agreed a retirement benefit subject to performance conditions in accordance with Article L.225-90-1 of the French Commercial Code (criterion based on revenue, EBIDTA and percentage margin) up to a maximum of 12 months of gross compensation (fixed and variable), namely €275,000 if all objectives are met.*

15.2. COMPENSATION POLICY FOR EXECUTIVE DIRECTORS

This report is prepared pursuant to the provisions of Article L225-82-2 of the French Commercial Code and details the compensation policy for Executive Directors being compensated for their corporate office, namely Michèle Lesieur, Chairwoman of the Management Board and Michael Brock, Chairman of the Supervisory Board.

15.2.1. GENERAL PRINCIPLES OF THE COMPENSATION POLICY FOR EXECUTIVE DIRECTORS

The principles and criteria for determining, distributing and awarding the various components of total compensation and benefits in kind of Executive Directors are discussed and approved by the Supervisory Board.
The Supervisory Board thus considers the following: the compensation of Executive Directors for the current year, the calculation of their variable compensation for the past year on the basis of actual performance, the variable compensation criteria for the current year and the directors' attendance fees of Supervisory Board members.
The determination of variable compensation criteria by the Supervisory Board aims to align interests within the Company and in particular with the medium and long-term strategy of the Company and the interests of shareholders.

15.2.2. COMPENSATION OF THE CHAIRWOMAN OF THE MANAGEMENT BOARD AND OF THE CHAIRMAN OF THE SUPERVISORY BOARD FOR 2018

Compensation of the Chairwoman of the Management Board

- **Fixed compensation**

The fixed gross annual compensation of Michèle Lesieur, Chairwoman of the Management Board, was set at €275,000 by the Supervisory Board on November 23, 2016.

- **Annual variable compensation**

The Supervisory Board meeting of November 23, 2016 voted to establish variable compensation for Michèle Lesieur, this compensation being capped at €125,000 subject to the achievement of objectives set annually by the Supervisory Board on the recommendation of the Compensation Committee.
The performance criteria established by the Supervisory Board for 2017 are partly (30%) linked to personal objectives and partly (70%) to collective objectives.
The personal objectives are linked to the achievement of specific strategic goals within the remit of the executive director in question.
The collective objectives are linked to the sales performance, EBITDA and cash levels and certain specific strategic objectives.
The confidential nature of these objectives means they cannot be fully disclosed.

- **Other compensation and benefits in kind**

Michèle Lesieur receives a €1,000 monthly accommodation allowance.

Compensation of the Chairman of the Supervisory Board for 2018

- **Fixed compensation**

The fixed gross annual compensation of Michael Brock, Chairman of the Supervisory Board, was set at €45,000 by the Supervisory Board on October 31, 2016.

- **Directors' attendance fees**

Michael Brock receives directors' attendance fees as an independent member of the Supervisory Board, with the maximum amount of directors' attendance fees that can be received by the Chairman of the Supervisory Board being capped at €25,000. Directors' attendance fees are only received for regular Supervisory Board meetings (6 in total) scheduled at the outset of the year.
The amount of directors' attendance fees for attendance at a Supervisory Board meeting is €2,500, it being noted that this amount is paid in full where the member attends the meeting in person, with half being paid where attendance is by video or teleconferencing.

15.3. PROVISIONS BOOKED BY THE COMPANY TO PAY PENSIONS, RETIREMENT BENEFITS AND OTHER BENEFITS PROVIDED TO THE CORPORATE OFFICERS

The Company has not booked provisions for the payment of pensions and other benefits for the corporate officers other than standard retirement plans and entitlements acquired under their work contract.

The Company has not granted any exceptional bonuses to corporate officers other than those described in Table 2 in Section 15.1.

16. FUNCTIONING OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

16.1. MANAGEMENT OF THE COMPANY

The composition and information regarding the members of the Management Board are described in Chapter 14, "Administrative, Management, and Supervisory Bodies," and Section 21.2, "Articles of Incorporation and Bylaws" of this Registration Document.
In 2017, the following changes were made within the Management Board:
Claude Cohen-Bacrie, Director of Operations and member of the Management Board, resigned from the Management Board on June 21, 2017.

Functioning of the Management Board:

The Management Board is responsible for the management and administration of the Company. It has the broadest powers to act under all circumstances on behalf of the Company, within the limit of the corporate purpose and subject to the powers allotted by law to the Supervisory Board and the Shareholders' General Meetings. In relationships with a third party, the Company is bound even by acts of the Management Board that are outside the corporate purpose, unless it is proven that the third party knew that the act was outside the corporate purpose or that such third party could not have been ignorant thereof given the circumstances, it being excluded that the mere publication of the bylaws suffices to represent this proof.
The members of the Management Board meet any time that the corporate interest so requires and may be convened by the Chairman or by half of its members, in the location specified by the convening party. Meetings may be called by any means, including by verbal communication.
Decisions of the Management Board are taken by the majority of members present or represented. Any member of the Management Board may be represented by another member of the Management Board, with the exception of the cases in which the Management Board consists of two members. In all circumstances, a member of the Management Board may not receive more than one proxy.

16.2. INFORMATION REGARDING THE CONTRACTS LINKING THE DIRECTORS TO THE COMPANY

Michèle Lesieur, Chairwoman of the Management Board, signed an employment contract with the Company regarding her managerial responsibilities on November 23, 2016.
Jacques Souquet, Chairman of the Management Board until April 1, 2015, had no employment contract until that point. Since that time, he has remained on the Management Board and now works as Director of Strategy and Innovation and signed a permanent employment contract with the Company relating to this role dated April 1, 2015.
Elisabeth Winter entered into a permanent employment contract with the Company regarding her duties as Chief Financial Officer dated November 26, 2012.
Kurt Kelln entered into an employment contract under US law with SuperSonic Imagine Inc. regarding his duties as Executive Vice President and Chief Business Officer dated May 22, 2012.
There is no other contract binding a director with the Group.

16.3. SUPERVISORY BOARD AND SPECIALIZED COMMITTEES – CORPORATE GOVERNANCE

16.3.1. SUPERVISORY BOARD

The composition and information relating to members of the Supervisory Board are discussed in Chapter 14, "Administrative, Management and Supervisory Bodies" and Section 2.1.2, "Articles of Incorporation and Bylaws" of this document.
The Supervisory Board oversees permanent management of the Company by the Management Board. To that end, it may carry out verifications and controls as it sees fit and ask to receive any documents it judges to be useful in the performance of its mission at any time during the year.

- **Information of the Supervisory Board:**

At least once each quarter, the Management Board presents a report on the state of the Company's activities to the Supervisory Board at a Supervisory Board meeting.

- **Supervisory Board Charter:**

The Supervisory Board Charter was issued on July 2, 2009, and updated October 22, 2009, November 25, 2010 and June 4, 2014 (the "Charter"). It may be consulted on the Company's website. It notably combines the rules of conduct and the obligations of the members of the Company's Supervisory Board. Each member of the Supervisory Board commits to maintaining independence in analysis, judgment and action, and to participating actively in the Board's work. Members will inform the Board of conflicts of interest that they may face. In addition, the Supervisory Board Charter reminds members of the regulations pertaining to the dissemination and use of inside information that are in effect and specifies that members must refrain from carrying out transactions involving the Company's shares when they have inside information. Each member of the Supervisory Board is required to declare to the Company and to the French Financial Markets Authority (Autorité des marchés financiers) any transactions involving the Company's shares that they carry out directly or indirectly.

- **Evaluation of the Supervisory Board:**

The Supervisory Board conducts regular self-assessments of its functioning and work. This self-assessment is formally conducted in conformity with the provisions of the Charter every two years, with the assistance of independent third parties, as needed.
In order to comply with the recommendations of the Code of Corporate Governance for small and midcap companies published by MiddleNext in September 2016, the Company will henceforth carry out this self-assessment on an annual basis.
The work of the Supervisory Board in 2017 will be evaluated in the first half of 2018.

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

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	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 Supervisory Board's 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: Golden handshakes	X		
R17: Supplementary pension plans	N/A		
R18: Stock options and allocation of free shares	X		
R19: Review of areas requiring special attention	X		

At the registration date of this Registration Document, the Group notably intends to abide by:

- Recommendation R15 regarding the concurrent holding of employment contracts and corporate offices: in accordance with this, the Chairman of the Management Board only holds a corporate office. The other four members combine their corporate office with an employment contract, with the understanding that from an operational standpoint, all of them are subordinate to the Chairman of the Management Board and the Code does not recommend that they be subject to an employment contract in addition to their corporate office.
- Recommendation R3 regarding the presence of independent members on the Supervisory Board: Michael Brock (Chairman), Sabine Lochmann Beaujour and Alexia Perouse are independent members of the Supervisory Board pursuant to the provisions of the Corporate Governance Code published in September 2016 by MiddleNext insofar as they:

- are neither employees nor Executive Directors of the Company or of a company in its Group, and have not had such status during the last five years;
- are not significant clients, suppliers, or bankers for 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 in the Company or holders of significant voting rights;
- do not have any close family ties with a director or a major shareholder; and
- have not been a statutory auditor of the Company in the last six years.

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

16.3.2. SPECIALIZED COMMITTEES

16.3.2.1. AUDIT COMMITTEE

- **Composition**

The Audit Committee is composed of a minimum of two members designated by the Supervisory Board. The members of the Audit Committee are members of the Supervisory Board and, 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 members of the Audit Committee are:

- Bpifrance Investissement (formerly CDC Entreprises) represented by Philippe Boucheron;
- Mérieux Participations represented by Thierry Chignon;
- Sabine Lochmann Beaujour

Sabine Lochmann is an independent member.

- **Responsibilities**

Without prejudice to the matters within the remit of the Supervisory Board, the Audit Committee is in particular 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 standalone and consolidated financial statements performed by the statutory auditors;

issuing a recommendation on the statutory auditors, proposed for appointment at the Shareholders' General 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; and

more generally providing advice and formulating any appropriate recommendations in the areas mentioned above;

signing off in advance on 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 presentation of the annual financial statements by the Management Board to the Supervisory Board to examine them. It also meets at the request of its Chairman, the Chairman or Vice Chairman of the Supervisory Board, or at the request of the Chairman of the Management Board.
During the fiscal year ended December 31, 2017, the Audit Committee met four times and the average attendance rate of Audit Committee members was 83%.
The Audit Committee may hear from any member of the Company's Management Board and proceed with any internal or external audit on any subject that it believes falls within its mission. The Chairman of the Audit Committee will give prior notice of such action to the Management Board and the Chairman of the Supervisory Board. In particular, the Audit Committee is empowered to interview individuals who participate in the preparation of the financial statements or in their audit (Chief Financial Officer and other persons in charge 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 Supervisory Board, allowing it to be fully informed, thus facilitating its discussions.
The report of the Supervisory Board Chairman on corporate governance and internal control contains a presentation of the Committee's activity during the fiscal year ended.
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 Supervisory Board.

16.3.2.2. COMPENSATION COMMITTEE

- **Composition**

The Compensation Committee consists of members of the Supervisory Board that have been designated by the latter, including the Chairman of the Supervisory Board. Independent members will represent, insofar as possible, the majority of its members.
It should be noted that no member of the Supervisory Board exercising executive functions within the Company may be a member of the Compensation Committee.
At the date of this document, the members of the Compensation Committee were:

- ✓ Michael Brock, Chairman of the Supervisory Board;
- ✓ Alexia Perouse;

Michael Brock and Alexia Perouse are independent members, thereby representing the majority of this Committee's members.

- **Responsibilities**

The Compensation Committee is responsible for:

- making recommendations and proposals to the Supervisory Board regarding:
  - compensation, retirement or savings plans, benefits in kind, other monetary rights, including those in the event of cessation of activities, of the members of the Management Board. 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 members of the Management Board;
- examining the total amount of directors' fees and the system for dividing them between the members of the Supervisory Board;
- preparing and presenting the reports, as needed, required by the Supervisory Board's charter;
- preparing all other recommendations that may be requested by the Supervisory Board or the Management Board with respect to compensation.

Generally, the Compensation Committee provides all advice and makes all appropriate recommendations in the above subject areas.

- **Functioning**

The 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 Compensation Committee. It also meets at the request of the Chairman and Vice Chairman of the Supervisory Board, as well as at the request of the Chairman of the Management Board.
During the year ended December 31, 2017, the Compensation Committee met once and the average attendance rate of members of the Compensation Committee was 66%.
The Compensation Committee may request from the Chairman of the Management Board 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 Compensation Committee or the Chairman of the Meeting shall remind any participant of such participants' confidentiality obligations.

- **Reports**

The Chairman of the Compensation Committee will ensure that the minutes of the Committee's activities are provided to the Supervisory Board, allowing it to be fully informed, thus facilitating its discussions.
The report of the Supervisory Board Chairman on corporate governance and internal control contains a presentation of the Committee's activity during the fiscal year ended.

16.3.2.3. SCIENTIFIC COMMITTEE

- **Composition**

The Management Board established a Scientific Committee composed of seven active members designated by the Management Board from among its members or outside of them for a three-year renewable term.

- **Responsibilities**

The Scientific Committee meets when convened by the Company's Director of Research and Development. Its mission is to define the broad scientific goals of the Company and to assist the Company's engineers and scientists on all scientific, technical or clinical issues that may arise in connection with their activities. It proposes methods and strategies to achieve the Company's technological goals. It evaluates the work carried out by the Company and the results achieved.

16.4. CORPORATE GOVERNANCE REPORT

The information previously included in the report of the Chairman of the Supervisory Board on internal control and corporate governance was moved to the corporate governance report that will accompany the management report.
This report will be presented in connection with the Company's Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2017.

1. Corporate governance

1.1. Management and Supervisory Bodies

1.1.1. The Management Board

1.1.1.1. Composition of the Management Board

The Management Board is comprised as described in Section 14.1.1 of this document.
The professional experience of Management Board members is described in Section 14.1.5 and is available on the Company's website.
The lists of offices held or that have been held within the Group or in other companies are reviewed in Sections 14.1.1 and 14.1.3.

1.1.1.2. Functioning of the Management Board

The functioning of the Management Board is described in Section 16.1 of this document.

1.1.1.3. Work of the Management Board in 2017

The frequency of meetings of the Management Board reflects the various developments in the Company's business. Thus, the Management Board meets as frequently as the Company's situation justifies.
During the fiscal year ended December 31, 2017, the Company's Management Board met 13 times.
The main points addressed by the Management Board during the fiscal year ended December 31, 2017 are detailed in the Management Board's report to the Shareholders' General Meeting.

1.1.2. Supervisory Board

1.1.2.1. Composition of the Supervisory Board

The composition of the Supervisory Board is as described in Section 14.1.2 of this document.
The professional experience of members of the Supervisory Board is described in Section 14.1.5.
The lists of offices held or that have been held within the Group or in other companies are reviewed in Sections 14.1.2 and 14.1.3.

1.1.2.2. Functioning of the Supervisory Board

The functioning of the Supervisory Board is as described in Section 16.3.1 of this document.

1.1.2.3. Work of the Supervisory Board in 2017

The frequency of meetings of the Company's Supervisory Board reflects the various developments in the Company's business. Thus, the Supervisory Board meets as frequently as the Company's situation justifies.
During the fiscal year ended December 31, 2017, the Company's Supervisory Board met nine times and the average attendance rate for the members of the Supervisory Board was 75.5%. During the fiscal year ended December 31, 2016, the Company's Supervisory Board met seven times and the average attendance rate of Supervisory Board members was 96%.
The Supervisory Board met on the following dates: February 9, 2017, March 13, 2017, May 4, 2017, May 15, 2017, June 8, 2017, June 20, 2017, September 27, 2017, November 22, 2017 and December 20, 2017.
During the fiscal year ended December 31, 2017, the Supervisory Board notably addressed the following points:

1 Review of the reports of the various committees and related decisions;

2 Examination of the annual financial statements for the fiscal year ended December 31, 2016;

3 Presentation of the consolidated financial statements for the last three years ended;

4 Review of related-party agreements;

5 Approval of the 2018 budget;

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

1.1.2.4. Evaluation of the Supervisory Board

The Supervisory Board conducts regular self-assessments of its functioning and work. This self-assessment is formally conducted in conformity with the provisions of the Charter every two years, with the assistance of independent third parties, as needed.
A self-assessment will be carried out in the first half of 2018

1.1.3. Supervisory Board committees

1.1.3.1. Audit Committee

The composition, powers and functioning of the Audit Committee are described in Section 16.3.2.1.

- 2017 Work:

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 presentation of the annual financial statements by the Management Board to the Supervisory Board to examine them. It also meets at the request of its Chairman, the Chairman or Vice Chairman of the Supervisory Board, or at the request of the Chairman of the Management Board.

During the fiscal year ended December 31, 2017, the Audit Committee met four times and the average attendance rate of Audit Committee members was 83%.

During the fiscal year ended December 31, 2017, the Audit Committee notably addressed the following points:

- Examination of the annual financial statements for the fiscal year ended December 31, 2016 (parent company and IFRS consolidated financial statements);
- Monitoring of working capital and stock levels;
- Preparation and follow-up of financial communications;
- Monitoring of quality and production issues;
- Corporate risk analysis;
- Examination of interim financial statements.

1.1.3.2. Compensation Committee

The composition, powers and functioning of the Compensation Committee are described in Section 16.3.2.2 of this document.

- 2017 Work:

During the fiscal year ended December 31, 2017, the Compensation Committee met once, and the average attendance rate of Compensation Committee members was 66%.
During the fiscal year ended December 31, 2017, the Compensation Committee notably addressed the following points:

- Review of 2016 objectives and setting of 2017 objectives of Management Board members;
- Organization of Supervisory Board meetings;
- Recommendation regarding indemnities due in the event the Chairwoman of the Management Board leaves office.
- Recommendation regarding the setting of Directors' attendance fees for members of the Supervisory Board;
- Recommendation regarding the compensation of the Chairman of the Supervisory Board;
- Development of a staff stock option plan.

1.1.3.3. Scientific Committee

- Composition

The Management Board established a Scientific Committee composed of seven members designated by the Management Board from among its members or outside of them for a three-year renewable term.
The Scientific Committee has the following members: Jacques Souquet, Mathias Fink, Nicolas Grenier, Gail R. Ter Haar, Prof. James F. Greenleaf; Prof. Jeffrey Colin Bamber and Peter Burns.
Background on all these people can be found on the Company's website.
The members of the Scientific Committee are paid in the form of fees, with the exception of Jacques Souquet (who is also a member of the Management Board) and Mathias Fink (who also benefits from a consulting agreement with the Company).

- Engagements

The engagements and powers of the Scientific Committee are described in Section 16.3.2.3.

1.1.4. Declarations concerning the Management Board and the Supervisory Board

To the Company's knowledge, there is no familial link between the members of the Management Board or Supervisory Board.

To the Company's knowledge, within the past five years, no member of the Management Board or Supervisory Board:

- has been convicted of fraud;
- has been party to a bankruptcy, receivership or liquidation in his/her capacity as a senior executive or director;
- has been subject to a prohibition on having a management role; or
- has been subject to convictions or official public sanctions pronounced by legal or regulatory authorities.

1.1.4.1. Conflicts of Interest

Terms for preventing and managing conflicts of interest

As indicated in Section 14.2, the Charter provides for mechanisms to prevent and manage conflicts of interest. Each member of the Supervisory Board commits to maintaining independence in analysis, judgment and action, and to participating actively in the Board's work. Members will inform the Board of conflicts of interest that they may face. In addition, the Charter reminds members of the regulations pertaining to the dissemination and use of inside information that are in effect and specifies that members must refrain from carrying out transactions involving the Company's shares when they have inside information. Each member of the Supervisory Board is required to declare to the Company and to the French Financial Markets Authority (Autorité des marchés financiers) any transactions involving the Company's shares that they carry out directly or indirectly.
List of potential conflicts of interest and the opinion of the Supervisory Board
To the Company's knowledge, there are no current or potential conflicts of interest between the personal interests of the Company's Management Board and Supervisory Board members, and the interests of the Company.

1.1.4.2. Service contracts between Management Board and Supervisory Board members and the Company

There are no service agreements between members of the Management Board and of the Supervisory Board and the Company plus consultancy agreements at December 31, 2017.

1.2. Choice of corporate governance structure

Plans to change the Company's corporate governance structure to a Limited Company with a Board of Directors governed by Articles L. 225-17 to L. 225-56 of the French Commercial Code.

In light of the adoption of a corporate governance structure with a Board of Directors, the positions of members of the Supervisory Board and of the Management Board would end following the Shareholders' Meeting approving such a change.

In the interests of simplification, the Company's current bylaws would be replaced, it being noted that these bylaws change nothing more than is required to reflect the Company's new corporate governance structure.

The current members of the Supervisory Board will be nominated as members of the Board of Directors for a period of three (3) years.

1.3. Application of the MiddleNext Corporate Governance Code for Listed Companies

The Company complies with the recommendations of the Corporate Governance Code for small-caps and mid-caps published by MiddleNext in September 2016. A presentation of the recommendations adopted can be found in Section 16.3.1 of this document.
Management compensation

1.3.1. Compensation of Management Board members

1.3.1.1. Compensation of Executive Directors

1. Compensation Policy (fixed portion, variable portion and criteria for allotment)

The compensation of the Chairman of the Management Board is set by the Supervisory Board following the recommendations of the Compensation Committee, which also sets the criteria for allotting the variable compensation (up to a maximum of 50% of the fixed compensation).
The Annual Shareholders' Meeting of May 15, 2017 approved the principles and criteria for determining, dividing and allocating the fixed, variable and extraordinary components of the total compensation and benefits of all kinds, attributable to the Chairwoman of the Management Board in that capacity.
The other members of the Management Board are not paid for their offices, but as part of their employment contract, which is distinct from their corporate office.

The Chairman of the Management Board considered - as he does each year - the recommendations of the Compensation Committee to change fixed and variable compensation for the employment duties of each Management Board member.
The Group currently has no variable or extraordinary compensation other than what is described above.

2. Breakdown of compensation and benefits in kind of each Management Board member

Table No. 1, which summarizes the compensation, options and free shares allotted to each Executive Director, is presented in Section 15.1 of this document.

3. Table summarizing the compensation and benefits in kind of each Management Board member

Table No. 2, which summarizes the compensation of each Executive Director, is presented in Section 15.1 of this document.

4. **Summary table on employment contracts, specific retirement plans, departure benefits and non-**compete clauses for members of the Management Board.

This table is also presented in Section 15.1.

1.3.1.2. Compensation of Supervisory Board members

The compensation of the Chairman of the Supervisory Board is set by the Supervisory Board on the basis of recommendations from the Compensation Committee. (See Table no. 3 in Section 15.1)
The Company implemented a compensation policy based on the attendance of independent Supervisory Board members. This means compensation based on the number of attendances as well as the form of attendance at each Supervisory Board meeting, with 100% of the directors' attendance fees being paid for attending in person and 50% for attending by video or teleconferencing and none if absent.

We propose setting the maximum amount of directors' attendance fees allocated to Supervisory Board members at €200,000 for the fiscal year beginning January 1, 2018, it being noted that the Supervisory Board will determine how this sum is split between its members (on the basis of €3,000 per member attending each meeting).
The Annual Shareholders' Meeting of May 15, 2017 approved the principles and criteria for determining, dividing and allocating the fixed, variable and extraordinary components of the total compensation and benefits of all kinds, presented in this report and attributable to the Chairman of the Supervisory Board by virtue of his position as Chairman of the Supervisory Board.

1.3.1.3. Retirement and Other Benefits

1.3.1.3.1. Items of compensation, indemnities or benefits due or likely to be due as a result of the assumption, termination or change in functions of a corporate officer

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.

Michèle Lesieur	The Chairwoman of the Management Board will receive a severance benefit if her position is terminated, subject to performance conditions. The benefit shall not be due in the event of dismissal for gross negligence or willful misconduct (as these terms are construed in the case law of the labor chamber of the Court of Cassation), resignation or where the Chairwoman of the Management Board exercises her right to retire. The performance conditions used to calculate the severance benefit are as follows: **Performance conditions:** The benefit that may be payable to the Chairwoman of the Management Board is thus subject to the following performance conditions: **Revenue criterion** This represents one third of the potential benefit. This benefit will be pro-rated between the 100 and 105 benchmarks. The 100 benchmark being established with reference to 2017 revenue, namely €24.7 million. The severance benefit for termination of the corporate office would thus be allocated in full if the average revenue calculated over the twelve (12) months preceding the termination exceeds the 105 benchmark, namely revenue of €25.9 million. However, if the average revenue calculated over the twelve (12) months preceding the termination is under the 100 benchmark, namely revenue of €24.7 million, the indemnity will not be payable. Between the 100 and 105 benchmarks, the indemnity will be pro-rated between the €24.7 million floor and the €25.9 million ceiling. **EBITDA criterion** This represents one third of the potential benefit. This benefit will be pro-rated between the 100 and 105 benchmarks. The 100 benchmark being established with reference to 2017 EBITDA, namely -€6.6 million. The severance benefit for termination of the corporate office would thus be allocated in full if the average EBITDA calculated over the twelve (12) months preceding the termination exceeds the 105 benchmark, namely revenue of -€6.2 million. However, if the average EBITDA calculated over the twelve (12) months preceding the termination is under the 100 benchmark, namely revenue of -€6.6 million, the indemnity will not be payable. Between the 100 and 105 benchmarks, the indemnity will be pro-rated between the -€6.6 million floor and the -€6.2 million ceiling. **Percentage margin criterion** This represents one third of the potential benefit. This benefit will be pro-rated between the 100 and 105 benchmarks. The 100 benchmark being established with reference to the 2017 average percentage margin (services and products), namely 44.9%. The severance benefit for termination of the corporate office would thus be allocated in full if the average percentage margin calculated over the twelve (12) months preceding the termination exceeds the 105 benchmark, namely 47.1%. However, if the percentage margin calculated over the twelve (12) months preceding the termination is under the 100 benchmark, namely 44.9%, the indemnity will not be payable. Between the 100 and 105 benchmarks, the indemnity will be pro-rated between the 44.9% floor and the 47.1% ceiling. **Performance measurement:** The performance conditions must be assessed by the Supervisory Board at the end of each fiscal year on the basis of the aforementioned criteria. The twelve (12) most recent months taken into consideration will be the twelve (12) most recent months published prior to the event triggering the payment of said benefit.
Jacques Souquet	There are no indemnities or benefits due or likely to be due as a result of termination of Management Board membership or change in function. Only the payment of wages relating to the three months' notice as provided in Mr. Souquet's employment contract in accordance with the applicable collective agreement (Metallurgy) would be due if this contract were severed. The Collective Agreement that applies to the Company provides for an indemnity for breaking the contract in an amount that would vary according to length of service and the most recent compensation. Pursuant to the Collective Agreement, in the event of termination (excluding a case of gross negligence or a serious offense), Mr. Souquet would receive no indemnity.
Elisabeth Winter	There are no indemnities or benefits due or likely to be due as a result of termination of Management Board membership or change in function. Only the payment of wages relating to the three months' notice as provided in Elisabeth Winter's employment contract in accordance with the applicable collective agreement (Metallurgy) would be due if this contract were severed. The Collective Agreement that applies to the Company provides for an indemnity for breaking the contract in an amount that would vary according to length of service and the most recent compensation. Pursuant to the Collective Agreement, in the event of termination (excluding a case of gross negligence or a serious offense), Elisabeth Winter would receive no indemnity.

Kurt Kelln	There are no indemnities or benefits due or likely to be due as a result of termination of Management Board membership or change in function. Only the payment of wages relating to the six months' notice as provided in the employment contract entered into under US law of Mr. Kelln would be due if this contract is severed. No severance pay is envisioned at this point.

1.3.1.3.2. Other Benefits

The Company has not granted any loans, advances or guarantees to its corporate officers.

1.3.1.3.3. Additional Retirement Plan

No additional retirement plan was established within the Company, other than those corresponding to the standards in countries where the Group is established (United States, United Kingdom).

1.3.1.3.4. Stock Market Ethics Charter

An ethics charter was established within the Company in 2014, the year of its IPO.

Additional Information
A summary of the delegations of authority in effect granted by the Shareholders' Meeting with regard to capital increases, by application of Articles L.225-129-1 and L.225-129-2 is appended to this report. In 2017, the Management Board used the delegations

- granted by the Combined Shareholders' Meeting of June 24, 2016 (resolution 14);
- granted by the Combined Shareholders' Meeting of May 15, 2017 (resolutions 12, 13 and 24);

Any shareholder may attend shareholders' meetings, which are governed by the rules set out in the Company's bylaws (Articles 31 to 40). Details of how to participate in shareholders' meetings are appended to this report.

All the information provided for in Article L-225-100 of the French Commercial Code that may have an impact in the event of a public offering, as per Article L. 225-100-3, is included in the management report of the Management Board.

Internal control and risk management procedures

2.1 Procedures Inherent in Preparing 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.

2.2 Internal Control Guidelines Used by the Group

The description of the internal control and risk management procedures is based on the reference framework published by the French Financial Markets Authority (Autorité des marchés financiers) on July 22, 2010 regarding the risk management and internal control mechanisms for small-caps and mid-caps.
This model constitutes the guidelines for Group control.
In conformity with the AMF's definition, internal control is a Group mechanism, which is defined and implemented under its responsibility. It aims to ensure compliance with the laws and regulations, the application of the instructions and guidelines set by the Management Board, the proper functioning of the Group's internal processes, in particular those contributing to the safeguarding of its assets, the reliability of the financial information, and generally 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:

5. A structure that contains a clear definition of the responsibilities, disposing of adequate resources and skills and relying on information systems, procedures or appropriate operating procedures, tools and practices;

7 A risk management mechanism designed to identify, analyze and handle the main risks identified with regard to the Group's objectives;

8 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;

9 The internal dissemination of pertinent, reliable information that would allow each person to perform his/her responsibilities;

10 Ongoing monitoring of the internal control device 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.

2.3 Scope of the Group's Internal Control

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

2.4 General Organization of Internal Control and Risk Management

2.4.1 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 imposed on all employees:

11 The Group's ethics rules, which include commitments towards customers, employees and shareholders, and clarify Management's philosophy and the principles on which its actions are based;

12 Rules which are common to all of the Group's companies, which have been enacted by the Supervisory Board and the Management Board, knowing that in the majority of cases, the Group chooses to centralize powers and contractual relationships within the parent company. These rules specify the provisions that apply to the parent company and its subsidiaries, notably in the following subject areas:

12.1 Terms and conditions of management compensation;

12.2 Delegations of power in the purchasing process;

12.3 Investments;

12.4 More generally, the high level of monitoring of the Supervisory Board in the Group's daily operations.

HR Policy/Management of jobs and skills

The organization, distribution of roles and responsibilities, and the assessment of abilities rely on a function sheet for each position which is periodically updated, annual assessments including the determination of objectives for the upcoming year, and a definition of training needs and demands.

Given its size and the geographic location of the activities, the Group has no mobility policy as such, but privileges internal mobility by systematically proposing all new positions to the Group's employees as a priority.

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

In the event of an urgent need, new hires must also be approved and undergo a specific process, including operational and budgetary plans, as well as the use of a dedicated form covering all data related to the recruited person (including his/her analytical assignment and position in the organizational chart, etc.).

Ethics and rules of professional conduct

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

13 Technological innovation

14 Respect of individuals, guarding against any form of discrimination or harassment

15 Teamwork

These values are documented in the Group's Charter, which includes a Code of Conduct and a Code on Interactions with Health Professionals as well as 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. These regulations are communicated to all Group employees and are read and approved by them.

Lastly, in order to reaffirm the Group's commitment in the fight against corruption (a subject which has been covered in the recent regulatory provisions for companies in the medical sector, under the Sunshine Act, anti-Bribery Act), the Audit Committee has likewise approved an Anti-Corruption Charter which is applied in addition to the Code of Conduct. From this perspective, the Group has also inserted a dedicated clause and a questionnaire in all of its contracts with distributors.

2.4.2 Risk Management Mechanism

A description of the main areas of risks that could be faced by the Group appears in the chapter on risk factors of the Registration Document.

The Group has established a risk management mechanism designed to identify, evaluate, rank and handle the major risks to which the Group is exposed. This mechanism incorporates the establishment of coverage plans, control points or follow-up measures, in line with the Group's strategy and objectives.

Implemented by operational staff, led by the Management Board Chairman and monitored by the Supervisory Board and its Audit Committee, the risk management mechanism is a key element of the Group's internal control mechanism.

In this context, the risk management process is based on the establishment of a risk mapping and the monitoring of the corresponding action plans at the Group level.

The Group's risk mapping was completed in 2014 by the Financial Management and involved the main operational managers. Financial Management had conducted a series of individual interviews with members of the Management Board and the managers with critical duties at Group level, in order to identify the risks to which they are exposed under their scope of responsibility. Financial Management then conducted a summary of the main risks, specifying their definition, probability of occurrence, impact (financial, human, legal or reputational) and their degree of control. The managers concerned will be tasked with establishing adapted action plans according to the main risks that have been identified. Risk mapping is being prepared and will be presented to the Audit Committee.

The risk mapping will be updated periodically and monitored regularly by the Audit Committee in order to make sure that the control actions initiated by the Management Board are tracked, ensuring that the Group's risks are effectively managed.

2.4.3 Control Activities

The control activities established by the Group have the following objectives:

16 To ensure that the activity of the parent company and its subsidiaries falls within the framework defined by the applicable laws and regulations, the guidelines provided by the Management Board, and the internal rules and commitments of the Company;

17 To prevent and control the risks incurred by the Group, not only in the areas of accounting and finance, but also in operational domains, to protect and preserve its activities, and more generally the Group's assets;

18 To produce as quickly as possible accounting, financial and management information that is reliable and conforms to the applicable standards and regulations.

The structure of the internal control mechanism, for which the Management Board Chairman is responsible, is marked by a set of rules, procedures and tools that cover the Group's major processes and allow it to control operational risks.

Quality system

The Group is subject to a great number of standards and regulations worldwide, and primarily the two that are described below:

19 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;

20 ISO 14971 applicable to activities involving medical devices and concerning the management of design risks.

21 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 the processes and products with European requirements, the requirements of the FDA and those of all other countries in which the Group is authorized to sell the ultrasound system. The Quality/Regulatory Department identifies and evaluates the risks of noncompliance according to a level of criticality defined by the Regulatory Affairs Department, based on the model for tracking frequency, severity and detectability. The scope concerns all stages of a product's lifecycle: development, design, production (efficiency of production processes, supplier audit, etc.) and service (updating, repair and maintenance).

Security of information systems
In order to ensure good resiliency for computer system failures, the Group is equipped with a high-availability infrastructure (in case one server breaks down, another takes over instantaneously). Moreover, all server infrastructure is saved each night, and then periodically outsourced to a recognized player in data storage and archiving.
The Group also has next-generation firewalls allowing it to secure data and monitor access to it.

Purchase process
In early 2015, the Group had established a workflow to approve supplier invoices through a dedicated software program. Each person involved in the purchase process is assigned a role and limited amounts for validating invoices.
In order to be paid, every invoice must follow the procedure defined by the Group, this control having been automatized through this software. In order to better monitor purchases, all of the invoices under the responsibility of a single person are computerized and archived, including the associated EDM (Electronic Data Management), and may be consulted by this person using the advanced search criteria.

Monthly Reporting
A report is drafted monthly, focusing on both finance and on the Group's operational data. It presents a very fine level of analytical detail that allows the financial indicators to be followed by geographical segment, operational department and sub-department. Once this report is complete, the expenses incurred are monitored in comparison to the expenses budgeted and sent to each budgetary manager.
All of this information allows proper control of costs and expenses to be guaranteed, according to all of the cornerstones that Management has deemed to be pertinent.

Regulatory oversight relating to the sale of equipment
The Group is subject to a set of local regulations, relating to the authorization to market the equipment sold. In an effort to prevent any regulatory violations that could notably affect the revenue and competitive position of the Group, the Regulatory Affairs Department has established a database, that is regularly updated and that centralizes all of the regulations which are applicable to the various markets used by the Group's subsidiaries.

2.4.4 Information and Communication

In order to collect and disseminate pertinent information that allows each person to assume his/her responsibilities, the Group relies on the following primary mechanisms:

22 A quarterly general meeting where the Chairman of the Management Board presents significant events in 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.

23 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.

24 Document database that can be consulted by all employees, allowing them to share key information relating to the quality system and product design. This database includes, for example, supplier sheets which should be filled out when selecting a new provider, existing written procedures such as the purchasing procedure or even the price list.

25 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 goal of this Intranet is notably to promote information sharing between the various departments and facilitate the integration of new people within the Group.

2.4.5 Management of Internal Control

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

The Supervisory Board and Audit Committee
The Supervisory Board 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 examines the risk portfolio. Furthermore, 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.

The Management Board
The Management Board ensures that the Group's internal control policy is effectively implemented, through:
26 Management and follow-up of internal control work performed in the Group as a whole, and in particular the monitoring of the action plans identified. Presentations on internal control may be submitted to the Management Board upon request from operational staff or at the initiative of Financial Management.

27 Review of the updating of the risk portfolio.

In accordance with the internal control procedures, the Management Board examines and authorizes major projects concerning:
28 Strategic decisions related to the production process,

29 Creation of a partnership with any new strategic supplier,

30 Negotiation of contracts related to the Company's intellectual property,

31 Creation of a subsidiary.

Functional and operational departments of the Group
In conformity with the Group's internal control policy, internal control falls under the direct responsibility of each functional and operational department of the Group. Given its current size, control of the various actions for improving internal control, notably performed using a risk portfolio, is led by Financial Management and supervised by the Management Board.

2.5 Internal Control Procedures Relating to the Preparation and Processing of Financial and Accounting Information

2.5.1 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 monthly reports
Communicated to all members of the Audit Committee and Supervisory Board, the monthly reports may be reviewed and questions asked. These reports primarily include:
32 A sales breakdown for the period elapsed, by geographic segment;

33 The balance sheet, income statement and cash flow statement of 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;

34 Detailed comments on:

34.1 Significant events during the period;
34.2 All items presenting discrepancies deemed significant;
34.3 Changes in staff;
34.4 Changes in trade receivables, inventory, working capital requirements.

Every month, the income statement from each department or sub-department is communicated to the supervisor concerned, 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 people authorized to have invoices paid. Each level of approval has a maximum amount, beyond which it will be necessary to get the approval of a person from a higher level.

Management of cash inflows and customer risk
The entire process of cash inflow and customer risk 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.

2.5.2 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:

35 Budgetary process

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

37 Production of consolidated information

38 Production of monthly reports

39 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 stages:

40 In September, the schedule for the budgetary process is presented to the Supervisory Board, and then communicated to all of the Group's budgetary managers;

41 In October, each budgetary manager sends his/her proposal to the Chief Financial Officer to be reviewed and consolidated;

42 In November, the consolidated budget is reviewed by the Management Board, which entails preparing several drafts with the budgetary managers, until the final version is approved;

43 The Administrative and Financial Director presents his/her draft budget to the Budgetary Committee, which is comprised of all members of the Management Board and two members of the Supervisory Board;

44 In December, the budget is presented to the Supervisory Board for approval.

Production of financial information of each of the Group's companies
All of the accounting and financial information of the Group is produced by a team of seven people, including a Chief Financial Officer, and under the responsibility of the Administrative and Financial Director.
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 French parent company and the five subsidiaries, as well as the Chinese representative office). Only the German subsidiary produces its accounting information with the assistance of a local public accountant.
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, UK, Italy, and China - Hong Kong for the subsidiary and Shanghai for the representative office).
Lastly, the payroll of the French parent company is outsourced to a specialized firm.
The statutory financial statements of 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 view of presenting a proper interpretation in the consolidated financial statements, in conformity with IFRS. In case of a complex problem, these interpretations are discussed and approved upstream with the Group’s Statutory Auditors.

Production of monthly reports
The monthly 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 disseminated to the Audit Committee and Supervisory Board, the monthly report is reviewed by all members of the Management Board.
This monthly report is sent to the Audit Committee and the Supervisory Board within 10 business days.

Statutory Auditors
In conformity with the 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.

17. EMPLOYEES

17.1. HUMAN RESOURCES

17.1.1. OPERATIONAL ORGANIZATIONAL CHART AT THE DATE OF REGISTRATION OF THIS DOCUMENT

The Group's Organizational chart is presented in Section 6.8 of this Registration Document.

17.1.2. NUMBER AND BREAKDOWN OF EMPLOYEES

Staff at Closing	Dec. 31, 17	Dec. 31, 16
Research/Development	45	42
Engineering/Production/Quality assurance/After-Sales Service	41	38
Marketing/Commercial duties	70	61
Management, administration	16	20
Total	172	161
Of which, per country:		
France (including Greece)	109	102
USA	12	12
Germany	2	5
UK	2	2
Italy	1	0
Hong Kong	3	3
China	43	37
Total	172	161

As of December 31, 2017, the Group had a total of 172 employees worldwide, versus 161 at December 31, 2016, excluding vocational training contracts and temporary workers.

17.1.3. EMPLOYEE REPRESENTATION

A Single Staff Delegation was elected on January 30, 2009 and was renewed on February 14, 2013 for 4 years. It was most **recently** reappointed on **March 14, 2017**. At the same time this employee representative body was converted from a SSD to an **expanded SSD** with the **incorporation of the Health, Safety and Working Conditions Committee (Comité d'Hygiène et de Sécurité des Conditions de Travail - CHSCT)**.
It is now composed of four permanent members and four substitute members.

The Company believes that it has a good relationship with the staff representatives and its employees.

17.2. FINANCIAL INSTRUMENTS GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL GRANTED TO THE TEN MOST HIGHLY COMPENSATED EMPLOYEES WHO ARE NOT EXECUTIVE DIRECTORS AND OPTIONS EXERCISED BY THESE INDIVIDUALS

	Date of the shareholders' meeting	Management Board meeting date	Number of rights granted to the ten Group employees who are not Executive Directors with the highest number of rights (total number)	Number of rights exercised / vested by the Group's ten non-Executive Director employees with the highest number of rights (total number)
2017				
Weighted average price				
Free shares	None	None	None	€0.00
Warrants (BSA)	None	None	None	
Founders warrants (BSPCE)	None	None	None	-
Stock options	None	None	None	5,817 2013 ordinary options
2016				
Weighted average price			N/A	€0.10
Free shares	None	None	None	-
Warrants (BSA)	None	None	None	1,850.2 09-2010 warrants giving bearers the right to subscribe for 18,502 shares and 3,300 2013 warrants (BSA) giving bearers the right to subscribe for 3,300 shares
Founders warrants (BSPCE)	None	None	None	-
Stock options	None	None	None	32,500 2013 ordinary options

17.3. INVESTMENTS, WARRANTS, FOUNDERS' WARRANTS, OPTIONS AND FREE SHARES ALLOCATED TO CORPORATE OFFICERS

At the date of this Registration Document, the direct and indirect interest of corporate officers, as well as the number of Company equity-linked rights or securities held by them was as follows:

	Number of shares held as at December 31, 2017	Securities giving access to the share capital		Total (1)	% capital and voting rights	
		Number and type of securities allocated (2)	Number of shares likely to result from their exercise (2)		Total held to date	Total fully diluted (3)
Members of the Management board						
Jacques Souquet	116,470	7,700 BSPCE 03-2006	-	399,470	0.50%	1.54%
		7,000 BSPCE 10-2008	70,000			
		35,000 ordinary stock options	35,000			
		78,000 free share exchange stock options	78,000			
		100,000 performance shares	100,000			
Claude Cohen-Bacrie	92,320	856 BSPCE 08-05-2005	0	282,320	0.40%	1.09%
		7,500 03-2006 BSPCE	0			
		6,000 10-2008 BSPCE	60,000			
		54,000 free shares (4)	0			
		30,000 ordinary stock options	30,000			
		100,000 performance shares	100,000			
Kurt Kelln	0	186,500 ordinary stock options	186,500	286,500	0.00%	1.11%
		100,000 performance shares	100,000			
Michèle Lesieur	0	300,000 performance shares	300,000	300,000	0.00%	1.16%
Elisabeth Winter	0	7,000 ordinary stock options	7,000	107,000	0.00%	0.41%
		100,000 performance shares	100,000			

	Number of shares held as at December 31, 2017	Securities giving access to the share capital		Total (1)	% capital and voting rights	
		Number and type of securities allocated (2)	Number of shares likely to result from their exercise (2)		Total held to date	Total fully diluted (3)
Members of the Supervisory Board						
Michael Brock	-	100,000 warrants	100,000	100,000	-	0.39%
Bpifrance Investissement	6,180,106		0	6,180,106	26.63%	23.90%
Edmond de Rothschild Partners	2,170,224		0	2,170,224	9.35%	8.39%
Mérieux Participations	1,064,873		0	1,064,873	4.59%	4.12%
NBGI Private Equity Ltd	905,910		0	905,910	3.90%	3.50%
OMNES Capital	413,854		0	413,854	1.78%	1.60%
Sabine Lochmann Beaujour	-		-	-		
Alexia Perouse	-		-	-		

(1) These figures take into account the 10-1 stock split decided upon by the Combined General Meeting of Shareholders held on May 16, 2012.
(2) A detailed breakdown of these securities and rights appears in Section 21.1.4 “Securities entitling their holders to a share in the capital” of this document.
(3) The D-2013-T2 warrants, which became null by law on the date the Company’s shares were listed on the Euronext regulated market in Paris in April 2014, were not taken into account.

17.4. PARTICIPATION OF EMPLOYEES IN THE COMPANY’S SHARE CAPITAL

As of the registration date of this registration document, the Company’s employees (excluding corporate officers who have an employment contract) held 0.2% of the Company’s share capital.

17.5. INCENTIVE AND PROFIT-SHARING AGREEMENTS

In 2014, SuperSonic Imagine established a profit-sharing incentive agreement for employees to benefit from the Group’s results, for a period of three years, covering 2015, 2016 and 2017.

The chosen calculation methods were based on a desire to have all employees share in the Company’s key objectives. The chosen objectives based on (i) improving operating income and (ii) increasing Company revenue were selected because each employee can have an influence on these parameters through his/her actions, decisions and involvement in the performance of the company.

18. MAJOR SHAREHOLDERS

18.1. BREAKDOWN OF CAPITAL AND VOTING RIGHTS

The shareholding table below presents a breakdown of the Company's share capital and voting rights, on an undiluted basis:

	At Dec. 31, 2017				At Dec. 31, 2016			
	Number of shares	% of the capital	Number of voting rights	% voting rights	Number of shares	% of the capital	Number of voting rights	% voting rights
Management and employees	200,980	0.9%	200,980	0.9%	325,470	2.0%	325,470	2.0%
EPIC Bpifrance / CDC Group (a)	6,180,106	26.6%	6,180,106	26.7%	3,107,818	19.1%	3,107,818	19.2%
EDRIP	2,170,224	9.4%	2,170,224	9.4%	1,869,024	11.5%	1,869,024	11.5%
Auriga Partners	1,633,195	7.0%	1,633,195	7.1%	1,633,195	10.0%	1,633,195	10.1%
Omnes Capital	413,854	1.8%	413,854	1.8%	953,084	5.9%	953,084	5.9%
NBGI Private Equity	905,910	3.9%	905,910	3.9%	1,010,140	6.2%	1,010,140	6.2%
Mérieux participations	1,064,873	4.6%	1,064,873	4.6%	766,788	4.7%	766,788	4.7%
Major Financial investors	12,368,162	53.3%	12,368,162	53.5%	9,340,049	57.4%	9,340,049	57.6%
Others	10,554,811	45.5%	10,554,811	45.6%	6,549,314	40.3%	6,549,314	40.4%
Treasury shares	85,174	0.4%	-	0.0%	56,648	0.3%	-	0.0%
Total	23,209,127	100.0%	23,123,953	100.0%	16,271,481	100.0%	16,214,833	100.0%

(a) Bpifrance SA, which owns Bpifrance Participations SA, which in turn owns Bpifrance Investissement SAS, is jointly owned by EPIC Bpifrance and Caisse des Dépôts et Consignations (CDC). Accordingly, the securities held by Bpifrance Participations and the funds managed and/or advised by Bpifrance Investissement are fully assimilated by EPIC Bpifrance and the CDC, and their respective positions break down as follows:

	EPIC Bpifrance		CDC Group	
	Number of shares	% of the capital	Number of shares	% of the capital
Bpifrance Investissements	2,589,476	11.16%	2,589,476	11.16%
Bpifrance participations	2,773,221	11.95%	2,773,221	11.95%
CDC EVM	-	-	817,409	3.52%
Consolidated position	5,362,697	23.11%	6,180,106	26.63%

At the date of this document, there was no significant change in the distribution of shareholders.

18.2. VOTING RIGHTS OF THE MAJOR SHAREHOLDERS

At the date of registration of this document, 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.

18.3. CONTROL OF THE COMPANY

At the date of registration of this document, no shareholder controls the Company pursuant to Article L. 233-3 of the French Commercial Code. Consequently, the Company has not established measures to guard against abuse of such control.

To the best of the Company's knowledge, there is no concerted shareholder action or agreement that could lead to a change of control, it being noted that the agreement signed by the Company's principal shareholders on March 10, 2006 as amended became automatically null and void following the Company's IPO in April 2014.

18.4. PLEDGES OF COMPANY SHARES

To the best of the Company's knowledge, none of its shares were pledged by any of its shareholders.

18.5. STOCK INFORMATION

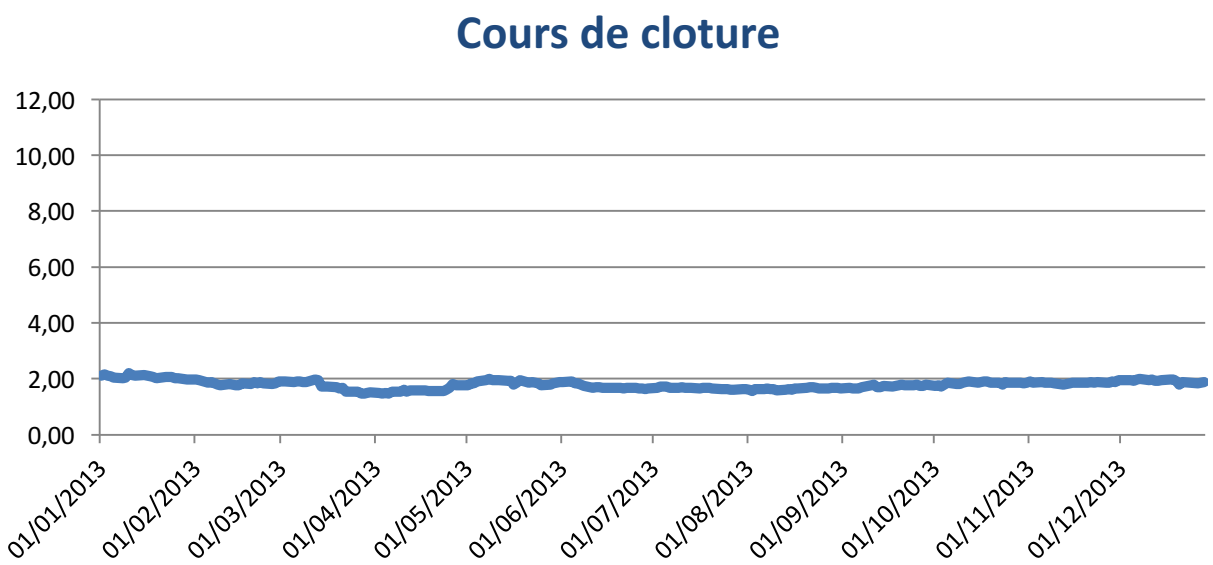
Since April 10, 2014, the Company has been listed on the Euronext regulated market in Paris. Shares are admitted for trading on Compartment C under ISIN code FR0010526814 and the mnemonic SSI.

On December 31, 2017, the share price was €1.88, representing a market capitalization of €43.6 million, compared with a share price of €2.17 and a market capitalization of €35.3 million on December 31, 2016. There was a high of €2.19 and a low of €1.46 during the 2017 fiscal year.

The information concerning the stock values and trades is broken down as follows:

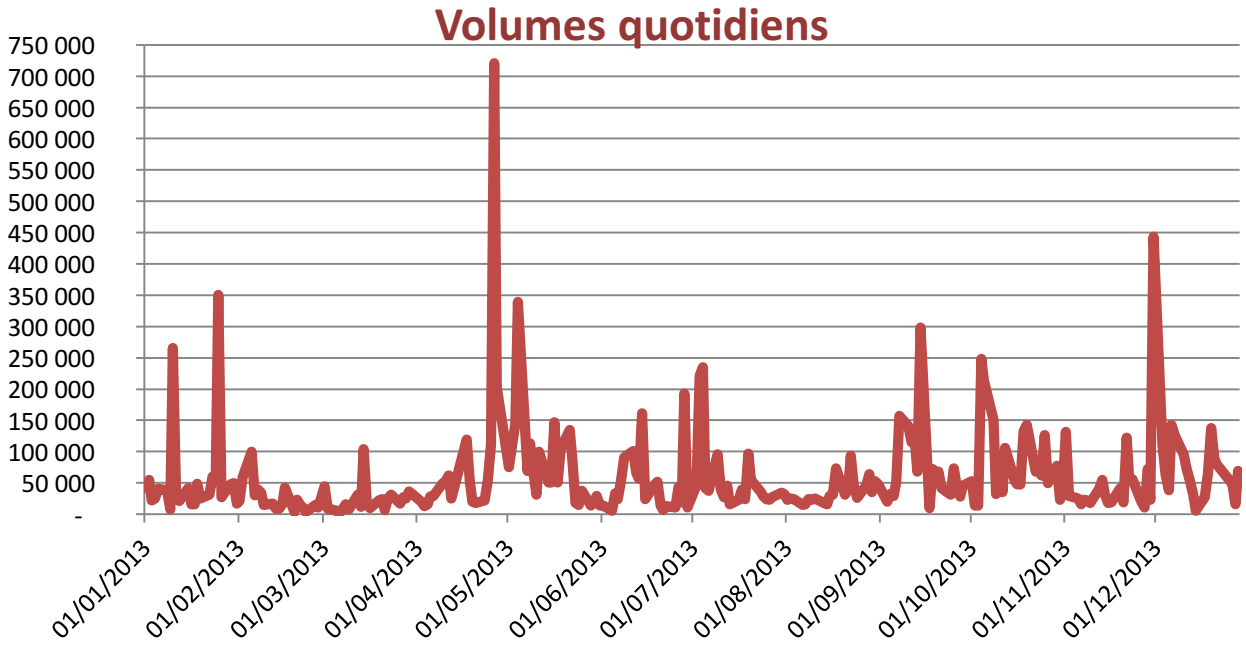
	Average price	Average number of shares traded per day
Jan-17	2.07	60,002
Feb-17	1.84	24,643
Mar-17	1.73	23,503
Apr-17	1.58	89,744
May-17	1.88	82,451
Jun-17	1.72	47,946
Jul-17	1.67	58,055
Aug-17	1.64	35,084
Sep-17	1.73	74,174
Oct-17	1.84	84,846
Nov-17	1.86	40,187
Dec-17	1.92	90,193
2017	1.79	59,236

During the period, the stock price varied as follows



French	English
Cours de cloture	Closing price
12.00	12.00
10.00	10.00
8.00	8.00
6.00	6.00
4.00	4.00
2.00	2.00
0.00	0.00
1/2/17	02/01/2017
2/2/17	02/02/2017
3/2/17	02/03/2017
4/2/17	02/04/2017
5/2/17	02/05/2017
6/2/17	02/06/2017
7/2/17	02/07/2017
8/2/17	02/08/2017
9/2/17	02/09/2017
10/2/17	02/10/2017
11/2/17	02/11/2017
12/2/17	02/12/2017

The number of shares traded changed, as follows:



French	English
Volumes quotidiens	Daily trading volumes
750,000	750,000
700,000	700,000
650,000	650,000
600,000	600,000
550,000	550,000
500,000	500,000
450,000	450,000
400,000	400,000
350,000	350,000
300,000	300,000
250,000	250,000
200,000	200,000
150,000	150,000
100,000	100,000
50,000	50,000
1/2/17	02/01/2017
2/2/17	02/02/2017
3/2/17	02/03/2017
4/2/17	02/04/2017
5/2/17	02/05/2017
6/2/17	02/06/2017
7/2/17	02/07/2017
8/2/17	02/08/2017
9/2/17	02/09/2017
10/2/17	02/10/2017
11/2/17	02/11/2017
12/2/17	02/12/2017

19. RELATED-PARTY TRANSACTIONS

19.1. INTRA-GROUP AGREEMENTS

Intra-group agreements are described in Section 7.3 of this document.

19.2. RELATED-PARTY TRANSACTIONS

Related-party transactions are described in Note 36 to the consolidated financial statements, which appear in Section 20.1 “Consolidated Financial Statements Prepared under IFRS for the Fiscal Year Ended December 31, 2017” of this document.

Agreements and commitments entered into during the fiscal year ended

1. With Michèle Lesieur, Chairwoman of the Management Board

Nature and purpose:
Michèle Lesieur has been Company Chairwoman since November 23, 2016

Conditions:
With respect to her office, the Supervisory Board awarded her fixed annual compensation of €275,000, in addition to variable compensation of up to €125,000 subject to achieving the objectives set annually by the Supervisory Board on the recommendation of the Compensation Committee, as well as a severance benefit subject to performance conditions (criterion based on revenue, EBITDA, and percentage margin) defined by the Supervisory Board in accordance with Article L.225-90-1 of the French Commercial Code up to a maximum of twelve months of gross compensation (fixed and variable), namely €275,000 assuming all objectives have been met.

In the fiscal year ended December 31, 2017, the total gross compensation paid to Michèle Lesieur for the position was €275,000, with a variable portion of €96,548.

2. With Elisabeth Winter, member of the Management Board

Nature and purpose:
Since November 26, 2012, Elisabeth Winter has had a permanent employment contract in her capacity as Chief Financial Officer. Elisabeth Winter has been a member of the Company’s Management Board since June 21, 2016. Elisabeth Winter has not been compensated for her membership of the Management Board.

Conditions:
Under her employment contract, her compensation includes a gross annual fixed salary of €100,000 combined with a variable portion of at most 50% of this gross salary, paid according to pre-set objectives that must be attained.
In the fiscal year ended December 31, 2017, the total gross compensation paid to Elisabeth Winter under this employment contract was €141,900.00, with a variable portion of €64,774.

This employment contract includes a non-compete clause, which applies for a term of twelve (12) months from expiration of the employee notice period, and covers the European Union, the United States and China. In consideration for his non-compete obligation, Elisabeth Winter would collect for twelve (12) months a gross monthly indemnity equal to 5/10ths the monthly average compensation collected during the last twelve (12) months, which would be raised to 6/10ths in the event of a termination that was not due to gross negligence.
The other authorized agreements are described in Section 21.1.4 of this document.

Agreements and commitments approved during prior fiscal years

1. With Jacques Souquet, Member of the Management Board

Nature and purpose:
Since April 1, 2015, Jacques Souquet has had a permanent employment contract in his capacity as Director of Strategy and Innovation. Jacques Souquet has been a member of your Company's Management Board since March 12, 2005. Jacques Souquet is not paid for his duties as a member of the Management Board.

Conditions:
Under his employment contract, his compensation includes a gross annual fixed salary of €220,000 combined with a variable portion of at most 50% of this gross salary, paid according to pre-set objectives that must be attained.
During the fiscal year ended December 31, 2017, the total gross compensation paid to Jacques Souquet under this employment contract was set at €219,999.96. €73,961 in variable compensation is due for fiscal year 2017.
This employment contract includes a non-compete clause, which applies for a term of twelve (12) months from expiration of the employee notice period, and covers the European Union, the United States and China. In consideration for his non-compete obligation, Jacques Souquet would collect for twelve (12) months a gross monthly indemnity equal to 5/10ths the monthly average compensation collected during the last twelve (12) months, which would be raised to 6/10ths in the event of a termination that was not due to gross negligence.

2. With Claude Cohen-Bacrie, member of the Management Board

Nature and purpose
Claude Cohen-Bacrie has had a permanent employment contract as Director of Research and Development since July 1, 2005. Claude Cohen-Bacrie has been a member of your company's Management Board since December 1, 2008.

Conditions
Under his employment contract, his compensation includes a gross annual fixed salary of €175,000 combined with a variable portion of at most 50% of this gross salary, paid according to pre-set objectives that must be attained.
During the fiscal year ended December 31, 2017, Claude Cohen-Bacrie's employment contract was terminated as part of a settlement signed on June 21, 2017. As part of this, the company released the employee from his non-compete obligation and accordingly no payment is due in this regard.
The total gross compensation for 2017 including indemnity payable as part of the settlement to Claude Cohen-Bacrie was €389,960.67, including €273,294 in extraordinary compensation.

3. With Kurt Kelln, member of the Management Board

Nature and purpose:
Kurt Kelln entered into an employment contract under US law with your Company's US subsidiary SuperSonic Imagine Inc. relating to his managerial functions for global and US sales activity signed on May 22, 2012. Kurt Kelln has been a member of the Company's Management Board since April 19, 2012.

Conditions:
Under his contract entered into with the Company's US subsidiary SuperSonic Imagine Inc., his compensation includes a gross annual fixed salary of GBP 160,000 combined with a variable portion totaling a maximum of 50% of this gross salary, paid according to pre-set objectives that must be attained. Kurt Kelln is not paid for his duties as a member of the Management Board.
During the fiscal year ended December 31, 2017, Kurt Kelln's total gross compensation was USD 205,036.01. This compensation was paid to him by the subsidiary SuperSonic Imagine Inc. and was rebilled to the Company. USD 74,360 in variable compensation is due for fiscal year 2017.

19.3. STATUTORY AUDITORS' REPORTS ON THE RELATED-PARTY AGREEMENTS ENTERED INTO DURING THE FISCAL YEAR ENDED DECEMBER 31, 2017

SuperSonic Imagine

Shareholders' General Meeting to approve the financial statements for the fiscal year ended December 31, 2017

Special report by the Statutory Auditors on related-party agreements and commitments

To the Shareholders of SuperSonic Imagine,

In our capacity as 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 and commitments 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 and commitments. It is your responsibility, pursuant to the provisions of Article R. 225-58 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R.225-58 of the French Commercial Code of the implementation, during the year, of the agreements and commitments already approved by the General 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 due diligence procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Shareholders' Meeting

- **Agreements and commitments authorized and entered into during the fiscal year ended**

Pursuant to Article L.225-88 of the French Commercial Code, we were advised of the following agreements and commitments authorized by your Supervisory Board during the fiscal year ended.

With Michèle Lesieur, Chairwoman of the Management Board

Nature, purpose and terms

Michèle Lesieur has been Chairwoman of the Company's Management Board since November 26, 2016.

With respect to her office, the Supervisory Board awarded her a severance benefit subject to performance conditions (criterion based on revenue, EBITDA, and percentage margin) defined by the Supervisory Board in accordance with Article L.225-90-1 of the French Commercial Code up to a maximum of 12 months of gross compensation (fixed and variable), namely €275,000 assuming all objectives have been met.

Grounds on which the company entered into the agreement

As required by law, we hereby inform you that the prior authorization given by the Supervisory Board does not include the grounds on which the company entered into the agreement required by Article L.225-86 of the French Commercial Code.

■ Agreements and commitments that did not receive prior authorization

Pursuant to Articles L. 225-90 and L. 823-12 of the French Commercial Code, we hereby inform you of the following agreements and commitments that did not receive prior authorization from your Supervisory Board.

We are required to inform you of the circumstances in which the authorization procedure was not followed.

With Elisabeth Winter, member of the Management Board

Nature and purpose

Since November 26, 2012, Elisabeth Winter has had a permanent employment contract in her capacity as Chief Financial Officer. Elisabeth Winter has been a member of the Company's Management Board since June 21, 2016. Elisabeth Winter has not been compensated for her membership of the Management Board.

Conditions

Under her employment contract, her compensation includes a gross annual fixed salary of €100,000, which may be revised annually, combined with a variable portion of at most 50% of this gross salary, paid according to pre-set objectives that must be attained.

In the fiscal year ended December 31, 2017, the total gross compensation paid to Elisabeth Winter under this employment contract was €141,900, with a variable portion of €64,774.

This employment contract includes a non-compete clause, which applies for a term of twelve (12) months from expiration of the employee notice period, and covers the European Union, the United States and China. In consideration for his non-compete obligation, Elisabeth Winter would collect for twelve (12) months a gross monthly indemnity equal to 5/10ths the monthly average compensation collected during the last twelve (12) months, which would be raised to 6/10ths in the event of a termination that was not due to gross negligence.

By virtue of an omission by your Supervisory Board, the above agreement was not authorized in advance in accordance with Article L. 225-86 of the French Commercial Code.

It should be noted that your Supervisory Board, at its meeting of April 26, 2018, gave ex-post authorization to this agreement.

Agreements and commitments already approved by the Shareholders' General Meeting

Pursuant to Article R. 225-57 of the French Commercial Code, we were notified that the following agreements and commitments, approved by Shareholders' General Meeting in prior fiscal years, continued to be performed in the fiscal year ended.

1. With Jacques Souquet, Member of the Management Board

Nature and purpose

Since April 1, 2015, Jacques Souquet has had a permanent employment contract in his capacity as Director of Strategy and Innovation. Jacques Souquet has been a member of your Company's Management Board since March 12, 2005. Jacques Souquet is not paid for his duties as a member of the Management Board.

Conditions

Under his employment contract, his compensation includes a gross annual fixed salary of €220,000 combined with a variable portion of at most 50% of this gross salary, paid according to pre-set objectives that must be attained.

In the fiscal year ended December 31, 2017, the total gross compensation paid to Jacques Souquet under this employment contract was €220,000, with a variable portion of €73,961.

This employment contract includes a non-compete clause, which applies for a term of twelve (12) months from expiration of the employee notice period, and covers the European Union, the United States and China. In consideration for his non-compete obligation, Jacques Souquet would collect for twelve (12) months a gross monthly indemnity equal to 5/10ths the monthly average compensation collected during the last twelve (12) months, which would be raised to 6/10ths in the event of a termination that was not due to gross negligence.

2. With Claude Cohen-Bacrie, member of the Management Board

Nature and purpose

Claude Cohen-Bacrie has had a permanent employment contract as Director of Research and Development since July 1, 2005. Claude Cohen-Bacrie has been a member of the Company's Management Board since December 1, 2008.

Conditions

Under his employment contract, his compensation includes a gross annual fixed salary of €175,000 combined with a variable portion of at most 50% of this gross salary, paid according to pre-set objectives that must be attained.

This employment contract includes a non-compete clause, which applies for a term of twelve (12) months from expiration of the employee notice period. In consideration for his non-compete obligation, Claude Cohen-Bacrie would collect a gross monthly indemnity for twelve (12) months equal to 70% of his annual fixed compensation.

During the fiscal year ended December 31, 2017, Claude Cohen-Bacrie's employment contract was terminated as part of a settlement signed on June 27, 2017. As part of this, the company released the employee from his non-compete obligation and accordingly no payment is due in this regard. The total gross compensation paid to Claude Cohen-Bacrie was €389,961, including €273,294 in extraordinary compensation. No variable compensation is due for 2017.

3. With Kurt Kelln, member of the Management Board

Nature and purpose

Kurt Kelln entered into an employment contract under U.S. law with the Company's U.S. subsidiary SuperSonic Imagine Inc. relating to his managerial functions for global and U.S. sales activity signed on May 22, 2012. Kurt Kelln has been a member of the Company's Management Board since April 19, 2012.

Conditions

Under his contract entered into with the Company's US subsidiary SuperSonic Imagine Inc., his compensation includes a gross annual fixed salary of GBP 160.000 combined with a variable portion totaling a maximum of 50 % of this gross salary, paid according to pre-set objectives that must be attained. Mr. Kurt Kelln is not paid for his duties as a member of the Management Board.

In the fiscal year ended December 31, 2017, the total gross compensation paid to Kurt Kelln was USD 205,036.01, with a variable component of USD 74,360. This compensation was paid to him by the subsidiary SuperSonic Imagine Inc. and was rebilled to the company.

Avignon and Montpellier, April 27, 2018

French original signed by the Statutory Auditors

ARESXPERT AUDIT — ERNST & YOUNG et Autres

Frédéric Gregnanin — Johan Azalbert — Xavier Senent — Frédérique Doineau

20. FINANCIAL INFORMATION

The parent company and consolidated financial statements for the fiscal year ended December 31, 2016, as well as the corresponding audit reports, are incorporated by reference in this Registration Document, and appear on pages 230 to 259 and 178 to 229 of the Registration Document filed with the AMF under Authorization No. R.17-019, obtained April 24, 2017.
The parent company and consolidated financial statements for the fiscal year ended December 31, 2015, as well as the corresponding audit reports, are incorporated by reference in this Registration Document, and appear on pages 248 to 384 and 189 to 247 of the Registration Document filed with the AMF under Authorization No. R.15-027, obtained April 28, 2016.

20.1. CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Consolidated income statement

In thousands of euros	Note	Dec. 31, 2017	Dec. 31, 2016
Revenue	6	24,695	22,217
Other income	7	-	1,023
Revenue		24,695	23,240
Cost of sales	23	(13,608)	(12,628)
Gross margin		11,088	10,611
Gross margin on revenue [(1)]		11,088	9,588
Gross margin as a % of revenue [(2)]		44.9%	43.2%
Research and development expenses	24	(2,558)	(3,046)
Selling and marketing expenses	25	(12,341)	(11,987)
General and administrative expenses	26	(5,775)	(5,447)
Other operating income / (expenses)	27	(294)	(403)
Current operating income (loss)		(9,880)	(10,272)
Other non-current operating income/(expense)	28	-	-
Operating income (loss)		(9,880)	(10,272)
Financial income		6	441
Financial expenses		(2410)	(662)
Financial income (loss)	31	(2,405)	(221)
Income (loss) before tax		(12,285)	(10,493)
Income tax expense	32	38	(62)
Net income (loss)		(12,247)	(10,555)
Attributable to:			
Equity holders of the parent company		(12,247)	(10,555)
Non-controlling interests		-	-
Earnings per share:			
Basic (in Euros)	33	(0.61)	(0.65)
Diluted (in Euros)	33	(0.61)	(0.65)

[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, 2017	Dec. 31, 2016
Net income (loss)	(12,247)	(10,555)
Other comprehensive income (loss):		
Actuarial gains/(losses) on retirement benefit obligations	(4)	5
Tax effect on actuarial gains and losses	-	-
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	(4)	5
Currency translation differences	(477)	(301)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	(477)	(301)
Other comprehensive income (loss)	(482)	(296)
Total comprehensive income (loss)	(12,728)	(10,851)
Comprehensive income (loss) attributable to equity holders of the Company	(12,728)	(10,851)
Non-controlling interests	-	-
Total comprehensive income (loss)	(12,728)	(10,851)

Statement of financial position

Assets

In thousands of euros	Note	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	8	14,158	12,333
Property, plant and equipment	9	4,443	1,330
Other non-current assets	10	434	2,381
Total non-current assets		19,035	16,044
Inventories	11	5,037	5,082
Trade receivables	12	8,680	8,971
Other current assets	13	4,414	4,389
Cash and cash equivalents	14	19,017	11,250
Total current assets		37,148	29,691
Total assets		56,183	45,735

Statement of financial position

Liabilities

In thousands of euros	Note	Dec. 31, 2017	Dec. 31, 2016
Capital	15.1	2,321	1,627
Share premiums	15.1	29,551	59,006
Consolidated reserves	15.4	5,966	(22,773)
Non-controlling interests		-	-
Net income (loss) for the year		(12,247)	(10,555)
Total shareholders' equity	15	25,591	27,305
Financial debt - Long-term portion	17	11,294	3,037
Retirement obligations	18	481	486
Provisions and other non-current liabilities	19	907	834
Total non-current liabilities		12,682	4,357
Financial debt - Short-term portion	17	7,034	5,135
Trade payables and related accounts	20	5,226	4,361
Provisions and other current liabilities	21	5,650	4,576
Total current liabilities		17,910	14,073
Total liabilities		30,592	18,430
Total liabilities and shareholders' equity		56,183	45,735

Consolidated statement of changes in shareholders' equity

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		
At January 1, 2016		1,622	59,006	208	(22,774)	38,063	0	38,063
Actuarial profits (losses)*		-	-	-	5	5	-	5
Change in currency translation differences		-	-	(301)	-	(301)	-	(301)
Total, other comprehensive income (loss)		-	-	(301)	5	(296)	-	(296)
Profit (loss) for the year		-	-	-	(10,555)	(10,555)	-	(10,555)
Comprehensive income (loss)		0	0	(301)	(10,555)	(10,851)	-	(10,851)
Capital operations	15	5	-	-	-	5	-	5
Cancellation of treasury shares		-	-	-	89	89	-	89
Share-based payments	16	-	-	-	-	-	-	-
At December 31, 2016		1,627	59,006	(93)	(33,236)	27,305	-	27,305

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		
At January 1, 2017		1,627	59,006	(93)	(33,236)	27,305		27,305
Actuarial profits (losses) *		-	-	-	(4)	(4)	-	(4)
Change in currency translation differences		-	-	(477)	-	(477)	-	(477)
Total, other comprehensive income (loss)		-	-	(477)	(4)	(482)	-	(482)
Net income (loss) for the period		-	-	-	(12,247)	(12,247)	-	(12,247)
Comprehensive income (loss)		0	0	(477)	(12,251)	(12,728)	-	(12,728)
Capital operations	15	694	10,814	-	-	11,507	-	11,507
Cost of capital transactions	15	-	(786)	-	-	(786)	-	(786)
Allocation of losses to the share premium		-	(39,483)	-	39,483	-	-	-
Cancellation of treasury shares		-	-	-	(30)	(30)	-	(30)
Share-based payments	16	-	-	-	321	321	-	321
At December 31, 2017		2,321	29,551	(570)	(5,712)	25,590	-	25,590

* for retirement commitments

Consolidated cash flow statement

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Net income (loss)	(12,247)	(10,555)
Elimination of items with no impact on cash		
Amortization and depreciations of assets	2,556	2,598
Changes in the provisions for contingencies	196	32
Changes in the provision for retirement obligations	(9)	79
(Income)/Expenses linked to share-based payments	321	-
(Income)/Interest expenses, net	2,004	583
Gain or loss on disposal of assets	183	-
Income tax expense	(38)	62
Cash flow linked to operating activity, before changes in WCR	(7,034)	(7,201)
Inventories	45	870
Trade receivables	291	(628)
Other receivables	(52)	352
Tax credit for research and operating grants	(550)	344
Suppliers and other liabilities	2,627	(2,609)
Taxes on paid income	44	(157)
Changes in working capital requirements	2,404	(1,828)
Net cash flow linked to operating activities	(4,629)	(9,029)
Investment operations:		
Acquisitions of property, plant and equipment	(3,717)	(615)
Acquisitions and production of intangible assets	(6,391)	(6,234)
Receipt of research tax credit allocated to capitalized R&D expenses	2,182	1,854
Receipt/Disbursement of financial assets	(53)	(67)
Income from interest received and capital gain on disposals of cash instruments	-	-
Net cash flows related to investment operations	(7,979)	(5,062)
Financing operations:		
Profit from transactions on share capital	11,507	5
Expenses related to capital increases	(786)	-
Incurment of financial debt	17,437	2,196
Repayment of financial debt	(7,679)	(5,615)
Interest disbursed	(1,597)	(506)
Acquisitions of treasury shares	(30)	89
Net cash flows related to financing operations	18,853	(3,832)
Changes in net cash flow	6,244	(17,923)
Cash and cash equivalents opening balance	11,250	29,476
Reclassification of Non-current assets as Cash	2,000	-
Impact of the change in exchange rate on cash	(477)	(303)
Cash and cash equivalents **closing balance**	19,017	11,250

Table of Contents – Notes

Notes to the consolidated financial statements

1. General Information

1.1. Presentation of the Group

The SuperSonic Imagine Group is specialized in research and development, as well as in the sale of ultrasound medical imaging systems.

In 2009, it put on the market a 3rd generation ultrasound device called Aixplorer®, with a radically new, entirely software-based architecture that integrates several technological innovations. For this purpose, it has 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).

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

SuperSonic Imagine and its subsidiaries (which together constitute "the Group") have sold products from the Aixplorer range since 2009.

The Group subcontracts production of the ultrasound systems it sells.

SuperSonic Imagine SA, the Group's parent company, is a French corporation with a Management Board and Supervisory Board, domiciled in France. Its headquarters are registered 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).

Within the framework of its international development, six distribution subsidiaries were formed in the following countries (see Note 38):

(a) SuperSonic Imagine Inc., USA in March 2007;

(b) SuperSonic Imagine GmbH, Germany in March 2008;

(c) SuperSonic Imagine Ltd., United Kingdom in March 2008;

(d) SuperSonic Imagine Srl, Italy in October 2009;

(e) SuperSonic Imagine (H.K) Limited, Hong Kong in June 2011;

(f) SuperSonic Imagine (Shanghai) Medical Devices Co. Ltd, China in December 2015.

1.2. Key Events of the Year

1.1.1. Commercial sphere

Revenue for the fiscal year amounted to €24.695 million in 2017, up 11% on fiscal year 2016.
At constant exchange rates, revenue was up 13% to €25.050 million.
On September 7, 2017, the company launched Aixplorer® Ultimate, its new ultrasound system. The Ultimate version has 4.5 times the computing power of previous versions. Aixplorer® Ultimate also has a new look and a new user interface that is leaner, simpler and more intuitive. Usability has been significantly improved, particularly following prolonged use. This new version also includes the latest UltraFast™ innovation, Needle PL.U.S, which allows biopsy needles to be overlaid on anatomical structures and to predict their trajectory in real-time with a high degree of precision.

1.1.2. On financing

New loan from Kreos Capital V (UK) Limited ("Kreos") arranged
The loan from Kreos, for a total of €12 million, consists of two tranches of bonds with share warrants (OBSA), for €6 million each, and will help finance the commercial development of SuperSonic Imagine and pay down some existing debts.
The first €6 million tranche was subscribed following the Management Board meeting of March 13, 2017.
The second €6 million tranche was subscribed following the Management Board meeting of December 22, 2017.
Terms and conditions of the loan can be found in Note 17.2 to the consolidated financial statements.

Repayment of the Norgine Venture Loan
The first tranche of the Kreos loan made it possible to repay, on April 17, 2017, the outstanding principal owed to Norgine B.V., namely €4.2 million, and free up €2 million in cash, which had been pledged.

Share capital increase
The Company's capital increase with preferential subscription rights in June 2017 raised €11.5 million.
At the end of the subscription period, which closed on June 1, 2017, total subscriptions for 8,480,548 shares at a unit price of €1.66 had been received, representing an overall subscription rate of 141% or €14,077,709.68:
5,064,740 new shares were subscribed by existing shareholders as of right, representing 84.02% of preferential subscription rights. Requests for excess shares totaled 3,415,808 new shares.
SuperSonic Imagine decided to fully exercise the option to increase the capital increase, by 904,151 additional shares, bringing the total number of shares offered to 6,931,829, raising a total of €11,506,836.14.
The Company's capital following the capital increase stood at €2,320,656.00, split into 23,206,560 shares with a par value of €0.10 each.

1.1.3. Corporate governance

Corporate governance – Management Board

On June 21, 2017, Claude Cohen Bacrie resigned from the Management Board.

At December 31, 2017, the Management Board had the following members:

	At Dec. 31, 2017	Executive function
Chairwoman	Michèle Lesieur	CEO
Member	Elisabeth Winter	Chief Financial Officer
Member	Kurt Kelln	Chief Business Officer
Member	Jacques Souquet	Director of Innovation

2. Basis for Preparing the Company's Consolidated Financial Statements under IFRS

On March 12, 2018, the Management Board issued the consolidated financial statements, which were presented to the Supervisory Board on the same date. These financial statements will only be final after they are approved by the General Shareholders' Meeting, called for May 28, 2018.

2.1. Basis for Preparing the Financial Statements

The Group's consolidated financial statements were prepared in conformity with IFRS (International Financial Reporting Standards) and IFRIC and SIC interpretations, as adopted by the European Union and their application was mandatory at December 31, 2017. 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, 2016, with the exception of the adoption of the new mandatory standards described below.

On December 31, 2011, the Company prepared consolidated financial statements under IFRS for the first time. These first 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.

2.2. Going concern

The Company's available cash at December 31, 2017 was €19 million.

As of April 27, 2018, the Company had the necessary funds to meet its obligations over the following twelve months.

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, 2017, with the exception of the adoption of mandatory 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, 2017:
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

Amendments to IAS 7: Disclosure Initiative

Annual Improvements to IFRSs (2014-2016 cycle)

The application of these new standards, amendments and interpretations did not have a material impact on the Group's consolidated financial statements.

Furthermore, the Group did not apply early any 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, 2017:

Standard / Interpretation	IASB anticipated date of application (fiscal years beginning on or after)	EU application date (fiscal years beginning on or after)
IFRS 9 – Financial Instruments	1/1/2018	1/1/2018
IFRS 15 – Revenue from Contracts with Customers & Amendments date of entry into force of IFRS 15	1/1/2018	1/1/2018
Clarifications to IFRS 15	1/1/2018	1/1/2018
IFRS 16 – Leases	1/1/2019	1/1/2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely	Suspended
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1/1/2018	Endorsement expected in Q1 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1/1/2018	1/1/2018
Amendment to IAS 28: exemption from applying the equity method – measuring an associate or JV at fair value	1/1/2018	
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1/1/2018	Endorsement expected in Q1 2018
Amendments to IAS 40: Transfers of Investment Property	1/1/2018	Endorsement expected in Q1 2018
IFRIC 23 Uncertainty over Income Tax Treatments	1/1/2019	Endorsement expected in 2018
IFRS 17 Insurance Contracts	1/1/2021	TBD
Amendments to IFRS 9: Prepayments with negative compensation features	1/1/2019	Endorsement expected in 2018
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1/1/2019	Endorsement expected in 2018

The process of determining the potential impacts of these standards and interpretations on the consolidated financial statements of the Group is currently pending:
IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard sets out the revenue recognition principles applicable to all contracts with customers. There are five steps involved: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognize revenue when (or as) the entity satisfies a performance obligation.
The company has not identified any material impact from the adoption of this standard.

IFRS 16 LEASES

The new standard eliminates the distinction between operating and finance leases by requiring lessees to recognize an asset comprising the right to use the leased asset offset by a liability comprising the obligation to pay for this right, subject to exemptions (leases with a reasonably certain term of under 12 months or underlying assets with a low value - i.e. where the new value is no more than around $5,000 and which can be used separately). The amortization of the use right and the interest on the liability are subsequently recognized separately in the income statement.
The Group is currently analyzing the impact of this standard on net income (loss) and shareholders' equity.
The Group does not expect other new standards/amendments/interpretations to have a material effect on its net income (loss) or shareholders' equity.
Furthermore, the Group's annual consolidated financial statements do not take account of draft standards and interpretations that were still only at Exposure Draft stage at the IASB and IFRIC as of the balance sheet date.

The consolidated financial statements were prepared under the historical cost convention, with the exception of 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 (€ 000) unless otherwise indicated.

The preparation of financial statements in conformity 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.

3.1. Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of 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.

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 an entity requiring equity accounting.

3.2. Segment Reporting

The Group, which only markets products from the Aixplorer range, primarily operates in France, the USA, 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

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 at 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.

(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 at the date of that balance sheet;

- 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 as net investments in foreign currencies. As such, in accordance with IAS 21, unrealized 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.

3.4. Intangible assets

(a) Patents and licenses

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 item "Cost of sales" for the year they are incurred.

Acquired technologies are depreciated in the income statement in the line "Research and development expenses" as they are used for research projects.

When an acquired technology is no longer used, the gross value corresponding to the cumulative depreciation is removed from the balance sheet.

(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.

The expenditure attributable to the intangible asset during its development can be reliably measured.

Development expenses which 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 Aixplorer. This estimated remaining life is reviewed at each year-end. 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 5 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 US subsidiary based in Weston (FL, USA) and those of the Chinese subsidiary in Shanghai. None of these premises is fully owned.

Equipment consists primarily of equipment dedicated to research and development as well as production equipment made available to the subcontractor.

Furniture and other office equipment relate to office and computing equipment.

All property 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 balance sheet date.

Gains and losses on the transfer of assets are determined by comparing the proceeds from the transfer to the book value 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 non-depreciable or property, plant and equipment or intangible asset with indefinite useful lives.

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

The Group classifies its financial assets in the following categories: assets held to maturity, assets at fair value through profit or loss, as loans and receivables, or as available-for-sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The valuation and recognition of financial assets and liabilities are defined in IAS 39 "Financial instruments: Recognition and measurement".

(a) Assets held to maturity

These assets are exclusively securities with fixed or determinable incomes according to a set schedule, other than loans and receivables, and which the Company has the intention and capacity to hold until maturity. They are initially recorded at fair value and then remeasured at amortized cost using the effective economic interest method.

Assets held to maturity are monitored for objective indications of impairment. A financial asset is impaired if its book value is higher than its recoverable value estimated during impairment tests. The impairment of value is recorded in the income statement.

(b) Loans and receivables

This category includes other loans and receivables, and commercial receivables.

These instruments are initially recorded at fair value and then measured at amortized costs using the effective economic interest method. Short-term non-interest-bearing receivables are valued at the amount of the original invoice unless the application of an implicit interest rate would have a significant effect.

Loans and receivables are monitored for objective indications of impairment. A financial asset is impaired if its book value is higher than its recoverable value estimated during impairment tests. The impairment of value is recorded in the income statement.

Loans and receivables also include deposits and guarantees classified as “other non-current assets” in the balance sheet.

(c) Assets at fair value through profit and loss

Assets held for sale include financial assets that the Group intends to sell in the short-term in order to realize a capital gain, which belong to a portfolio of financial instruments managed as a whole and for which there exists a practice of short-term disposal.

Assets at fair value through profit and loss principally include investments which do not meet the definition of the other categories of financial asset. They are measured at fair value and variations in their fair value are recorded in the financial result of the period.

The fair value corresponds to market price for listed securities or to an estimate of the value in use for non-listed securities, determined according to financial criteria appropriate to the specific situation of each security. When there is an objective indication of a loss in value, the loss is recorded in the income statement.

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 evaluated at the purchase price and recorded according to the FIFO method. Impairment is recognized for references whose net realizable value is lower than the carrying amount.

Inventories are reduced to their net realizable 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.

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.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

3.10. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid securities with original maturities of three months or less and which are not subject to a risk of significant variation in value.

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 33).

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 share warrants (OBSA) are compound financial instruments.

When it issues an OBSA, 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.

3.13. Measurement and Accounting of Financial Liabilities

Financial liabilities include:
Repayable advances from ANR and BPI for which the Group does not have reasonable assurance that they will not be repaid;

A bond with share warrants (OBSA);

Use of an RTC pre-financing facility.

A trade receivables factoring facility.

A short-term financing facility.

A long-term loan from BPI.

(a) Financial liabilities at amortized cost
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 which 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 which equalizes the expected cash flows from future cash expenditure to the current net book value of the financial liability so as to deduct its amortized cost.

(b) Liabilities at fair value through profit and loss
When the Company issues share 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 as Derivative liabilities and recorded at fair value in accordance with IAS 39. Subsequent variations in value are recorded in the income statement as either financial income or expenses.

3.14. Employee Benefits

(a) 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 plans is the present value of the defined benefit obligation at the balance sheet 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.

(b) 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

(a) Provisions for contingency

Provisions for contingency 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 at the date of the financial statements if necessary.

(b) Provision for guarantee

Product sales made by the Group are covered by a one-year guarantee. The measurement of the cost of the guarantee 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 guarantees at the balance sheet date for all equipment sold. Additions and reversals on the provision for guarantees given to clients are recorded in the income statement within direct cost of sales.
No provisions are funded for future operating losses.

3.16. Trade Payables

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 balance sheet date. If not, they are presented as non-current liabilities.

3.17. Recognition of Income

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:

1. Revenue from the sales of Aixplorer systems

The Group's products are generally sold through contracts or via purchase orders placed 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 legal guarantee of 12 months granted on products.

2. Revenue from services

Revenue for services (principally maintenance, after-sales service, warranty extensions) is recognized over the period when services are rendered and when collectability is reasonably assured.

A warranty is included in each sale of an Aixplorer system. 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 multiple element arrangements, such as those including services is recognized as each element is earned based on the relative fair value of each element.

3. Revenue from the Group's technology

Revenue from the Group's technology represents a third source of income. It corresponds to the access rights to the technology developed by the Group or access partnerships for 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 revenue corresponds to contracts, in limited numbers, whose profits are recognized according to the negotiated terms and conditions, and in accordance with IAS 18 criteria.

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.

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);
- 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;
- 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;
- development of the related sales force;
- sales administration, which mainly includes contract management, relevant documentation and letters of credit, order administration and issuing of invoices.

They also include most of the overheads incurred by the sales subsidiaries.

3.20. General and administrative expenses

General and administrative expenses mainly include:
wages of senior management, Finance Department, IT Department, Quality Assurance & Regulatory Affairs Department, Logistics & Customer Satisfaction Department. The latter encompass production planning, inventory management, preparation and distribution of price lists, customer and distributor training as well as improvements in after-sales service processes;

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. Tax Credits and Other Government Grants

Tax credits (Research Tax Credit, Innovation Tax Credit, and Job Competitiveness Tax Credit) are provided by the government to give incentives for companies to perform technical and scientific research. These tax credits are presented as a reduction 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.

Assistance in activities of research and development can take the form of repayable advances. A non-repayable loan with conditions is treated like a public 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. In the opposite case, 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 its effective interest rate to that of a normal 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.

3.22. Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Leases for which the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

During the periods presented, the Group has not entered into any finance leases in accordance with IAS 17.

3.23. 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 shall 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.

3.24. 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 charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the companies of the Group 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 amounts expected to be paid to 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 nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet 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 be reversed 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.

3.25. 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 weighted 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.

3.26. Non-current operating income (loss)

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 property, plant and equipment or intangible non-current assets;
- certain restructuring or reorganization expenses that would disturb the readability of current operating income;
- 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.

(a) 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, sales by the Company's US subsidiary, sales by the US area distributor and sales to some of the French company's customers made 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 in that currency.

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

(b) 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.

(c) 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.

(a) Going concern

See Note 2.2.

(b) Depreciation and impairment of intangible assets

Intangible assets mainly relate to the acquisition of technologies and development works on the different versions of Aixplorer. These assets are depreciated on a straight line basis over their useful life, which is reviewed at every balance sheet date.

The need to write down intangible assets is confirmed when there are signs of impairment. The recoverable value is then estimated.

At the closing date on December 31, 2017, Management considered there to be no signs of impairment, and felt that the value of the intangible assets remained justified.

During the periods presented, the Group has not recorded any impairment of intangible assets.

(c) 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 share-based compensation under IFRS 2.

The valuation assumptions are presented in Note 16.1.3.

(d) 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.

(e) ICARE repayable advance

As part of its development programs, the Group received a repayable advance as part of the ICARE project. The amount of the advance appears as financial debt on the balance sheet.

The initial contract stipulates that the advance will be repaid based on future sales of products resulting from the project, amounting to 3.3% of revenues, with a discount rate of 3.74% upon reaching €12 million, until the fiscal year ending in 2022. The negotiations with Bpifrance regarding the repayable advance and the contingent advance gave rise to an agreement on repayment that allowed the company to recognize the interest calculated at the balance sheet date.
(See also Note 35.4).

(f) TUCE repayable 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, 2017	%	Dec. 31, 2016	%
Sale of goods	21,827	88%	20,074	90%
Sale of services	2,869	12%	2,143	10%
Total	24,695	100%	22,217	100%

Revenue by geographic region breaks down as follows:

In thousands of euros	Dec. 31, 2017	%	Dec. 31, 2016	%
EMEA	10,817	44%	9,579	43%
Americas	3,569	14%	4,446	20%
Asia	10,310	42%	8,192	37%
Total	24,695	100%	22,217	100%

In 2017, the countries in which the Group earned more than 10% of its revenue were China (€7.487 million), the United States (€3.205 million) and France (€5.104 million).

In 2016, the countries in which the Group earned more than 10% of its revenue were China (€5.797 million), the United States (€3.544 million) and France (€4.404 million).

For 2017 and 2016 the Group's top five customers represented a combined 42% and 39% of consolidated revenue, respectively.

Only a single customer, in Asia, represented over 10% of the Group's revenue, with an invoiced amount of €4.876 million.
In 2016, the client representing over 10% of consolidated revenue was also in Asia, with an invoiced amount of €4.782 million.

Revenue by distribution channel breaks down as follows:

In thousands of euros	Dec. 31, 2017	%	Dec. 31, 2016	%
Direct	16,587	67%	14,057	63%
Indirect	8,108	33%	8,160	37%
Total	24,695	100%	22,217	100%

The breakdown of property, plant and equipment and intangible assets by geographic region for the two fiscal years ended December 31, 2017 and 2016 is as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
EMEA	18,571	13,609
Americas	16	42
Asia	13	12
Total	18,601	13,663

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 which is not recurring in nature, as it does not fall within the framework of current activity.

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Other income	-	1,023

8. Intangible assets

As at December 31, 2017, aggregate gross development costs amounting to €20.420 million primarily related to developments of Aixplorer versions V3 to Ultimate (amortized on a straight-line basis to end-2019), as well as capitalized expenses for the next generation ultrasound system on which the Group is working (non-current asset in progress not yet amortized for €9,300).

Capitalized internal development costs for the current fiscal year totaled €3.797 million, €459,000 of which corresponded to new versions of the Aixplorer, and €3.338 million of which corresponded to the next generation ultrasound system.

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, 2016				
Opening net book amount	909	9,156	46	10,112
Acquisitions	-	4,010	43	4,053
Depreciation and amortization	(130)	(1,641)	(60)	(1,832)
Closing net book amount	779	11,525	29	12,333
At December 31, 2016				
Gross value	1,864	16,623	1,118	19,605
Cumulative depreciation	(1,086)	(5,097)	(1,089)	(7,272)
Net book value	779	11,525	29	12,333

In thousands of euros	Patents/licenses	Development Costs	Others	Total
Year ended December 31, 2017				
Opening net book amount	779	11,525	29	12,333
Acquisitions	108	3,797	55	3,960
Depreciation and amortization	(200)	(1,917)	(18)	(2,135)
Closing net book amount	687	13,405	66	14,158
At December 31, 2017				
Gross value	1,973	20,419	1,173	23,565
Cumulative depreciation	(1,286)	(7,014)	(1,107)	(9,407)
Net book value	687	13,405	66	14,158

The capitalized internal development costs break down as follows:

In thousands of euros	2017	2016
Personnel	3,365	3,480
Fees, External Services	1,872	1,523
Travel expenses and entertainment	61	60
Depreciation, amortization & provisions	393	510
Purchases and consumables	344	224
Others	191	119
Subtotal expenses	6,228	5,917
Operating grants	(354)	
Research Tax Credit	(2,077)	(2,182)
Subtotal income	(2,077)	(2,182)
Total	3,797	3,735

There was no impairment as defined under IAS 36 noted during the periods presented.

9. Property, plant and equipment

During fiscal year 2017, the Group made investments in R&D equipment (use of new versions of Aixplorer for research and the development of the new platform), production equipment (the Group owns certain production tools, such as the molds for the design of 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, 2016				
Opening net book amount	1,011	277	194	1,481
Acquisitions	481	44	75	601
Depreciation and amortization	(491)	(164)	(92)	(747)
Unrealized exchange gains or losses	(9)	(3)	5	(7)
Closing net book amount	992	154	184	1,330
At December 31, 2016				
Gross value	5,640	1,046	1,031	7,717
Cumulative depreciation	(4,648)	(892)	(846)	(6,386)
Net book value	992	154	184	1,330

In thousands of euros	Tools, plant and technical equipment	Office and IT equipment	Others	Total
Year ended December 31, 2017				
Opening net book amount	992	154	184	1,330
Acquisitions	3,657	53	16	3,725
Disposals	(136)	-	(47)	(183)
Depreciation and amortization	(225)	(110)	(86)	(421)
Unrealized exchange gains or losses	(14)	(6)	12	(8)
Closing net book amount	4,274	90	79	4,443
At December 31, 2017				
Gross value	9,147	1,092	1,011	11,251
Cumulative depreciation	(4,873)	(1,003)	(932)	(6,808)
Net book value	4,274	90	79	4,443

The Group has not entered into any finance leases over the periods presented.

10. Other non-current assets

Other non-current assets break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Securities and cash pledged	51	2,158
Deposits paid	286	96
Assets provided for the liquidity agreement	97	126
Total Other non-current assets	434	2,381

Other non-current assets consist of cash and shares pledged:
The €2 million in cash presented up to December 31, 2016 under “Other non-current assets” in connection with the bonds issued on December 16, 2013, were reclassified under “cash and cash equivalents” because the bonds in question were fully redeemed during the fiscal year (see Note 35.3).

€51,000 in investment securities that were pledged to PRIMOPIERRE as security for rent on the premises in Aix-en-Provence, renegotiated in 2016. This guarantee was given for a period of nine years and will end on September 30, 2024.

Assets provided under the liquidity agreement totaled €97,000. The liquidity agreement is described in Note 15.3.

11. Inventories

Inventories break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Raw materials & spare parts	3,257	2,873
WIP and finished goods	1,864	2,686
Demonstration equipment	1,483	1,653
Total gross inventories	6,604	7,212
Inventory impairment	(1,567)	(2,130)
Total Net Inventories	5,037	5,082

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, 2017	Dec. 31, 2016
At January 1	2,130	1,396
Provisions for losses on inventories	1,294	956
Reversals of provisions used	(1,857)	(222)
Total losses on inventories	1,567	2,130

Reversals of provisions used correspond to fully provisioned inventories that were obsolete or irreparable, and scrapped during the year.

12. Trade receivables

Trade and other receivables break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Trade receivables	10,419	10,591
Provisions for bad debt	(1,740)	(1,620)
Trade receivables, net	8,680	8,971

Provision for doubtful trade receivables primarily concerned 3 clients:

- Chinese distributor:

In China, the Group had chosen to terminate the exclusive distribution agreement between it and its distributor in April 2013. The latter had disputed and blocked the payment of the amounts due, a total of €474,000.

On October 22, 2009, the Company 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, in particular noting that its distributor had not achieved its contractual objectives. After discussion between the parties, the distributor summoned the Company before the Beijing Chaoyang district court, and the intermediate district court of Beijing, in particular asking to continue the contract and extend it, given its interruption during the discussions between the parties, and that the Company comply with its exclusivity arrangement, disputing to that end the Company's statements and the applicability of the contractual arbitration clause. In September 2013, the Company had 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 well as pay €1 million in principal for damage 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.

At the balance sheet date of the 2017 consolidated financial statements, proceedings for recovery have been launched and are ongoing.

- Brazilian distributors:

The receivables owed by the former Brazilian distributor for a total of €520,000 had been fully provisioned in 2013, the latter facing significant financial difficulties.
The same year, the Company had signed an exclusive agreement with a new distributor for the Brazilian market, which included a repayment schedule for the debt of the former distributor. This schedule was respected until August 2014, and the corresponding provisions returned for a total of €181,000.

In 2015, this new distributor faced cash flow issues, primarily due to the fall in the BRL vis-à-vis the euro (which fell 34% over the fiscal year), foreign exchange risks being borne by the latter insofar as it is billed by the Group in euros.

The Group is in regular contact with this new distributor, which wants to continue distributing SuperSonic Imagine products once it has been able to clear its debt. To this end, a 100% provision was funded for the debt owed by this new distributor since the 2016 balance sheet date.

In 2017, legal proceedings were brought. Negotiations should begin in 2018 to try and find an out-of-court settlement.

At December 31, 2017, €3.100 million in receivables were overdue, including €1.740 million provisioned, i.e. a total of €1.360 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.

At December 31, 2016, €3.266 million in receivables were overdue, including €1.620 million provisioned, i.e. a total of €1.646 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
2016	10,591	7,325	416	232	375	2,243
2017	10,420	7,320	426	188	377	2,109

The gross carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Euro	6,479	5,691
US Dollar	3,848	4,874
Other	93	25
Total	10,420	10,591

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 balance sheet 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	2017	2016
At January 1	(1,620)	(1,219)
Increase in provision for doubtful receivables	265	408
Reversals of provisions used	0	0
Reversals of provisions not used	(145)	(9)
At December 31	(1,740)	(1,620)

13. Other current assets

Other current assets break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Research tax credit receivable	2,212	2,408
VAT receivable	739	510
Prepaid expenses	274	315
Prepayments	738	885
Operating grants receivable – current portion	452	273
Total other current assets	4,414	4,389

Given its status as an SME in EU terms, receivables relating to Tax Credits are repaid in the year following their recognition.

The tax receivable has changed as follows over the last two years:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Tax credit receivables at January 1	2,408	2,336
RTC received	(2,332)	(2,208)
RTC for the year	2,077	2,182
Adjustments to prior RTC	71	0
Other tax credits	(11)	98
Tax receivables at close	2,212	2,408

The other tax credits primarily corresponded to the Job Competitiveness Tax Credit, the Export Tax Credit and the Innovation Tax Credit.

At December 31, 2017, the amount of RTC for the past fiscal year was pre-financed for 91% of its estimated value. In this respect, the financial statements include a short-term debt of €1.7 million.

14. Cash and cash equivalents

Cash and cash equivalents break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Cash on hand	19,009	10,496
Marketable securities	8	754
Cash and cash equivalents	19,017	11,250

Cash held at banks is principally held in euros. The Group places its cash surpluses mainly in money-market SICAVs. See Notes 35.3 and 35.4 for details of the bank account and marketable securities' pledges.

At December 31, 2017, the Group had short-term overdraft facilities totaling €3.9 million, including €1.7 million in 2017 RTC pre-financing and €1.7 million under the factoring agreement signed in December 2017. See Note 35.4.

15. Shareholders' equity

Since April 10, 2014, the Company's shares have since been admitted for trading on the Euronext regulated market in Paris under the ISIN code FR0010526814 and the mnemonic SSI.

Following this operation, the number of shares went from 11.337 million to 16.019 million.

For fiscal year 2014, 50,000 shares were created following the exercise of instruments that were previously granted to employees, bringing the number of shares in circulation up to 16,068,228 shares.

For fiscal year 2015, 149,000 dilutive instruments were exercised, raising the number of shares in circulation to 16,217,179 at December 31, 2015.
In 2016, 54,000 dilutive instruments were exercised, raising the number of shares in circulation to 16,271,481 at December 31, 2016.
In 2017, 6.932 million shares were created following the capital increase in June 2017 as well as 5,817 stock options exercised, raising the number of shares in circulation to 23,209,127 at December 31, 2017.
At the end of the subscription period, which closed on June 1, 2017, total subscriptions for 8,480,548 shares at a unit price of €1.66 had been received, representing an overall subscription rate of 141% or €14,077,709.68:
5,064,740 new shares were subscribed by existing shareholders as of right, representing 84.02% of preferential subscription rights;
Requests for excess shares totaled 3,415,808 new shares.
SuperSonic Imagine decided to fully exercise the option to expand the capital increase, by 904,151 additional shares, bringing the total number of shares offered to 6,931,829, raising a total of €11,506,836.14.

The amount of expenses allotted to the share premium was €786,000.

15.1. Share Capital

Variations in share capital break down as follows:

	Jan 1, 2017	June 2017 capital increase	Expenses relating to the capital increase	Retained earnings (losses) allotted to the share premium	Subscription of dilutive instruments			Dec. 31, 2017
					Stock options	Founders warrants (BSPCE)	Warrants (BSA)	
In thousands of shares								
Ordinary shares	16,271,481	6,931,829			5,817	-	-	23,209,127
Total number of shares	16,271,481	6,931,829			5,817	-	-	23,209,127
In thousands of euros								
Share Capital	1,627	693.2			0.6	-	-	2,321
Share premium	59,006	10,814	(786)	(39,483)	-	-	-	29,551

(a) Change in share capital over the last two fiscal years

Transaction	Capital	Share premium	Number of shares
	(In thousands of euros)		
At January 1, 2016	1,622	59,006	16,217,179
Exercise of Stock options	3	-	32,500
Exercise of BSPCE	-	-	-
Exercise of warrants	2	-	21,802
At December 31, 2016	1,627	59,006	16,271,481
At January 1, 2017	1,627	59,006	16,271,481
Cash capital increase - June 2017	693	10,814	6,931,829
Expenses relating to the capital increase	-	(786)	-
Reclassification of retained earnings as a deduction from the share premium	-	(39,483)	-
Exercise of Stock options	1	-	5,817
Exercise of BSPCE	-	-	-
Exercise of warrants	-	-	-
At December 31, 2017	2,321	29,550	23,209,127

15.2. Dividends

The Company has never distributed a dividend and does not intend to do so for fiscal year 2017.

15.3. Liquidity Agreement

On April 15, 2017, a new liquidity agreement was signed with Gilbert Dupont that cancels and supersedes the agreement with Exane BNP Paribas. This agreement was signed for a period of 12 months ending on April 14, 2018 and will be subject to tacit renewal.

At December 31, 2017, the number of treasury shares held under the liquidity agreement was 85,174, in addition to €97,000 in cash.

Changes in shares held under this agreement decrease the amount of consolidated shareholders' equity by €30,000 in 2017.

15.4. Consolidated reserves

Consolidated reserves break down as follows:

In thousands of euros	2017	2016
At January 1	(33,328)	(22,564)
Profit (loss) for the year	(12,247)	(10,555)
Currency translation differences	(477)	(301)
Share-based payments - Expenses for the year	321	-
Actuarial profits/(losses) on retirement commitments	(4)	5
Free share delivery		-
Treasury stock	(30)	89
Allocation of negative retained earnings to the share premium	39,483	-
At December 31	(6,281)	(33,328)
Of which:		
Retained earnings (losses)	5,459	(23,469)
Loss for the year	(12,247)	(10,555)
Statutory reserve	-	-
Unavailable reserve	-	-
Treasury stock	(603)	(574)
Other comprehensive income	(603)	(121)
Share-based payments	1,713	1,391
At December 31	(6,281)	(33,328)

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 generated only losses in the past, no contribution has been made.

16. Share-based payments

The Group allots 2 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. The latter are described below in Note 16.1;

- non-dilutive instruments based on shares. The latter are described below in Note 16.2.

16.1. Share-Based Dilutive Instruments

16.1.1. Conditions of Plans Allocated

At December 31, 2017, the following share-based payments were granted by the Company:
Founders' warrants (*Bons de souscription de parts de créateur d'entreprise* (BSPCE)):

Plan--Date of allocation	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable at Dec. 31, 2017	Expiration date
10-2008 BSPCE November 05, 2009	Exercisable up to 25% after 12 months starting from the allocation date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€8.85	296,000 (2) 128,856	Nov. 5, 19

(1) Following the IPO on April 9, 2014, these instruments became immediately exercisable.
(2) Following the 10-1 stock split dated May 16, 2012, each BSPCE entitled bearers to subscribe for 10 shares at the unit exercise price indicated above. To make it easier to understand, the number of instruments at the outset was multiplied by 10, thereby reflecting the number of shares in the capital post-split.

Share warrants (BSA):

Plan--Date of allocation	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable at Dec. 31, 2017	Expiration date
10-2008 BSA (2) April 16, 2010	Exercisable up to 25% after 12 months starting from the allocation date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€8.85	169,500 (2) 10,266	Apr. 16, 20
2013 BSA October 04, 2013	Exercisable up to 25% after 12 months starting from the allocation date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€0.10	27,000 2,772	Oct. 4, 23
2017 BSA November 22, 2017	Exercisable by tranche of 33.33% at the end of 12, 24 and 36 month vesting periods from the Award within at most 4 years (3)	€1.86	100,000 0	Nov. 22, 21

(1) Following the IPO on April 9, 2014, these instruments became immediately exercisable.
(2) Following the 10-1 stock split dated May 16, 2012, each BSPCE entitled bearers to subscribe for 10 shares at the unit exercise price indicated above. To make it easier to understand, the number of instruments at the outset was multiplied by 10, thereby reflecting the number of shares in the capital post-split.
(3) The exercise of these warrants is subject to the holder being a member of the Supervisory Board (continued membership) without any performance condition.

Ordinary shares / Stock options

Plan--Date of allocation	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable at Dec. 31, 2017	Expiration date
2013 ordinary options October 04, 2013	Exercisable up to 25% after 12 months starting from the allocation date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€0.10	381,250 342,413	Oct. 4, 23
AGA Exchange 2013 options October 04, 2013	Exercisable up to 55% starting from the allocation date then for the rest up to 7.5% at the end of each quarter starting 1 October 2013. (1)	€0.10	254,500 256,105	Oct. 4, 23
Options 09-2014 September 19, 2014	Up to 6.25% of options may be exercised at the expiry of each successive 3-month period that has elapsed from the date of allocation, and at the latest within the 10 years following the date of allocation.	€8.40	411,850 102,964	Sep. 18, 24

(1) Following the IPO on April 9, 2014, these instruments became immediately exercisable.

Free shares:

Plan--Date of allocation	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable at Dec. 31, 2017	Expiration date
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 Award. (1)	-	1,073,500 204,500	N/A

(1)Except in special instances approved by the Management Board with the agreement of the Supervisory Board, beneficiaries irrevocably lose their Performance Shares for unvested tranches:

- where their resignation takes effect before the end of a vesting period, the loss of the Performance Shares shall take effect on the date of the end of the employment contract or of the corporate office of the beneficiary ;
- in the event of dismissal or termination for any reason whatsoever before the end of the Vesting period, the loss of the Performance Shares shall take effect on the date of notification of dismissal or termination, as the case may be.

The number of Performance Shares to be delivered to each beneficiary in respect of each tranche at the end of each vesting period, subject to satisfaction of the continued employment condition and aside from specific cases provided for under the Plan, shall be equal to the number of Performance Shares awarded to that Beneficiary for said tranche multiplied by a rate (the "Total Award Rate") equal to the weighted average:

- of the " Revenue Award Rate " (one third);
- of the " EBITDA Award Rate " (one third);
- of the " Percentage Margin Award Rate " (one third);
- calculated for each tranche in the fiscal year immediately preceding the corresponding vesting, on the basis, respectively, of the Revenue, EBITDA and Percentage Margin, (the "Performance Conditions") in accordance with the rules for the percentage achievement of the revenue, EBITDA and margin level vis-à-vis the budgets set by the Supervisory Board. If the weighted average exceeds 100%, the number of Shares to be delivered will be equal to 100% of the Performance Shares awarded for the tranche in question, before any adjustments provided for under the Plan.

16.1.2. Changes in outstandings for dilutive instruments

(a) Share warrants (BSA):

The number of share warrants in circulation and their average exercise price are detailed below:

	2017		2016	
Warrants (BSA)	Average exercise price in € per share	Number of instruments	Average exercise price in € per share	Number of instruments
At January 1	4.26	124,500	4.36	165,802
Adjustment following the capital increase		338		
Granted	1.86	100,000	-	-
Null and void	5.84	-8800	3.45	-19500
Exercised	-	-	0.10	-21802
Expired	5.20	-103000	-	
At December 31	7.08	113,038	4.26	124,500
Exercisable	7.34	13,038	4.26	124,500

(b) Founders' warrants (*Bons de Souscriptions de Parts de Créateurs d'Entreprise* (BSPCE))

The number of founders' warrants outstanding and their average exercise price are detailed below:

	2017		2016	
Founders warrants (BSPCE)	Exercise price in € per share	Number of instruments	Exercise price in € per share	Number of instruments
At January 1	7.76	215,300	7.76	480,300
Adjustment following the capital increase		2,356		
Granted	-	-	-	-
Null and void	5.84	-5000	7.58	-38000
Exercised	-	-	-	-
Expired	8.85	-83800	5.84	-227000
At December 31	8.62	128,856	7.76	215,300
Exercisable	8.62	128,856	7.76	215,300

Since the Company's IPO in April 2014, all founders' warrants have been exercisable.

(c) Share Subscription Options/Stock Options

The number of stock options in circulation breaks down as follows:

	2017		2016	
Share Subscription Options (OSA)	Exercise price in € per share	Number of options	Exercise price in € per share	Number of options
At January 1	0.20	692,061	0.20	724,561
Adjustment following the capital increase		15,171	-	-
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	0.10	-5750	0.10	-32500
At December 31	0.20	701,482	0.20	692,061
Exercisable	0.20	701,482	0.20	692,061

(d) Free shares

The number of free shares in circulation breaks down as follows:

	2017		2016	
Free shares	Exercise price in € per share	Number of free shares	Exercise price in € per share	Number of free shares
At January 1	-	-	-	-
Adjustment following the capital increase	-	-	-	-
Granted	-	1,073,500	-	-
Expired	-	- 51,000	-	-
Issued	-	-	-	-
At December 31	-	1,022,500	-	-
Exercisable	-	-	-	-

16.1.3. Plan Valuation

The valuation of share warrants, founders' warrants, stock options and free shares is as follows:

Plan	Valuation model	Share price at the allocation date (in euros)	Annual risk -free interest rate	Expected volatility	Expected maturity (years)	Discount for non-transferability	Unit fair value (in euros)
Founders' warrants (*Bons de souscription de parts de créateur d'entreprise* (BSPCE)):							
10-2008 BSPCE	B&S	8.847	3.64%	47.80%	10	30.48%	1.801
Share warrants (BSA):							
10-2008 BSA (2)	B&S	8.847	3.41%	45.52%	10	30.48%	1.801
2013 BSA	B&S and binomial	0.10	0.19%	22.00%	1	0	0.010
2017 BSA	B&S	1.86	0.38%	42.90%	4	32.9% to 64.5%	1.860
Ordinary options / 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:							
Performance shares		1.52					1.52 to 1.89

No assumption of turnover or dividend distribution was used for the valuation of these instruments.

16.2. Share-Based Dilutive Instruments

On July 1, 2014, the Group granted employees at the Chinese representative office Stock Appreciation Rights (SAR).

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 allottee 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 share on the eve of the request for exercise, less €0.10.
- €20

At the balance sheet date, the valuation of the SARs allotted was €33,500, namely €9,000 less than at 12/31/2016.

16.2.1. Conditions of Plans Allocated

Plan--Date of allocation	Vesting conditions	Number of instruments: awarded at outset. *Exercisable at Dec. 31, 2017*	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 at July 1, 2014	5,000 5,000	Oct. 23, 23

16.2.2. Changes in Outstandings for Non-Dilutive instruments

SAR	2017 Number of instruments	2016 Number of instruments
At January 1	15,000	15,000
Granted	-	-
Null and void	-	-
Exercised	-	-
Expired	-	-
At December 31	15,000	15,000
Exercisable	15,000	11,600

16.3. Plan Charges by fiscal year

Expenses recognized in the financial statements in prior years are as follows:

In thousands of euros	2014 and previous	2015	2016	2017	Total
Founders warrants (BSPCE)	599	-	-	-	599
Free shares	20	-	-	321	341
Warrants (BSA)	299	-	-	-	299
Stock options	443	30	-	-	473
SAR	113	(71)	3	(9)	37
Total	1,474	(41)	3	313	1,749

17. Financial Debt

Financial debt breaks down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Non-current		
Repayable advance - Tuce	204	173
Repayable advance - Icare	1,026	734
Long-term loan	1,800	
Warrant component - Put option*	514	
Bond issue	7,751	2,130
Total non-current	11,294	3,037
Current		
Repayable advance Business France	15	15
Repayable advance - Tuce	204	173
Short-term debt	4,060	2,153
Bond issue	2,755	2,772
Interest accrued on loan	-	21
Total current	7,034	5,135
Total financial debts	18,329	8,172

Financial debts are primarily comprised:

- of repayable advances (described below),
- a bond issue (described below),
- short-term borrowings primarily comprising the 2017 RTC pre-financing of €1.7 million and a trade receivables factoring facility of €1.7 million (described in Note 35.4).
- A long-term innovation loan arranged with BPI for €1.8 million (described in Note 35.4)

17.1. 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, and another €347,000 received on June 13, 2012. Repayments will be made on the basis of future sales of products from the project, and solely based on the future ultrasound platform. The sum repayable will be staggered over 6 annual installments above a threshold of €12 million, followed by profit-sharing above a threshold of €80 million in aggregate revenue (for a maximum of 25% of the advance not recognized in the absence of a reliable estimate). The negotiations with Bpifrance regarding the repayable advance and the contingent advance gave rise to an agreement on repayment that allowed the company to recognize the interest calculated at the balance sheet date at €267,000.

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 35.4).

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 3 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.

In thousands of euros	OSEO ICARE	OSEO TUCE	Business France	Total
Debt as at December 31, 2015	707	319	-	1,026
+ payments received	-	27	15	42
- repayments	-	-	-	-
- discounting	-	-	-	-
+ accretion	26	-	-	26
- Cancellation of the debt	-	-	-	0
+/- change in assumption	-	-	-	-
Debt as at December 31, 2016	733	346	15	1,094
+ payments received	-	61	-	61
- repayments	-	-	-	-
- discounting	-	-	-	-
+ interest provision	267		-	267
+ accretion	25	-	-	25
- Cancellation of the debt	-	-	-	-
+/- change in assumption	-	-	-	-
Debt as at December 31, 2017	1,026	407	15	1,448

The repayment schedule for the advances above is as follows at the balance sheet date:

In thousands of euros	Total	< 1 year	1 to 5 years	> 5 years
TUCE advance	407	203	204	-
ICARE advance	1,026	-	339	687
Total	1,433	203	543	687

17.2. Bonds with Share Warrants (*Obligations à bons de souscription d'actions*)

- On December 16, 2013, the Company issued 50,000 bonds with share warrants with a nominal value of €100 each (the "OBSA"). Each OBSA was issued at a price equal to its nominal value (€100) for a total nominal amount of €5 million.

The Bonds with Share Warrants (OBSA) are redeemable monthly at maturity over five years, with a deferred capital amortization period of 24 months, which will be increased to 36 months in the event that a revenue target were to be reached between the 13th and the 24th month. Interest is paid on a monthly basis from the month of issue, namely December 16, 2013. In line with the assumption made upon subscription, the Company achieved the revenue target allowing it to benefit from the 36-month grace period, as a result of which the outstanding OBSA are repaid in regular installments of principal and interest over the last 24 months.

The Company has the right to proceed with the early redemption of all or part of the outstanding OBSA for a minimum amount of €500,000. It should proceed with the early redemption of all of the outstanding OBSA, unless otherwise agreed by holders, in the event of change of control or sale of a substantial part of all Group assets. The Company has agreed not to make any distribution of dividends, interim dividends or reserves, and not to make any payment to shareholders other than those due under their employment contract or term of corporate office as long as any amount is due to holders of OBSA.
OBSA bear interest at an annual rate of 10.13%.

Each OBSA has a warrant (the "BSA"), totaling 50,000 warrants, granting bearers the right to subscribe for 50,000 new ordinary shares. Each warrant entitles its holder to subscribe for one ordinary share with a €10 subscription value.

Due to the Company's IPO in April 2014, these warrants became exercisable through December 17, 2023.

These bonds are now at zero on the balance sheet following the early redemption in April 2017.

- A new loan from Kreos, for a total of €12 million, consisting of two tranches of bonds with share warrants (OBSA), for €6 million each, will help finance the commercial development of SuperSonic Imagine and pay down some existing debts.

The first tranche was subscribed following the Management Board meeting of March 13, 2017.

The second tranche was subscribed following the Management Board meeting of December 22, 2017.

The loan's terms and conditions are as follows:

- the loan is for a period of 42 months and bears interest at an annual rate of 10.75%
- standard pledges have been provided by SuperSonic Imagine
- the first 6,000,000 bond with share warrant tranche was issued with preferential subscription rights being waived in favor of Kreos pursuant to the authorization granted to the Management Board under resolution 14 of the Combined Shareholders' Meeting of June 24, 2016;
- the second tranche of 6,000,000 bonds with share warrants was issued on December 22, 2017 at the request of the Management Board
- each warrant shall entitle the holder to subscribe for a number of shares calculated using the following formula (the "Exercise Ratio"): R = [(1,320,000 / P) * { 0.5 + [0.5 * (NOBSA / 12,000,000)] }] / NOBSA where: R: means the Exercise Ratio P: means the volume-weighted average price of the Company's shares on the Paris NYSE Euronext market during the ninety days preceding the date of issue of the bonds with share warrants, and NOBSA: means the number of bonds with share warrants actually subscribed by said holder on the date of exercise of the share warrants. Accordingly, each share warrant holder may subscribe for the number of shares ("N") resulting from the following formula: N = R * NBSA where: R: means the Exercise Ratio, and NBSA: means the number of share warrants held by the relevant share warrant holder. The maximum dilution of the share warrants as a result of the first tranche would be 473,684 shares for a maximum total of €989,999.56 with additional dilution as a result of the second tranche of 157,895 shares for a maximum amount including share premium of €330,000.55.

A shareholder holding 1% of the share capital prior to the issue would hold around 0.96% of the share capital following the exercise of all the share warrants in the two tranches on the basis of a price "P" of €2.09.
A representative of Kreos is entitled to attend Supervisory Board meetings of SuperSonic Imagine as a non-voting member (*censeur*).

In parallel with the issue of the bonds with share warrants, in March 2017 the company entered into a put option agreement for warrant holders, under which it undertook to buy back the Kreos warrants for a maximum of €660,000 at the request of the warrant holders.
The fair value of this debt was €514,000 at December 31, 2017.

The purchase price of the warrants will be determined using the following formula:
PP = (R * P * 660,000 / 1,320,000)
Where PP = Purchase Price
R = the Exercise Ratio as defined above in the bonds with share warrants agreement
P = the volume weighted average of the Company's stock price on Euronext Paris in the ninety days preceding the issue of the bonds with share warrants (i.e. €2.09 for the first tranche issued in March 2017 and €1.864 for the second tranche), as defined above in the bonds with share warrants agreement.
The price is thus fixed and cannot be revised.
The put option can be exercised by the warrant holders at any time from completion of the repayment schedule of the Tranche or in the event of the total divestment of the company, and for as long as the warrants are valid, the warrants being exercisable until the first of the following:
(i) 10th anniversary of their issue;
(ii) disposal of all the share capital of SSI
(iii) 5th anniversary of any future IPO.

The value of the bond issue in the balance sheet is as follows:

In thousands of euros	At Jan. 1 2017	Norgine redemption	Kreos subscription	At Dec. 31, 2017
Norgine bond issue	5,000	(5,000)		-
Issuance costs allotted to the NORGINE bonds	(97)	97		-
KREOS bond issue			12,000	12,000
Redemption of KREOS bonds			(1,010)	(1,010)
Issuance costs allotted to the KREOS bonds			(150)	(150)
Warrant component (put option)			(514)	(514)
Change in accrued interest			168	168
Debt component	4,903	(4,903)	10,507	10,507

The maturity of the bond is as follows at the balance sheet date:

In thousands of euros	Total	< 1 year	Between 1 and 5 years	> 5 years
KREOS	10,507	2,755	7,751	-

18. 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 which 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, 2017	Dec. 31, 2016
Provision for retirement benefit obligations	481	486

Changes in the obligation under the defined-benefit plan during the year are presented below:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
At January 1	486	411
Cost of services rendered during the period	69	71
Financial cost	6	8
Services paid	(30)	-
Reductions/terminations	(54)	-
Actuarial gains and losses	4	(5)
Currency translation differences	-	-
At December 31	481	486

The amounts recognized in the income statement are determined as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Cost of services rendered during the period	69	71
Financial cost	6	8
Reductions/terminations	(54)	-
Services paid	(30)	-
Total	(9)	79

The main actuarial assumptions used are as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Discount rate	1.5%	1.5%
Rate of increase in salaries	3.0%	3.0%
Inflation rate	2.0%	2.0%
Social security rate: Non-management	41.7%	43.3%
Social security rate: Management	46.2%	46.4%

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 2012 - 2014).
The mobility rates used were determined on the basis of statistics from recent years. This rate represents an average annual mobility rate of 7.2% of employees.

19. Other Non-Current Liabilities

Other non-current liabilities are detailed below:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Trade payables - non-current portion	478	443
Deferred revenue - non-current portion	429	391
Total	907	834

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 and income from operating grants recognized as expenses incurred where this lasts for more than one year.

20. Trade Payables

Trade payables break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Trade payables	5,704	4,805
Of which current	5,226	4,361
Of which non-current	478	443

21. Other Current Liabilities

Other current liabilities break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Social security costs	2,966	2,321
Deferred revenue - current portion	868	575
Operating grant repayable		790
Provisions for other current liabilities (see details)	685	492
Tax debt	810	287
Advances received on orders	307	100
Miscellaneous	14	14
Total other current liabilities	5,650	4,576

Deferred revenue concerns a portion of income linked to technology which was not fully recognized when signing the contract, but instead staggered over the period in question, as well as income from operating grants staggered as expenses are incurred, in addition to the provision of services (primarily maintenance, after-sales service, warranty extensions) for which revenue is recognized when the service was rendered.

The amount of the operating grant presented under “operating grant to be repaid” at December 31, 2016 corresponded to the excess portion of the subsidy received for the ICARE program.

The negotiations with Bpifrance regarding the repayable advance and the contingent advance gave rise to an agreement on repayment that allowed the company to recognize the sum of €790,000 under accrued operating grant.

In 2017, the Group received €279,000 in grants, compared to €264,000 in 2016.

Current provisions for contingencies break down as follows:

In thousands of euros	Guarantees	Others	Total
At January 1, 2016	460	-	460
- Increase in provision	732	-	732
- Used amounts reversed	(700)	-	(700)
- Unused amounts reversed	-	-	-
- Currency translation gains or losses	-	-	-
At December 31, 2016	492	-	492
At January 1, 2017	492	-	492
- Increase in provision	818	150	968
- Used amounts reversed	(775)	-	(775)
- Unused amounts reversed	-	-	-
- Currency translation gains or losses	-	-	-
At December 31, 2017	535	150	685

At the balance sheet date, the provisions for contingencies included in particular provisions for warranties that were current provisions. In fact, the sales made by the Group are subject to a one-year warranty period. The measurement of the cost of the guarantee 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 guarantees at the balance sheet date for all equipment sold. Additions and reversals on the provision for guarantees given to clients are recorded in the income statement within direct cost of sales.

The provision for retirement pay is fully presented in non-current liabilities (see Note 18).

22. Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:
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 balance sheet 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 variable rate financial debts.

At December 31, 2017

In thousands of euros	Loans and receivables	Financial assets at fair value through profit and loss	Total
Securities and cash pledged	-	51	51
Deposits paid	286	-	286
Trade receivables	8,680	-	8,680
Assets provided for the liquidity agreement	-	97	97
Cash and cash equivalents	-	19,017	19,017
Total December 31, 2017	8,854	19,277	28,131

	Liabilities at fair value through profit and loss	Financial liabilities valuated at amortized cost	Total
Trade payables and related	-	5,704	5,704
Bond issue	-	11,020	11,020
Short-term debt	-	5,860	5,860
Repayable advances	-	1,448	1,448
Total December 31, 2017	-	23,932	23,932

At December 31, 2016

In thousands of euros	Loans and receivables	Financial assets at fair value through profit and loss	Total
Securities and cash pledged	-	2,158	2,158
Deposits paid	96	-	96
Trade receivables	8,971	-	8,971
Assets provided for the liquidity agreement	-	126	126
Cash and cash equivalents	-	11,250	11,250
Total December 31, 2016	9,067	13,534	22,601

	Liabilities at fair value through profit and loss	Financial liabilities valuated at amortized cost	Total
Trade payables and related	-	4,805	4,805
Bond issue	-	4,924	4,924
Short-term debt	-	2,153	2,153
Repayable advances	-	1,095	1,095
Total December 31, 2016	-	12,977	12,977

23. Cost of sales

The gross margin for the previous two years breaks down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Revenues	24,695	22,217
Cost of sales	(13,608)	(12,628)
Gross margin on Revenue	11,088	9,588
Gross margin as a % of revenues	44.9%	43.2%
Total revenue	24,695	23,240
Cost of sales	(13,608)	(12,628)
Gross margin on total revenue	11,088	10,611
Gross margin as a % of total revenue	44.9%	45.7%

The gross margin on total revenue represents total revenue (€24.695 million) minus the cost of sales (€13.608 million). Unlike in the previous fiscal year, which had benefited in full from other income (€1.023 million) that did not generate any cost of sales, there was no income from Group technology in fiscal year 2017 as it is non-recurring.

The gross margin on revenue represents revenue less cost of sales, i.e. €11.088 million in 2017, and €9.588 million in 2016.
The percentage gross margin on revenue rose 1.7 points to 44.9% in 2017, from 43.2% in 2016. This improvement is mainly due to the higher gross margin on service revenue, with the margin on sales of systems remaining unchanged.

24. Research and development expenses

Research and development expenses break down as follows (excluding research and development expenses capitalized as intangible assets):

In thousands of euros	2017	2016
Personnel	739	539
Fees, External Services	483	486
Travel expenses and entertainment	83	108
Depreciation, amortization & provisions	1,954	1,662
Purchases and consumables	105	98
Others	195	259
Subtotal expenses	3,560	3,153
Operating grants	(932)	(27)
Research Tax Credit	(71)	(80)
Subtotal income	(1,002)	(107)
Total	2,558	3,046

Total research and development expenses break down as follows including research and development expenses capitalized as intangible assets:

In 2017:

In thousands of euros	R&D expenses	Capitalized expenses	Total Expenditures
Personnel	739	3,365	4,105
Fees, External Services	483	1,872	2,355
Travel expenses and entertainment	83	61	144
Depreciation, amortization & provisions	1,954	393	2,348
Purchases and consumables	105	344	450
Others	195	191	386
Subtotal expenses	3,560	6,228	9,788
Operating grants	(932)	(354)	(1286)
Tax credits and innovation tax credits	(71)	(2,077)	(2,147)
Subtotal income	(1,002)	(2,077)	(3,079)
Total	2,558	3,797	6,355

In 2016:

In thousands of euros	R&D expenses	Capitalized expenses	Total Expenditures
Personnel	539	3,480	4,019
Fees, External Services	486	1,523	2,009
Travel expenses and entertainment	108	60	168
Depreciation, amortization & provisions	1,662	510	2,173
Purchases and consumables	98	224	323
Others	259	119	378
Subtotal expenses	3,153	5,917	9,070
Operating grants	(27)		(27)
Research tax credits	(80)	(2,182)	(2,262)
Subtotal income	(107)	(2,182)	(2,289)
Total	3,046	3,735	6,781

25. Selling and marketing expenses

Selling and marketing expenses break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Personnel	6,225	6,473
Fees, External Services	2,299	1,782
Travel expenses and entertainment	2,533	2,624
Depreciation, amortization & provisions	390	437
Others	893	675
Total	12,341	11,987

26. General and administrative expenses

General and administrative expenses break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Personnel	3,174	3,075
Fees, External Services	1,958	1,723
Travel expenses and entertainment	151	231
Depreciation, amortization & provisions	188	242
Others	304	176
Total	5,775	5,447

27. Other operating income / (expenses)

Other operating income (expenses) break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Customer provisions	(265)	(408)
Provisions for contingencies	(150)	
Miscellaneous	(5)	(6)
Other operating expenses	(420)	(414)
Reversal of used customer provisions	-	-
Reversal of unused customer provisions	127	9
Miscellaneous	(1)	1
Other operating income	126	10
Other operating income and expenses	(294)	(403)

28. Other non-current operating income/(expense)

Other non-current operating income/(expenses) are recognized using the methods described in Note 3.26 for the determination of non-current operating income.

In 2017, as in 2016, no non-current operating income or expense was recognized.

29. Operating Expenses by Type

Operating expenses by type break down as follows (excluding research and development expenses capitalized as intangible assets; see details in Note 24):

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Purchases including inventory variations	11,934	9,343
Depreciation and amortization	2,352	2,073
Salaries and other short-term employee benefits	8,647	8,588
Social security costs	2,514	2,427
Taxes	659	330
Subcontracting	140	223
External services	1,973	2,014
Travel expenses and entertainment	2,164	2,441
Buildings and office leases	676	728
Advertising, promotion and trade shows	921	846
Fees, commission	3,123	2,339
Grants and tax credits	(1,017)	(119)
Additions and reversals of provisions	(215)	1,237
Others	704	1,039
Total	34,576	33,511

30. Employee Benefit Expenses

Employee benefit expenses break down as follows (excluding research and development expenses capitalized as intangible assets, see details in Note 7):

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Salaries and other short-term employee benefits	8,334	8,580
Social security costs	2,514	2,427
Share-based payments	313	3
Retirement obligations	(9)	79
Total	11,152	11,089

At December 31, 2017, the Group employed 172 people, compared to 161 at December 31, 2016.

31. Financial Income and Expenses

Financial income and expenses break down as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Foreign currency exchange losses	(400)	-
Interest	(2,010)	(662)
Financial expenses	(2,410)	(662)
Foreign currency exchange gains		441
Interest	6	-
Financial income	6	441
Financial income (loss)	(2,405)	(221)

Financial income (loss) fell €2.2 million as a result of:

d) -€920,000 due to the early redemption of the Norgine bonds and interest on the Bpifrance repayable advance for 2010-2016. These are extraordinary expenses for 2017;

e) -€841,000 exchange rate movement between 2017 and 2016, resulting from a €441,000 exchange rate gain in 2016 and a €400,000 exchange rate loss in 2017;

f) -€422,000 in additional interest, which totaled €1.084 million in 2017 versus €662,000 in 2016.

32. 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.

Deferred tax assets not recognized at December 31, 2017 amounted to €48.973 million (compared to €43.840 million at December 31, 2016). They included €37.493 million corresponding to the tax effect on the loss carry-forwards of the French entity, and €11.717 million on loss carry-forwards from foreign subsidiaries, primarily corresponding to the US subsidiary. The deferred tax asset balances were not capitalized in accordance with the principles described in Note 3.1.

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, 2017	Dec. 31, 2016
Income (loss) before tax	(11,929)	(10,480)
Tax calculated based on the tax rate applicable at the parent company (34.43%)	(4,107)	(3,608)
Tax effect on:		
Loss carry-forwards for the period not capitalized and assets not recorded for temporary differences	5,133	4,127
Research tax credit not subject to income tax	(739)	(779)
Non tax-deductible share based payment	108	1
Flat-rate taxation of the representation office in China	142	374
Capital increase expenses allotted to the share premium	(271)	0
Other permanent differences	(103)	(7)
Differences in tax rates	(169)	(25)
Effective income tax	-6	82

33. Earnings per Share

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, 2017	Dec. 31, 2016
Loss attributable to equity holders of the Company (in thousands of euros)	(12,247)	(10,555)
Weighted average number of ordinary shares outstanding	20,120,838	16,264,087
Weighted average number of treasury shares	(76,673)	(56,648)
Weighted average number of ordinary shares used to calculate basic earnings per share	20,044,165	16,207,439
Basic earnings per share (in euros)	(0.61)	(0.65)

2. Diluted

Potentially dilutive instruments are described in Note 16.1 (breakdown of the remaining number outstanding, as well as the number exercisable at December 31 for the last two years), and in Note 17.2 for the issuance of bonds with share warrants (OBSA). During the periods presented, the equity instruments granting deferred access to capital (founders' warrants, share 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.

34. Licensing Agreements

34.1. 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.

Within the framework of this contract, an initial exceptional payment was made and recorded under Other non-current expenses in 2014.

The Group is currently committed to paying royalties, the amount of which is indexed to a portion of its revenue, with the expense being recorded under the Cost of Sales line item.

34.2. Licenses Granted

On March 3, 2014, the Group signed a reciprocal agreement with an industrial player. Through this agreement, the Group granted access to its technology, along with limits to applications under specific conditions of use. In accordance with IFRS, all these royalties were recognized in “Other income” in 2014. This player also agreed not to enforce the medical ultrasound imaging patents that it owns against the Company.

No other license has since been granted.

35. Contingent liability related to ongoing operations

On November 22, 2017, Verasonics Inc filed a lawsuit in the U.S. District Court for the Western District of Washington in which it alleged that SuperSonic Imagine had infringed three of its US patents and claimed trade secrets.
SuperSonic Imagine rejects these claims and will vigorously defend itself.
SuperSonic Imagine intends to challenge the validity and legitimacy of the asserted intellectual property.
Given that the Company disputes this claim and that there is little evidence at December 31, 2017, no provision has been funded.

36. Commitments

36.1. Investments

Fixed asset orders contracted for but not yet incurred are not significant.

36.2. Commitments for operating leases

The Group leases offices under non-cancellable operating lease agreements. These operating leases are renewable at the end of the lease period at market rates.

The Group also leases certain equipment under cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

In thousands of euros	Dec. 31, 2017	Dec. 31, 2016
Less than 1 year	255	278
Between 1 and 5 years	162	264
More than 5 years	-	-
Total	417	542

36.3. Pledge of bank accounts

As security for the bond issue, the Company had granted the holders of bonds with share warrants (OBSA) a pledge on the bank accounts of SuperSonic Imagine SA. This pledge was supplemented in June 2014 by a commitment to keep a positive balance of at least €2 million in its bank accounts at all times.

As part of this commitment, €2 million in cash was presented as non-current assets in the financial statements up to December 31, 2016. This pledge was canceled as part of the early redemption of the Norgine bonds in March 2017.

In order to guarantee all of the Company's obligations under the Venture Loan (see Note 15.2), it provided a number of securities in the event of default: pledge of bank accounts, pledge of certain receivables and pledge of certain intellectual property rights (patents and trademarks).

Pledge of marketable securities:
€51,000 in investment securities that were pledged to PRIMOPIERRE as security for rent on the premises in Aix-en-Provence, renegotiated in 2016. This guarantee was given for a period of nine years and will end on September 30, 2024.

36.4. Other commitments given

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 stipulates 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.
At the balance sheet date, 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 will not be 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 and represents 25% of the repayable advance received. This agreement allowed the company to recognize €790,000 in income.

TUCE program repayable advance:
On June 26, 2012, the Company also received the first installment, for €77,000, of a repayable advance for the Tuce program. The Company then received €27,000 on June 13, 2016 and €61,000 on July 5, 2017. The reimbursements will be made according to the future sales of products from this project and will be spread out over a period of at most eight consecutive years. As the company had not launched any product from the project by end-2017, no repayment had been made by that date. Payments may exceed the nominal amount received, but in the absence of a reliable estimate of the amount to be repaid, no additional amount was recorded.

Financing by assignment of receivables:
The assignment of receivables arranged in December 2016 with a securitization fund enabled the pre-financing of 91% of the 2017 RTC at December 31, 2017, for a total of €1.7 million.
In December 2016, the company also signed a trade receivables factoring agreement.
At December 31, 2017, the outstanding amount presented under financial debts stood at €1.7 million.

36.5. Commitments Received

The amount of trade receivables at the balance sheet 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 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 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 2016	2016	2017	Cumulative total		
ICARE – BPI	1,775			1,775	2,838	1,063
DARMUS – DGA	645			645	645	
CARDIO – ANR	215			215	215	
TUCCIRM – ANR	126			126	126	
Elastobus – BPI	454			454	454	
TUCE – BPI	1,027		181	1,208	1,208	
Micro Elasto – ANR	181			181	186	4
PLIK – BPI	54			54	133	79
PLIK –Pays d'Aix	25			25	80	55
PLIK – PACA					80	80
BITHUM – ANR	94		18	112	118	6
IDITOP – BPI	268			268	335	67
IDITOP – PACA	152	67		219	250	31
Cartographics – INCA INSERM	133			133	133	
Capacity – BPI						
SOLUS-H2020		197		197	408	211
Ultra Fast 4D-ANR	92			92	306	214
RHU STOP AS			80	80	203	123
Total	5,241	264	279	5,783	7,716	1,933

- **The commitments received relating to the repayable advances break down as follows:**

In thousands of euros	Advances received	Repayments	Balance at Dec. 31, 2017	Amount of grant on contract	Outstanding amounts to be received
Business France			15	200	195
ICARE – BPI			1,026	3,039	2,013
TUCE – BPI	61		407	407	
TOTAL	61		1,448	3,646	2,198

37. Related-Party Transactions

Key management compensation

Key management includes Management Board members and executive and non-executive Supervisory Board members.

The compensation paid or payable is as follows:

In thousands of euros	2017	2016
Salaries and other short-term employee benefits	1,596	1,257
Directors' attendance fees	61	61
Share-based payments	210	
Total	1,866	1,318

Other related parties

The Group has no related parties other than the members of the Management and Supervisory Boards.

38. Events After the Reporting Date

On April 25, 2018, the Company announced the launch of its new cutting-edge smart ultrasound platform, Aixplorer Mach 30.
Aixplorer Mach 30 introduces a new generation of UltraFast™ imaging that enables the optimization of all innovative modes to offer enhanced diagnostic performance.

39. Consolidated Entities

The consolidated financial statements at December 31, 2017 include the accounts of SuperSonic Imagine, the parent company, and the following entities:

Country	Company	Dec. 31, 2017	Dec. 31, 2016
France	SuperSonic Imagine	Parent company	Parent company
USA	SuperSonic Imagine, Inc.	100%	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 which 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 balance sheet date at March 31, 2018. In fact, 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.

40. Statutory Auditors' Fees

Statutory auditors' fees in the income statement for the fiscal year break down as follows:

In euros excluding VAT

Statutory Auditors' fees for fiscal year 2017	Ernst & Young Audit	AresXpert Audit
Certification of the separate and consolidated financial statements and review	88,000	37,000
Services other than statutory auditing	22,996	-
Total	110,996	37,000

20.2. PROFORMA FINANCIAL INFORMATION

Not applicable.

20.3. ANNUAL PARENT COMPANY FINANCIAL STATEMENTS OF SUPERSONIC IMAGINE S.A.

BALANCE SHEET

ASSETS

In thousands of euros	Notes	Gross	Amortization, depreciation & impairment	December 31, 2017 (Net)	December 31, 2016 (Net)
Intangible assets	2	23,744	(9,242)	14,502	12,323
Property, plant and equipment	3	12,743	(8,412)	4,331	1,197
Financial assets	4	38,109	(35,835)	2,274	3,648
Total fixed assets		74,596	(53,489)	21,107	17,167
Inventories	5	5,640	(1,385)	4,255	4,382
Trade receivables	6	5,869	(1,541)	4,327	7,459
Other receivables	7	4,482	(1,002)	3,480	2,218
Marketable securities	8	163	-	163	909
Cash on hand	8	17,602	-	17,602	7,967
Total current assets		33,755	(3,929)	29,826	22,936
Prepaid expenses	9.2	257	-	257	284
Loan Issuance costs	9.2	733	-	733	97
Unrealized exchange losses	9.1	621	-	621	475
Total accruals		1,611	-	1,611	856
Total assets		109,962	(57,417)	52,544	40,959

LIABILITIES

In thousands of euros	Notes	December 31, 2017	December 31, 2016
Share Capital	12.1	2,321	1,627
Share premiums		30,300	59,755
Regulated reserves		(8)	(8)
Retained earnings (losses)		-	(29,519)
Profit (loss) for the year		(10,192)	(9,964)
Regulated provisions		(2)	(2)
Total shareholders' equity	12	22,419	21,890
Contingent advances	15	1,552	1,224
Provisions for contingency	16	1,341	1,022
Convertible bonds	14	11,378	5,000
Loans and other financial debts	17	5,032	1,280
Advances and deposits received on current orders		139	93
Trade payables		5,798	4,586
Tax & corporate debts	18	2,885	1,869
Other debts		1	1
Total debts		28,126	15,075
Deferred revenue	20	712	1,425
Unrealized exchange gains	9.1	1,288	2,569
Total accruals		2,000	3,995
Total liabilities		52,544	40,959

INCOME STATEMENT

In thousands of euros	Notes	December 31, 2017	December 31, 2016
Sale of merchandise		406	332
Production sold (goods)		20,923	19,636
Production sold (services)		2,506	2,178
Revenues	21.1	23,835	22,146
Inventories		-	722
Capitalized production		4,310	3,774
Operating grants		705	38
Reversals of depreciations, amortizations and provisions, transfers of expenses		2,633	1,024
Other income	21.5.2	1	1,023
Operating income		31,483	28,727
Purchase of goods and raw materials		11,483	9,004
Changes in inventory		634	928
Other purchases and external expenses		12,784	11,619
Taxes and similar payments		315	347
Salaries and other short-term employee benefits		7,402	7,081
Social security costs		2,997	2,760
Amortization and depreciation of fixed assets	2 and 3	2,715	2,554
Provisions for current assets		1,746	1,191
Provisions for contingencies	16	818	732
Other expenses		703	1,038
Operating expenses		41,597	37,255
Operating income		(10,115)	(8,528)

In thousands of euros	Notes	December 31, 2017	December 31, 2016
Financial income from investments		153	158
Other interest and similar income		3	3
Reversals of provisions and transfers of expenses		151	-
Foreign exchange gains		443	524
Financial income		751	685
Financial allocations to depreciation, amortization and provisions		938	3,183
Interest and similar expenses		1,625	581
Foreign exchange losses		855	492
Financial expenses		3,418	4,256
Financial income (loss)	21.3	(2,667)	(3,571)
Exceptional income from management operations		655	46
Exceptional income from capital operations		-	-
Reversals of provisions and transfers of expenses		-	-
Exceptional income		655	46
Exceptional expenses from management operations		44	139
Exceptional expenses from capital operations		-	-
Exceptional allocations to depreciation, amortization and provisions		150	-
Exceptional expenses		194	139
Exceptional income	21.4	460	(93)
Income tax	21.12	(2,129)	(2,227)
Net income (loss)		(10,192)	(9,964)

Table of Contents – Notes

1. General Information and Accounting Policies

The balance sheet for the fiscal year ended December 31, 2017 shows total assets of €52,544,385. The income statement, presented in list-format, shows a loss of €10,192,444.
The fiscal year is 12 months long and covers the period from January 1 to December 31, 2017.
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, as well as in the sale of ultrasound medical imaging systems.
In 2009, it put on the market a 3rd generation ultrasound device called Aixplorer®, with a radically new, entirely software-based architecture that integrates several technological innovations. For this purpose, it has 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).

The Group owns or co-owns numerous patents which 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.
As part of its international development, the Company has created six distribution subsidiaries in the following countries:
SuperSonic Imagine Inc., USA in March 2007;
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;
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 over 30 people, responsible for coordinating the local distributor network.

The Company is a limited company with a management board and a supervisory board, incorporated in France. Its headquarters are registered 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).

1.1.2. Key Events of the Year

(A) COMMERCIAL SPHERE

Revenue for the fiscal year amounted to €23.8 million, up 7.6% on 2016.

On September 7, 2017, the company launched Aixplorer® Ultimate, its new ultrasound system. The Ultimate version has 4.5 times the computing power of previous versions. Aixplorer® Ultimate also has a new look and a new user interface that is leaner, simpler and more intuitive. Usability has been significantly improved, particularly following prolonged use. This new version also includes the latest UltraFast™ innovation, Needle PL.U.S, which allows biopsy needles to be overlaid on anatomical structures and to predict their trajectory in real-time with a high degree of precision.

(B) FINANCIAL DEVELOPMENTS

New loan from Kreos Capital V (UK) Limited ("Kreos") arranged
The loan from Kreos, for a total of €12 million, consists of two tranches of bonds with share warrants (OBSA), for €6 million each, and will help finance the commercial development of SuperSonic Imagine and pay down some existing debts.
The first €6 million tranche was subscribed following the Management Board meeting of March 13, 2017.
The second €6 million tranche was subscribed following the Management Board meeting of December 22, 2017.
Repayment of the Norgine Venture Loan

The first tranche of the Kreos loan made it possible to repay, on April 17, 2017, the outstanding principal owed to Norgine B.V., namely €4.2 million, and free up €2 million in cash, which had been pledged.
Share capital increase

The Company's capital increase with preferential subscription rights in June 2017 raised €11.5 million.
At the end of the subscription period, which closed on June 1, 2017, total subscriptions for 8,480,548 shares at a unit price of €1.66 had been received, representing an overall subscription rate of 141% or €14,077,709.68:

a) 5,064,740 new shares were subscribed by existing shareholders as of right, representing 84.02% of preferential subscription rights;

b) Requests for excess shares totaled 3,415,808 new shares.

SuperSonic Imagine decided to fully exercise the option to expand the capital increase, by 904,151 additional shares, bringing the total number of shares offered to 6,931,829, raising a total of €11,506,836.14.
The Company's capital following the capital increase stood at €2,320,656.00, split into 23,206,560 shares with a par value of €0.10 each.

(C) CORPORATE GOVERNANCE

On June 21, 2017, Claude Cohen Bacrie resigned from the Management Board.

At December 31, 2017, the Management Board had the following members:

	At Dec. 31, 2017	Executive function
Chairwoman	Michèle Lesieur	CEO
Member	Elisabeth Winter	Chief Financial Officer
Member	Kurt Kelln	Chief Business Officer
Member	Jacques Souquet	Director of Innovation

1.2. Accounting Principles

(A) GOING CONCERN

The Company's available cash at December 31, 2017 was €17.8 million.
As of April 27, 2018, the Company had the necessary funds to meet its obligations over the following twelve months.
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 development of its sales force. The Company has been in the active marketing phase of its products since 2009;*
- *As of April 27, 2018, the Company had the necessary funds to meet its obligations over the following twelve months.*

(B) ACCOUNTING PRINCIPLES AND METHODS

The financial statements have been 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:

1.1.3. Intangible assets

Patents and licenses
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.
When an acquired technology is no longer used, the gross value corresponding to the cumulative depreciation is removed from the balance sheet.

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;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development expenses which 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 estimated remaining life is reviewed at each year-end.

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 5 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.

1.1.4. Property, plant and equipment

The offices of the Company primarily consist of the registered office located in Aix-en-Provence (France), within the framework of a lease expiring on September 30, 2018.

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 and equipment is 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 (Economic basis: Straight line / Tax: special)
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 balance sheet date.

1.1.5. Financial assets

Financial assets consist of securities, receivables or cash capitalized.

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.

1.1.6. 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 evaluated at the purchase price and recorded according to the FIFO method. Impairment is recognized for references 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.

1.1.7. 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 balance sheet date.

Receivables are written down where applicable, on a case-by-case basis, after the Company assesses the risk of non-recovery.

The financial payables for the two years presented include:

- ANR or Bpifrance repayable advances
- A two tranche bond issue subscribed by Kreos
- The use of RTC pre-financing by means of assignment of receivables (subject to the provisions of Articles L214-169 to L214-175 of the French Monetary and Financial Code).
- A trade receivables factoring facility.
- A short-term financing facility.
- A long-term loan from BPI.

1.1.8. 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”.

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 it cannot be set against corporate income taxes it is 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.

1.1.9. 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 2017 to 7% 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 employee expenses. In 2017, it in particular helped finance expenditure on research and innovation.

1.1.10. Marketable securities

Investment securities, primarily consisting of money market funds (SICAVs), are recorded in assets at the historic purchase price, 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 were assessed upon application of the FIFO (First-In First-Out) method.

On June 30, the company decided to sell off all available money market funds due to the very low and even negative returns over the past number of months.

1.1.11. 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 converted to the closing price. In case of unrealized losses (translation losses), a provision for exchange risks is established. Unrealized exchange gains (translation gains) are not recorded in income.

For fiscal year 2017, the Company has not used an exchange rate risk hedging instrument.

1.1.12. Provisions

Provisions for contingency
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 guarantee
Sales are subject to a one-year warranty period. The measurement of the cost of the guarantee 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 guarantees at the balance sheet date for all equipment sold.

Future operating losses are not provided for.

1.1.13. 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:

(a) Revenue from the sales of Aixplorer systems
The Group's products are generally sold through contracts or via purchase orders placed 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 legal guarantee of 12 months granted on products.

(b) Revenue from services
Revenue for services (principally maintenance, after-sales service, warranty extensions) is recognized over the period when services are rendered and when collectability is reasonably assured.

A warranty is included in each sale of an Aixplorer system. 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 multiple element arrangements, such as those including services is recognized as each element is earned based on the relative fair value of each element.

1.1.14. Other Operating Income

Other operating income includes income linked to the SuperSonic Imagine technology, which corresponds to a third source of income after sales of products and services. They correspond to rights to access technology developed by the Company or to partnerships to access this technology.

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.

1.1.15. 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.

1.1.16. Loan Issuance Costs

Loan issuance costs are recorded in expenses, to be distributed and spread out over the term of the loan.

1.1.17. 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.

1.1.18. Preparation of Consolidated Financial Statements

The Company is required to have its consolidated financial statements certified because it is listed on a regulated market. The Company thus prepares consolidated financial statements according to IFRS, wherein it is the Group's parent.

2. Intangible assets

As at December 31, 2017, aggregate gross development costs amounting to €20.773 million primarily related to developments of versions V3 to Ultimate of Aixplorer (amortized on a straight-line basis to end-2019), as well as capitalized expenses for the next generation ultrasound system on which the Group is working (non-current asset in progress not yet amortized for €9,300).

Capitalized internal development costs for the current fiscal year totaled €4.151 million, €459,000 of which corresponded to new versions of the Aixplorer®, and €3.692 million of which corresponded to the next generation ultrasound system.

In thousands of euros	Patent/Licenses and software	Development Costs	Total
Year ended December 31, 2016			
Opening amount	945	9,156	10,101
Acquisitions	43	4,010	4,052
Depreciation and amortization	(190)	(1,641)	(1,831)
Closing net book amount	797	11,525	12,323
At December 31, 2016			
Gross value	2,805	16,623	19,427
Cumulative amortization and depreciation	(2,007)	(5,097)	(7,105)
Net book value	797	11,525	12,323

In thousands of euros	Patent/Licenses and software	Development Costs	Total
Year ended December 31, 2017			
Opening amount	797	11,525	12,323
Acquisitions	166	4,151	4,316
Depreciation and amortization	(220)	(1,917)	(2,137)
Closing net book amount	743	13,759	14,502
At December 31, 2017			
Gross value	2,970	20,773	23,744
Cumulative amortization and depreciation	(2,228)	(7,014)	(9,242)
Net book value	743	13,759	14,502

3. Property, plant and equipment

In thousands of euros	Plant and industrial equipment	General installations, fittings, other fixtures	Office and IT equipment	Property, plant and equipment in progress	Total
Year ended December 31, 2016					
Opening amount	1,002	141	270	-	1,413
Acquisitions	398	75	33	-	506
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Depreciation and amortization	(501)	(64)	(160)	-	(726)
Closing net book amount	902	152	143	-	1,197
At December 31, 2016					
Gross value	7,382	467	1,250	-	9,099
Cumulative amortization and depreciation	(6,480)	(315)	(1,107)	-	(7,902)
Net book value	902	152	143	-	1,197

In thousands of euros	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	902	152	143	-	1,197
Acquisitions	3,657	15	40	-	3,712
Disposals	(67)	-	-	-	(67)
Transfers	-	-	-	-	-
Depreciation and amortization	(305)	(98)	(107)	-	(510)
Closing net book amount	4,186	70	77	-	4,332
At December 31, 2017					
Gross value	10,972	482	1,289	-	12,743
Cumulative amortization and depreciation	(6,786)	(413)	(1,214)	-	(8,412)
Net book value	4,186	70	77	-	4,332

In 2017, the Company purchased research equipment and capitalized the Aixplorer® systems in order to use them for research purposes, for a total of €3.605 million. It acquired €52,000 in production equipment (test bench, control set, various tools, etc.). That same year, the Company acquired €15,000 in various fixtures and fittings following the opening of new offices leased from July 2015.
The Company also acquired office and IT equipment (computers, printers and UPS units) for €40,000.

4. Financial assets

In thousands of euros	Equity securities	Other financial assets	Cash - Marketable securities pledged	Total
Year ended December 31, 2016				
Opening amount	1	372	2,000	2,373
Increases	2,000	2,698	-	4,699
Disposals	-	-	-	-
Reclassifications			-	-
Provision for impairment	(600)	(2,824)		(3,424)
Closing net book amount	1,401	247	2,000	3,648
At December 31, 2016				
Gross value	13,246	23,584	2,000	38,830
Cumulative impairment	(11,845)	(23,337)	-	(35,182)
Net book value	1,401	247	2,000	3,648

In thousands of euros	Equity securities	Other financial assets	Cash - Marketable securities pledged	Total
Year ended December 31, 2017				
Opening amount	1,401	247	2,000	3,648
Increases	0	1,278	-	1,278
Disposals	-	-	(2,000)	(2,000)
Reclassifications			-	-
Provision for impairment (reversal)	151	(803)		(652)
Closing net book amount	1,553	721	-	2,274
At December 31, 2017				
Gross value	13,247	24,862	-	38,109
Cumulative impairment	(11,694)	(24,141)	-	(35,835)
Net book value	1,553	721	-	2,274

The securities and receivables held against subsidiaries, except those for the Chinese subsidiary, were completely written down; their net realizable value did not allow the short-term repayment of the advances granted to be considered. The €652,000 aggregate provision for impairment mainly consists of write-downs of receivables vis-à-vis the subsidiaries and a €151,000 reversal with respect to the securities of the Chinese subsidiary.

To the extent that the Company has not made commitments beyond the capital invested, no additional provision was recorded.

At December 31, 2017, the number of treasury shares held under the liquidity agreement was 85,174, in addition to €97,000 in cash.
Changes in shares held under this agreement decrease the amount of consolidated shareholders' equity by €30,000 in 2017.
As part of its Kreos bond issue, the company paid over a security deposit of €388,000 that will be returned upon payment of the final installment.
Following its loan from BPI, the company paid a €90,000 deposit that was refunded following payment of all sums due under this loan.

Within the context of the bond issue dated December 16, 2013, the Company had pledged its bank accounts and had committed to maintaining a minimum of €2 million in cash. This amount was thus reclassified under financial assets as of June 2014 (see Note 21.6, Point A).

Following the early repayment of the loan in April 2017, the pledge was canceled.

5. Inventories

In thousands of euros	December 31, 2017	December 31, 2016
Raw materials and spare parts	3,081	2,766
WIP and finished goods	2,558	3,535
Total gross inventories	5,640	6,301
Impairment of inventories	(1,385)	(1,919)
Total Net Inventories	4,255	4,382

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, 2017	December 31, 2016
Trade receivables, gross	5,869	8,858
Impairment	(1,541)	(1,399)
Trade receivables, net	4,327	7,459

- **Chinese distributor:**

In China, the Group had chosen to terminate the exclusive distribution agreement between it and its distributor in April 2013. The latter had disputed and blocked the payment of the amounts due, a total of €474,000.

On October 22, 2009, the Company 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, in particular noting that its distributor had not achieved its contractual objectives. After discussion between the parties, the distributor summoned the Company before the Beijing Chaoyang district court, and the intermediate district court of Beijing, in particular asking to continue the contract and extend it, given its interruption during the discussions between the parties, and that the Company comply with its exclusivity arrangement, disputing to that end the Company's statements and the applicability of the contractual arbitration clause. In September 2013, the Company had 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 well as pay €1 million in principal for damage 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.

At the balance sheet date of the 2017 financial statements, proceedings for recovery have been launched and are ongoing.

- **Brazilian distributors:**

The receivables owed by the Brazilian distributor for a total of €520,000 had been fully provisioned in 2013, the latter facing significant financial difficulties.
The same year, the Company had signed an exclusive agreement with a new distributor for the Brazilian market, which included a repayment schedule for the debt of the former distributor. This schedule was respected until August 2014, and the corresponding provisions returned for a total of €181,000.

In 2015, this new distributor faced cash flow issues, primarily due to the fall in the BRL vis-à-vis the euro (which fell 34% over the fiscal year), foreign exchange risks being borne by the latter insofar as it is billed by the Group in euros.

In 2016, the Group was in regular contact with this new distributor, which wanted to continue distributing SuperSonic Imagine products once it had cleared its debt.

In 2017, legal proceedings were brought. Negotiations should begin in 2018 to try and find an out-of-court settlement.

To this end, a 100% provision has been funded for the debt owed by this new distributor since 2016.

7. Other receivables

In thousands of euros	December 31, 2017	December 31, 2016
Supplier advances and deposits	867	974
Income Tax - Research Tax Credit - Innovation Tax Credit	468	395
Value Added Tax	584	577
Receivables	1,108	1,275
Personnel	-	-
Gross total	4,482	3,221
Impairment	(1,002)	(1,002)
Net total	3,480	2,218

Income Tax - Research Tax Credit - Innovation Tax Credit

Given its status as an SME in EU terms, receivables relating to the Research Tax Credit (RTC) and the Innovation Tax Credit (ITC) are repaid in the year following their recognition.

At December 31, 2017, the RTC for the past fiscal year was pre-financed for 91% of its estimated value, totaling €1.7 million.

Receivables

Within the context of the dispute against its former Chinese distributor, the Company recorded income receivable in 2014 equal to €1.002 million, which corresponded to damages following the judgment on October 30, 2014 of the International Chamber of Commerce that was rendered in favor of SuperSonic Imagine. To the extent that the Company has no guarantee that its former distributor has the capacity to honor this debt, this amount was fully provisioned.

8. Cash

Cash held at banks is principally held in euros. Up to June 2017, the Group invested its excess cash primarily in money market funds (SICAVs). See Note 21.6 for details of the bank account and marketable securities' pledges. Given the very low, and sometimes negative, returns from these securities, the company decided to sell them all on June 30, 2017.

- **At December 31, 2017, the Group had short-term overdraft facilities totaling €3.9 million, including €1.7 million in 2017 RTC pre-financing through assignment of receivables (subject to the provisions of Articles L214-169 to L214-175 of the French Monetary and Financial Code) and €1.7 million under the trade receivables factoring agreement signed in December 2016.**

At December 31, 2017, cash consisted of the following:

In thousands of euros	December 31, 2017	December 31, 2016
Marketable securities	163	909
Cash on hand	17,602	7,967
Total Cash	17,765	8,876

9. Accrued assets and liabilities

9.1. Unrealized exchange gains and losses

Following the revaluation of foreign currency payables and receivables at the closing price, the Company recognized unrealized exchange gains and losses at December 31, 2017 as per the following tables:

In thousands of euros	December 31, 2017	December 31, 2016
Trade and intragroup receivables	244	226
Trade payables	377	248
Total unrealized exchange losses	621	475

At December 31, 2017, provisions were fully funded for unrealized exchange losses under financial expenses in the income statement.

In thousands of euros	December 31, 2017	December 31, 2016
Trade and intragroup receivables	884	2,387
Trade payables	404	182
Total unrealized exchange gains	1,288	2,569

The reduction in unrealized exchange gains and losses on receivables is primarily explained by the sharp movement in the dollar and the sizeable outstandings with the US subsidiary.

9.2. Other Accruals

ASSETS

In thousands of euros	December 31, 2017	December 31, 2016
Prepaid expenses	257	284
Including operating expenses	257	284
Loan Issuance Costs	733	97
Total other accruals	990	382

LIABILITIES

In thousands of euros	December 31, 2017	December 31, 2016
Deferred revenue	712	1,425
Total other accrued liabilities	712	1,425

10. Maturity dates of receivables

Maturity date of receivables at period end

The chart on gross receivables is presented below, noting the maturity dates:

In thousands of euros	December 31, 2017	Less than 1 year	More than one year
Receivables related to equity interests	24,026	-	24,026
Other financial assets	836	-	836
Doubtful or litigious clients	1,541	-	1,541
Other trade receivables	4,327	4,327	-
Trade receivables	5,869	4,327	1,541
Supplier advances and deposits	867	867	
Income Tax - Research Tax Credit, Innovation Tax Credit and Tax Credit for Competitiveness and Employment	468	468	
Value Added Tax	584	584	
Factor current account	679	679	-
Receivables	1,454	-	1,454
Personnel	-	-	-
Other receivables	4,053	2,598	1,454
Prepaid expenses	257	257	-
Loan Issuance Costs	733	492	242
Total	35,774	7,674	28,099

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, 2016	Provisions	Reversals	December 31, 2017
Property, plant and equipment in progress	-	-	-	-
Equity securities	11,845	(151)	-	11,694
Other financial assets	23,337	954	151	24,141
Inventories	1,919	1,243	1,777	1,385
Trade receivables	1,399	143	1	1,541
Other receivables	1,002	-	-	1,002
Total impairment of assets	39,502	2,189	1,928	39,763

The provision for other financial assets mainly relates to the provision for receivables from Group subsidiaries.

12. Shareholders' equity and Composition of Share Capital

Since April 10, 2014, the Company's shares have since been admitted for trading on the Euronext regulated market in Paris under the ISIN code FR0010526814 and the mnemonic SSI.

Following this operation, the number of shares went from 11.337 million to 16.019 million.

For fiscal year 2014, 50,000 shares were created following the exercise of instruments that were previously granted to employees, bringing the number of shares in circulation up to 16,068,228 shares.

For fiscal year 2015, 149,000 dilutive instruments were exercised, raising the number of shares in circulation to 16,217,179 at December 31, 2015.

In 2016, 54,000 dilutive instruments were exercised, raising the number of shares in circulation to 16,271,481 at December 31, 2016.

In June 2017, the capital increase gave rise to the entry into circulation of 6,932,000 dilutive instruments, raising the total number of shares to 23,209,127 at December 31, 2017.

At the end of the subscription period, which closed on June 1, 2017, total subscriptions for 8,480,548 shares at a unit price of €1.66 had been received, representing an overall subscription rate of 141% or €14,077,709.68:
5,064,740 new shares were subscribed by existing shareholders as of right, representing 84.02% of preferential subscription rights. Requests for excess shares totaled 3,415,808 new shares.

SuperSonic Imagine decided to fully exercise the option to expand the capital increase, by 904,151 additional shares, bringing the total number of shares offered to 6,931,829, raising a total of €11,506,836.14.

The amount of expenses allotted to the share premium was €786,000.

12.1. Share Capital

Variations in share capital break down as follows:

	Jan 1, 2017	June 2017 capital increase	Expenses relating to the capital increase	Retained earnings (losses) allotted to the share premium	Subscription of dilutive instruments			Dec. 31, 2017
					Stock options	Founders warrants (BSPCE)	Warrants (BSA)	
In thousands of shares								
Ordinary shares	16,271,481	6,931,829			5,817	-	-	23,209,127
Total number of shares	16,271,481	6,931,829			5,817	-	-	23,209,127
In thousands of euros								
Share Capital	1,627	693.2			0.6	-	-	2,321
Share premium	59,755	10,814	(786)	(39,483)	-	-	-	30,299

The table below presents changes in the Company's capital (in thousands of euros) over two years:

Transaction	Capital	Share premium	Number of shares
	(In thousands of euros)		
At January 1, 2016	1,622	59,755	16,217,179
Exercise of Stock options	3	-	32,500
Exercise of BSPCE	-	-	-
Exercise of warrants	2	-	21,802
At December 31, 2016	1,627	59,755	16,271,481
At January 1, 2017	1,627	59,755	16,271,481
Cash capital increase - June 2017	693	10,814	6,931,829
Expenses relating to the capital increase		(786)	-
Reclassification of retained earnings as a deduction from the share premium		(39,483)	
Exercise of Stock options	1	-	5,817
Exercise of BSPCE	0	-	-
Exercise of warrants	0	-	-
At December 31, 2017	2,321	30,300	23,209,127

12.2. Dividends

The Company has never distributed a dividend and will not do so for fiscal year 2017.

12.3. Liquidity Agreement

On April 15, 2017, a new liquidity agreement was signed with Gilbert Dupont that cancels and supersedes the agreement with Exane BNP Paribas. This agreement was signed for a period of 12 months ending on April 14, 2018 and will be subject to tacit renewal.

At December 31, 2017, the number of treasury shares held under the liquidity agreement was 85,174, in addition to €97,000 in cash.

13. Share-based payments

The Group allots 2 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. The latter are described below in Note 13.1;**
- **non-dilutive instruments based on shares. The latter are described below in Note 13.2.**

13.1. Share-Based Dilutive Instruments

13.1.1. Conditions of Plans Allocated

At December 31, 2017, the following share-based payments were granted by the Company:

Founders' warrants (*Bons de souscription de parts de créateur d'entreprise* (BSPCE)):

Plan--Date of allocation	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable at Dec. 31, 2017	Expiration date
10-2008 BSPCE November 05, 2009	Exercisable up to 25% after 12 months starting from the allocation date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€8.85	296,000 (2) 128,856	Nov. 5, 19

(1) Following the IPO on April 9, 2014, these instruments became immediately exercisable.
(2) Following the 10-1 stock split dated May 16, 2012, each BSPCE entitled bearers to subscribe for 10 shares at the unit exercise price indicated above. To make it easier to understand, the number of instruments at the outset was multiplied by 10, thereby reflecting the number of shares in the capital post-split.

Share warrants (BSA):

Plan--Date of allocation	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable at Dec. 31, 2017	Expiration date
10-2008 BSA (2) April 16, 2010	Exercisable up to 25% after 12 months starting from the allocation date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€8.85	169,500 (2) 10,266	Apr. 16, 20
2013 BSA October 04, 2013	Exercisable up to 25% after 12 months starting from the allocation date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€0.10	27,000 2,772	Oct. 4, 23
2017 BSA November 22, 2017	Exercisable by tranche of 33.33% at the end of 12, 24 and 36 month vesting periods from the Award within at most 4 years. (3)	€1.86	100,000 0	Nov. 22, 21

(1) Following the IPO on April 9, 2014, these instruments became immediately exercisable.
(2) Following the 10-1 stock split dated May 16, 2012, each BSPCE entitled bearers to subscribe for 10 shares at the unit exercise price indicated above. To make it easier to understand, the number of instruments at the outset was multiplied by 10, thereby reflecting the number of shares in the capital post-split.
(3) The exercise of these warrants is subject to the holder being a member of the Supervisory Board (continued membership) without any performance condition.

Ordinary shares / Stock options

Plan--Date of allocation	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable at Dec. 31, 2017	Expiration date
2013 ordinary options October 04, 2013	Exercisable up to 25% after 12 months starting from the allocation date then for the rest up to 7.5% at the end of each quarter for 30 months. (1)	€0.10	381,250 342,413	Oct. 4, 23
AGA Exchange 2013 options October 04, 2013	Exercisable up to 55% starting from the allocation date then for the rest up to 7.5% at the end of each quarter starting 1 October 2013. (1)	€0.10	254,500 256,105	Oct. 4, 23
Options 09-2014 September 19, 2014	Up to 6.25% of options may be exercised at the expiry of each successive 3-month period that has elapsed from the date of allocation, and at the latest within the 10 years following the date of allocation.	€8.40	411,850 102,964	Sep. 18, 24

(1) Following the IPO on April 9, 2014, these instruments became immediately exercisable.

Free shares:

Plan--Date of allocation	Vesting conditions	Exercise price per share	Number of instruments: awarded at outset Exercisable at Dec. 31, 2017	Expiration date
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 Award. (1)	-	1,073,500 204,500	N/A

(1)Except in special instances approved by the Management Board with the agreement of the Supervisory Board, beneficiaries irrevocably lose their Performance Shares for unvested tranches:
where their resignation takes effect before the end of a vesting period, the loss of the Performance Shares shall take effect on the date of the end of the employment contract or of the corporate office of the beneficiary ;

in the event of dismissal or termination for any reason whatsoever before the end of the Vesting period, the loss of the Performance Shares shall take effect on the date of notification of dismissal or termination, as the case may be.

The number of Performance Shares to be delivered to each beneficiary in respect of each tranche at the end of each vesting period, subject to satisfaction of the continued employment condition and aside from specific cases provided for under the Plan, shall be equal to the number of Performance Shares awarded to that Beneficiary for said tranche multiplied by a rate (the "Total Award Rate") equal to the weighted average:

- of the " Revenue Award Rate " (one third);
- of the " EBITDA Award Rate " (one third);
- of the " Percentage Margin Award Rate " (one third);
- calculated for each tranche in the fiscal year immediately preceding the corresponding vesting, on the basis, respectively, of the Revenue, EBITDA and Percentage Margin, (the "Performance Conditions") in accordance with the rules for the percentage achievement of the revenue, EBITDA and margin level vis-à-vis the budgets set by the Supervisory Board. If the weighted average exceeds 100%, the number of Shares to be delivered will be equal to 100% of the Performance Shares awarded for the tranche in question, before any adjustments provided for under the Plan.

13.1.2. Changes in outstandings for dilutive instruments

Share warrants (BSA):
The number of share warrants in circulation and their average exercise price are detailed below:

	2017		2016	
Warrants (BSA)	Average exercise price in € per share	Number of instruments	Average exercise price in € per share	Number of instruments
At January 1	4.26	124,500	4.36	165,802
Adjustment following the capital increase		338		
Granted	1.86	100,000	-	-
Null and void	5.84	-8800	3.45	-19500
Exercised	-	-	0.10	-21802
Expired	5.20	-103000	-	
At December 31	7.08	113,038	4.26	124,500
Exercisable	7.34	13,038	4.26	124,500

Founders' warrants (*Bons de Souscriptions de Parts de Créateurs d'Entreprise* (BSPCE))
The number of founders' warrants outstanding and their average exercise price are detailed below:

	2017		2016	
Founders warrants (BSPCE)	Exercise price in € per share	Number of instruments	Exercise price in € per share	Number of instruments
At January 1	7.76	215,300	7.76	480,300
Adjustment following the capital increase		2,356		
Granted	-	-	-	-
Null and void	5.84	-5000	7.58	-38000
Exercised	-	-	-	0
Expired	8.85	-83800	5.84	-227000
At December 31	8.62	128,856	7.76	215,300
Exercisable	8.62	128,856	7.76	215,300

Following the IPO, all of the founders' warrants are exercisable.

Share Subscription Options/Stock Options
The number of stock options in circulation breaks down as follows:

	2017		2016	
Share Subscription Options (OSA)	Exercise price in € per share	Number of options	Exercise price in € per share	Number of options
At January 1	0.20	692,061	0.20	724,561
Adjustment following the capital increase		15,171		
Granted	-	-	-	-
Expired	-		0.10	0
Exercised	0.10	-5750	0.10	-32500
At December 31	0.20	701,482	0.20	692,061
Exercisable	0.20	701,482	0.20	692,061

- **Free shares**

The number of free shares in circulation breaks down as follows:

Free shares	2017		2016	
	Exercise price in € per share	Number of free shares	Exercise price in € per share	Number of free shares
At January 1	-	-	-	-
Adjustment following the capital increase	-	-	-	-
Granted	-	1,073,500	-	-
Expired	-	- 51,000	-	-
Issued	-	-	-	-
At December 31	-	1,022,500	-	-
Exercisable	-	-	-	-

13.1.3. Plan Valuation

The valuation of share warrants, founders' warrants, stock options and free shares is as follows:

Plan	Valuation model	Share price at the allocation date (in euros)	Annual risk -free interest rate	Expected volatility	Expected maturity (years)	Discount for non-transferability	Unit fair value (in euros)
Founders' warrants (*Bons de souscription de parts de créateur d'entreprise* (BSPCE)):							
10-2008 BSPCE	B&S	8.847	3.64%	47.80%	10	30.48%	1.801
Share warrants (BSA):							
10-2008 BSA (2)	B&S	8.847	3.41%	45.52%	10	30.48%	1.801
2013 BSA	B&S and binomial	0.10	0.19%	22.00%	1	0	0.010
2017 BSA	B&S	1.86	0.38%	42.90%	4	32.9% to 64.5%	1.860
Ordinary options / 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	9.40	0.35%	37.51%	7	0.00%	3.980
Free shares:							
Performance shares		1.52					1.52 to 1.89

No assumption of turnover or dividend distribution was used for the valuation of these instruments.

13.2. Share-Based Dilutive Instruments

On July 1, 2014, the Group granted employees at the Chinese representative office Stock Appreciation Rights (SAR).

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 allottee 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 share on the eve of the request for exercise, less €0.10.**
- **€20.**

At the balance sheet date, the valuation of the SARs allotted was €33,500. This amount was recorded in the provision for contingencies at December 31, 2017 (See Note 16).

13.2.1. Conditions of Plans Allocated

Plan--Date of allocation	Vesting conditions	Number of instruments: awarded at outset. *Exercisable at Dec. 31, 2017*	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 at July 1, 2014	5,000 *5,000*	Oct. 23, 23

13.2.2. Changes in Outstandings for Non-Dilutive instruments

SAR	2017 Number of instruments	2016 Number of instruments
At January 1	15,000	15,000
Granted	-	-
Null and void	-	-
Exercised	-	-
Expired	-	-
At December 31	15,000	15,000
Exercisable	15,000	11,600

14. Issuance of bonds with share warrants (Obligations de bons de souscription d'actions)

- On December 16, 2013, the Company issued 50,000 bonds with share warrants with a nominal value of €100 each (the "OBSA"). Each OBSA was issued at a price equal to its nominal value (€100) for a total nominal amount of €5 million.

  The Bonds with Share Warrants (OBSA) are redeemable monthly at maturity over five years, with a deferred capital amortization period of 24 months, which will be increased to 36 months in the event that a revenue target were to be reached between the 13th and the 24th month. Interest is paid on a monthly basis from the month of issue, namely December 16, 2013. In line with the assumption made upon subscription, the Company achieved the revenue target allowing it to benefit from the 36-month grace period, as a result of which the outstanding OBSA are repaid in regular installments of principal and interest over the last 24 months.

  The Company has the right to proceed with the early redemption of all or part of the outstanding OBSA for a minimum amount of €500,000. It should proceed with the early redemption of all of the outstanding OBSA, unless otherwise agreed by holders, in the event of change of control or sale of a substantial part of all Group assets. The Company has agreed not to make any distribution of dividends, interim dividends or reserves, and not to make any payment to shareholders other than those due under their employment contract or term of corporate office as long as any amount is due to holders of OBSA.

  OBSA bear interest at an annual rate of 10.13%.

  Each OBSA has a warrant (the "BSA"), totaling 50,000 warrants, granting bearers the right to subscribe for 50,000 new ordinary shares. Each warrant entitles its holder to subscribe for one ordinary share with a €10 subscription value.

  Due to the Company's IPO in April 2014, these warrants became exercisable through December 17, 2023.

  These bonds are now at zero on the balance sheet following the early redemption in April 2017.

- A new loan from Kreos, for a total of €12 million, consisting of two tranches of bonds with share warrants (OBSA), for €6 million each, will help finance the commercial development of SuperSonic Imagine and pay down some existing debts.

  The first tranche was subscribed following the Management Board meeting of March 13, 2017.

  The second tranche was subscribed following the Management Board meeting of December 22, 2017.

The loan's terms and conditions are as follows:

- the loan is for a period of 42 months and bears interest at an annual rate of 10.75%
- standard pledges have been provided by SuperSonic Imagine
- the first 6,000,000 bond with share warrant tranche was issued with preferential subscription rights being waived in favor of Kreos pursuant to the authorization granted to the Management Board under resolution 14 of the Combined Shareholders' Meeting of June 24, 2016;
- the second tranche of 6,000,000 bonds with share warrants was issued on December 22, 2017 at the request of the Management Board

each warrant shall entitle the holder to subscribe for a number of shares calculated using the following formula (the "Exercise Ratio"): R = [(1,320,000 / P) * { 0.5 + [0.5 * (NOBSA / 12,000,000)] }] / NOBSA where: R: means the Exercise Ratio P: means the volume-weighted average price of the Company's shares on the Paris NYSE Euronext market during the ninety days preceding the date of issue of the bonds with share warrants, and NOBSA: means the number of bonds with share warrants actually subscribed by said holder on the date of exercise of the share warrants. Accordingly, each share warrant holder may subscribe for the number of shares ("N") resulting from the following formula: N = R * NBSA where: R: means the Exercise Ratio, and NBSA: means the number of share warrants held by the relevant share warrant holder. The maximum dilution of the share warrants as a result of the first tranche would be 473,684 shares for a maximum total of €989,999.56 with additional dilution as a result of the second tranche of 157,895 shares for a maximum amount including share premium of €330,000.55.

A shareholder holding 1% of the share capital prior to the issue would hold around 0.96% of the share capital following the exercise of all the share warrants in the two tranches on the basis of a price "P" of €2.09.

A representative of Kreos is entitled to attend Supervisory Board meetings of SuperSonic Imagine as a non-voting member (*censeur*).

In parallel with the issue of the bonds with share warrants, in March 2017 the company entered into a put option agreement for warrant holders, under which it undertook to buy back the Kreos warrants for a maximum of €660,000 at the request of the warrant holders.

The fair value of this debt was €514,000 at December 31, 2017.

The purchase price of the warrants will be determined using the following formula:

PP = (R * P * 660,000 / 1,320,000)

Where PP = Purchase Price

R = the Exercise Ratio as defined above in the bonds with share warrants agreement

P = the volume weighted average of the Company's stock price on Euronext Paris in the ninety days preceding the issue of the bonds with share warrants (i.e. €2.09 for the first tranche issued in March 2017 and €1.864 for the second tranche), as defined above in the bonds with share warrants agreement.

The price is thus fixed and cannot be revised.

The put option can be exercised by the warrant holders at any time from completion of the repayment schedule of the Tranche or in the event of the total divestment of the company, and for as long as the warrants are valid, the warrants being exercisable until the first of the following:

10th anniversary of their issue;

(ii) disposal of all the share capital of SSI

(iii) 5th anniversary of any future IPO.

The value of the bond issue in the balance sheet is as follows:

	At Jan. 1 2017	Norgine redemption	Kreos subscription	At Dec. 31, 2017
Norgine bond issue	5,000	(5,000)		-
Issuance costs allotted to the NORGINE bonds				-
KREOS bond issue			12,000	12,000
Redemption of KREOS bonds			(624)	(624)
Issuance costs allotted to the KREOS bonds				
Warrant component (put option)				
Change in accrued interest			2	2
Debt component	5,000	(5,000)	11,378	11,378

15. Contingent advances

Repayable advances (in thousands of euros)	Balance at Dec. 31, 2017	Balance at Dec. 31, 2016
Business France	15	15
ICARE - OSEO	1,130	863
TUCE - OSEO	407	346
TOTAL	1,552	1,224

16. Provisions for Contingencies and Other Provisions

In thousands of euros	December 31, 2016	Provisions	Reversals	December 31, 2017
Provisions for foreign currency exchange losses	485	135	-	620
Provisions given to clients - Guarantees	492	818	775	535
Provisions for litigation	-	150	-	150
Other provisions for contingencies	45	-	9	36
Total provisions for contingencies	1,022	1,103	784	1,341
Regulated provisions - special amortization and depreciation allowances	-	-	-	-
Total regulated provisions	-	-	-	-
Total provisions	1,022	1,103	784	1,341

All reversals of provisions are used.

Provision for foreign currency exchange losses

This €620,000 provision is intended to cover unrealized exchange losses.

Provision for client guarantees

This €535,000 provision is intended to cover the costs of warranties for systems sold during the past fiscal year. In fact, the sales made by the Company are subject to a one-year warranty period. The measurement of the cost of the guarantee 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 guarantees at the balance sheet date for all equipment sold.

SAR China - Other provisions for contingencies

On July 1, 2014, the Group granted employees at the Chinese representative office Stock Appreciation Rights (SAR) (See Note 13.2).

Provision for litigation

A €150,000 provision was funded for litigation arising in respect of events prior to December 31, 2017.

17. Loans and Other Financial Debts

In thousands of euros	December 31, 2017	December 31, 2016
Short-term debt	500	-
Payables related to equity interests	2,204	1,245
Long-term loan	1,800	
Warrant component - Put option	514	
Interest accrued on loan	-	21
Others	14	14
Total loans and other financial debts	5,032	1,280

At December 31, 2017, the Group had short-term overdraft facilities totaling €3.9 million, including €1.7 million in 2017 RTC pre-financing through assignment of receivables (subject to the provisions of Articles L214-169 to L214-175 of the French Monetary and Financial Code) and €1.7 million under the trade receivables factoring agreement signed in December 2017.

18. Tax and Corporate Debts

In thousands of euros	December 31, 2017	December 31, 2016
Personnel and related accounts	1,429	856
Corporate bodies	1,013	797
Other taxes and similar	443	216
Total tax and corporate debts	2,885	1,869

19. 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	1,552	219	543	790
Convertible bonds	11,378	2,755	8,623	-
Loans and other financial debts	5,032	500	1,787	2,744
Including Group and associates	2,218	-	14	2,204
Advances and deposits received on current orders	26	26		
Trade payables	5,665	5,224	221	220
Personnel and related accounts	1,429	1,429	-	-
Corporate bodies	1,013	1,013	-	-
Other taxes and similar	443	443	-	-
Tax and Corporate Debts	2,885	2,885	-	-
Other debts	1	1	-	-
Deferred revenue	712	489	223	-
Total debts	27,251	12,100	11,397	3,754

The table below shows the breakdown of expenses payable:

In thousands of euros	December 31, 2017	December 31, 2016
Financial Debt	-	21
Trade payables and related	2,666	2,892
Tax and Corporate Debts	2,209	1,437
Other debts	-	-
Total expenses payable	4,351	4,351

20. Deferred Revenue

In thousands of euros	December 31, 2017	December 31, 2016
Operating income	712	1,425
Total deferred revenue	712	1,425

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 spread out at the rate of the expenses incurred.

21. Additional Information Relating to the Income Statement

21.1. Revenue

At December 31, 2016 and December 31, 2017, revenue broke down as follows:

In thousands of euros	December 31, 2017			December 31, 2016
	France	Foreign	Total	Total
Sale of merchandise	73	333	406	332
Production sold (goods)	4,363	16,559	20,923	19,636
Production sold (services)	551	1,955	2,506	2,178
Total	4,987	18,848	23,835	22,146

21.2. Net Earnings per Share

	Dec. 31, 2017	Dec. 31, 2016
Loss attributable to equity holders of the Company (in thousands of euros)	(10,192,444)	(9,963,993)
Weighted average number of ordinary shares outstanding	20,120,838	16,264,087
Weighted average number of treasury shares	-76673	-56648
Weighted average number of ordinary shares used to calculate basic earnings per share	20,044,165	16,207,439
Basic earnings per share (in euros)	(0.51)	(0.61)

In conformity with the current rules, since earnings per share is a loss for the fiscal years presented, it is not appropriate to calculate a diluted loss per share because this would be lower than the basic loss.

21.3. Financial income (loss)

Financial income breaks down as follows:

In thousands of euros	December 31, 2017	December 31, 2016
Financial income from investments	153	158
Other interest and similar income	3	3
Reversals of provisions and transfers of expenses	151	241
Foreign exchange gains	443	524
Total financial income	751	926
Interest and similar expenses	1,625	581
Financial allocations to depreciation, amortization and provisions	938	3,424
Foreign exchange losses	855	492
Total financial expenses	3,418	4,497
Total financial income (loss)	(2,667)	(3,571)

Financial allocations to amortization and depreciation, and provisions primarily for impairment of receivables and equity investments held against subsidiaries.

21.4. Exceptional income

At December 31, 2017, the exceptional income and expenses of SuperSonic Imagine broke down as follows:

In thousands of euros	December 31, 2017	December 31, 2016
Investment grant	595	46
Exceptional income from capital operations	60	-
Reversal of provisions and transfers of expenses	-	-
Total exceptional income	655	46
Exceptional expenses from management operations	44	139
Exceptional expenses from capital operations	-	-
Exceptional allocations to depreciation, amortization and provisions	150	-
Total exceptional expenses	194	139
Total exceptional income	460	(93)

The 2017 exceptional expenses mainly consisted of discounts on the liquidity agreement.

The 2017 extraordinary income was mainly comprised of portions of the investment grant under the ICARE program.

A €150,000 provision was funded for litigation arising in respect of events prior to December 31, 2017.

22. Licensing Agreements

22.1. 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.

22.2. 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.

23. Contingent liability related to ongoing operations

On November 22, 2017, Verasonics Inc filed a lawsuit in the U.S. District Court for the Western District of Washington in which it alleged that SuperSonic Imagine had infringed three of its US patents and claimed trade secrets.
SuperSonic Imagine rejects these claims and will vigorously defend itself.
SuperSonic Imagine intends to challenge the validity and legitimacy of the asserted intellectual property.

Given that the Company disputes this claim and that there is little evidence at December 31, 2017, no provision has been funded.

24. 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 2016	2016	2017	Cumulative total		
ICARE – BPI	1,775			1,775	2,838	1,063
DARMUS – DGA	645			645	645	
CARDIO – ANR	215			215	215	
TUCCIRM – ANR	126			126	126	
Elastobus – BPI	454			454	454	
TUCE – BPI	1,027		181	1,208	1,208	
Micro Elasto – ANR	181			181	186	4
PLIK – BPI	54			54	133	79
PLIK –Pays d'Aix	25			25	80	55
PLIK – PACA					80	80
BITHUM – ANR	94		18	112	118	6
IDITOP – BPI	268			268	335	67
IDITOP – PACA	152	67		219	250	31
Cartographics – INCA INSERM	133			133	133	
Capacity – BPI						
SOLUS-H2020		197		197	408	211
Ultra Fast 4D-ANR	92			92	306	214
RHU STOP AS			80	80	203	123
Total	5,241	264	279	5,783	7,716	1,933

Repayable advances

In thousands of euros	Advances received	Repayments	Balance at Dec. 31, 2017	Amount of grant on contract	Outstanding amounts to be received
Business France			15	200	195
ICARE – BPI			1,130	3,039	2,013
TUCE - BPI	61		407	407	
TOTAL	61		1,448	3,646	2,198

Commitments Made

1.1.1.1 PLEDGE OF BANK ACCOUNTS:

As security for the bond issue, the Company has granted the holders of bonds with share warrants (OBSA) a pledge on the bank accounts of SuperSonic Imagine SA. This pledge was supplemented in June 2014 by a commitment to keep a positive balance of at least €2 million in its bank accounts at all times.

As part of this commitment, €2 million in cash was presented under financial assets in the financial statements up to December 31, 2016.
This pledge was canceled as part of the early redemption of the Norgine bonds in March 2017.

1.1.1.2 PLEDGE OF MARKETABLE SECURITIES:

Marketable securities amounting to €51,000 have been pledged to PRIMOPIERRE as a deposit on the rent for the Aix-en-Provence business premises renegotiated in 2016. This guarantee was given for a period of nine years and will end on September 30, 2024.

1.1.1.3 OPERATING LEASE COMMITMENTS:

The commercial lease signed by the company for the 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, 2024. The corresponding rents and expenses total €451,000 for the period from January 1, 2016 to July 17, 2017.
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. The corresponding rents and expenses total €124,000 for the period from January 1, 2016 to June 30, 2018.

1.1.1.4 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 stipulates that the advance will be repaid based on future sales of products resulting from the project, amounting to 3.3% of revenues, with a discount rate of 3.74% upon reaching €12 million, until the fiscal year ending in 2022. Repayments may therefore exceed the nominal amount received.
At the balance sheet date, 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 have not been achieved. The sum repayable will be staggered over 6 annual installments, plus profit-sharing above a threshold of €80 million in aggregate revenue (for a maximum of 25% of the advance not recognized in the absence of a reliable estimate).
The portion of the outstanding payments in excess of the amount of the advance is recognized on the balance sheet for the interest portion.

1.1.1.5 TUCE PROGRAM REPAYABLE ADVANCE:

On June 26, 2012, the Company also received the first installment, for €77,000, of a repayable advance for the Tuce program. The Company then received €242,000 on July 1, 2015 and €27,000 on June 13, 2016. Lastly, the company received €61,000 on July 5, 2017. Repayments will be made based on future sales of products resulting from the project, i.e., 2.5% of revenue, upon reaching €1.5 million and will be spread over a maximum period of eight consecutive years. As the company had not launched any product from the project by end-2017, no repayment had been made by that date. Payments may exceed the nominal amount received, but in the absence of a reliable estimate of the amount to be repaid, no additional amount was recorded.

1.1.1.6 FINANCING BY ASSIGNMENT OF RECEIVABLES:

The assignment of receivables (subject to the provisions of Articles L214-169 to L214-175 of the French Monetary and Financial Code) arranged in December 2016 with an investment fund enabled the pre-financing of 91% of the 2017 RTC at December 31, 2017, for a total of €1.7 million. In accordance with applicable accounting rules in France, the receivable was derecognized for the amount financed.
In December 2016, the company also signed a trade receivables factoring agreement.
At December 31, 2017, the outstanding amount presented under financial debts stood at €1.7 million.

25. Staff Retirement Commitments

At December 31, 2017, the amount of staff retirement commitments was €481,000, which was not recorded in the balance sheet.

The main actuarial assumptions used are as follows:

	December 31, 2017	December 31, 2016
Discount rate	1.5%	1.5%
Rate of increase in salaries	3.0%	3.0%
Inflation rate	2.0%	2.0%
Rate for social security expenses: Non-management	41.74%	43.28%
Rate for social security expenses: Management	46.17%	46.37%

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 2012 - 2014).

26. Compensation of Executive Directors and Corporate Officers

The total gross amount of compensation and benefits of all kinds for Executive Directors and Corporate Officers paid in fiscal year 2017 totaled €1.356 million.

27. Staff

At the balance sheet date, the Company had 109 employees. At 12/31/2017, it also had 3 Chinese employees at its Beijing establishment and a manager in Italy.

The staff in France by category and by year broke down as shown below:

	December 31, 2017	December 31, 2016
Management	90	83
First-line supervisors and technicians	16	17
Employees	3	3
Total employees at year-end	109	103

28. Taxes and Future Tax Position

At the close of the period, the Company's tax position broke down as follows:

- **Research Tax Credit at December 31, 2017: €2,147,420.**
- **Income tax: (€55,690)**

The income tax concerns the Chinese establishment.

The Tax Credit for Competitiveness and Employment for €123,000 is presented as a reduction from employee expenses.

The amount of deferrable tax losses totaled €114 million at December 31, 2017.

29. Impact of Special Tax Valuations

In thousands of euros	December 31, 2017	December 31, 2016
Profit (loss) for the year	(10,192)	(9,964)
Income tax	(2,129)	(2,227)
Income (loss) before tax	(12,321)	(12,191)
Change in regulated provisions: special amortization and depreciation allowances	-	-
Income excluding special tax valuations before taxes	(12,321)	(12,191)

30. 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)	(12,782)	2,129	(10,653)
Exceptional income	460	-	460
Total	(12,321)	2,129	(10,192)

31. Information on Associates

The table below shows information concerning associates. A company is considered to be an associate when it is fully consolidated within a single consolidation group. Companies are fully consolidated when the parent has exclusive control.

In thousands of euros	12/31/2017 gross	12/31/2017 net
SSI USA securities	11,209	-
SSI CN securities	2,000	1,551
SSI DE securities	25	-
SSI UK securities	2	-
SSI IT securities	10	-
SSI HK securities	1	1
Total	13,247	1,552
SSI USA receivables	18,568	-
SSI China debts	(2,024)	(2,024)
SSI DE receivables	3,449	-
SSI UK receivables	1,970	-
SSI IT receivables	36	-
SSI HK debts	(180)	(180)
Total	21,820	(2,204)

There are no trade receivables or payables between associates at the reporting date.

Financial expenses for the year relating to associates consist of a net provision for asset impairment of €636,000.

Financial income for the year relating to associates consists of interest income on related receivables of €153,000.

32. Statutory Auditors' Fees

Statutory auditors' fees in the income statement for the fiscal year break down as follows:

In euros excluding VAT

Statutory Auditors' fees for fiscal year 2017	Ernst & Young Audit	AresXpert Audit
Certification of the separate and consolidated financial statements and review	88,000	37,000
Services other than statutory auditing	22,996	-
Total	110,996	37,000

33. Events After the Reporting Period

On April 25, 2018, the Company announced the launch of its new cutting-edge smart ultrasound platform, Aixplorer Mach 30.
Aixplorer Mach 30 introduces a new generation of UltraFast™ imaging that enables the optimization of all innovative modes to offer enhanced diagnostic performance.

34. Subsidiaries and Equity Interests

In thousands of euros		SuperSonic Imagine Inc	SuperSonic Imagine Ltd	SuperSonic Imagine, GmbH	SuperSonic Imagine Srl	SuperSonic Imagine (HK) Ltd	SuperSonic Imagine (Shanghai) Medical Devices Co. Ltd
Capital		10,396	1	25	10	1	2,007
Shareholders' equity other than share capital		(32,668)	(1,983)	(2,878)	(27)	157	(345)
Percentage of share capital held		100%	100%	100%	100%	100%	100%
Carrying amount of shares held	Gross	11,209	2	25	10	1	2,000
	Net	-	-	-	-	1	1,551
Loans and advances provided and outstanding, net		-	-	-	-	(178)	(2,024)
Securities and guarantees provided by the company		-	-	700	12	-	-
Revenue 2017		828	192	1,515	-	408	3,334
2017 net income (loss)		(4,403)	(183)	(366)	(3)	33	243
Dividends received by the company		-	-	-	-	-	-

20.4. EXAMINATION OF ANNUAL HISTORICAL FINANCIAL INFORMATION

20.4.1. AUDIT REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED ACCORDING TO IFRS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

SuperSonic Imagine

Fiscal year ended December 31, 2017

Statutory Auditors' Report on the Consolidated Financial Statements

To the Shareholders of SuperSonic Imagine,

Opinion

In performance of the engagement entrusted to us by your Shareholders' General Meetings, we audited the accompanying consolidated financial statements of SuperSonic Imagine for the fiscal year ended December 31, 2017.

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 work in accordance with the applicable rules on independence, for the period from January 1, 2017 to the date on which this report was issued. It should be noted that we did not provide any of the services prohibited under Article 5 (1) of EU Regulation no. 537/2014 or the French Code of Ethics for Statutory Auditors.

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 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 development costs

Risk identified	How we addressed it
At December 31, 2017, the Group's net development costs totaled €13.4 million out of a total balance sheet of €56 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 of Aixplorer as well as the expenses capitalized for the next generation of ultrasound on which the Group is working. 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; ► 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 remaining life of the Aixplorer product. Development costs that are capitalized for ongoing projects, which cannot yet be amortized, are tested for impairment at least once a year. An impairment test is done on the net book value of the capitalized 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	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; ► Confirming, primarily through interviews with management, that the key data and assumptions underlying the choice of their amortization period are reasonable; ► Examining the impairment testing procedures for development costs on products on the market and under development, and those used to calculate their value in use. We have checked the cash flow forecasts against the budgets prepared by management and approved by the Management Board; ► Reviewing the appropriateness of the information provided in Note 3.4 to the consolidated financial statements.

capitalization, (ii) when making the estimates and assumptions used to assess the amortization period for the development costs and their non-impairment.

Revenue recognition

Risk identified	How we addressed it
At December 31, 2017, the Group's revenue totaled €24.7 million. It is generated from the sale of Aixplorer 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, revenue from the sale of equipment is recognized upon transfer of risks and ownership, in accordance with the contractually-agreed incoterms, provided the price is fixed and determined and when collectability is reasonably assured. Revenue for services is recognized over the period when services are rendered and when collectability is reasonably assured. 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.	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 verify 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; ► Carrying out analytical reviews versus 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 matching principle by means of detailed tests.

Checking the information on the Group included in the Management Report

In line with the professional standards applicable in France, we likewise performed the specific checks provided for by law regarding the information on the Group, in the Management Report of the Management Board.

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 by the Shareholders' General Meeting on May 16, 2012 for ARESXPERT AUDIT and on July 5, 2010 for ERNST & YOUNG et Autres.

As of December 31, 2017, ARESXPERT AUDIT was in the sixth continuous year of its engagement and ERNST & YOUNG et Autres in the eighth year, including four 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 are 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 Management Board.

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 option 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 27, 2018

French original signed by the Statutory Auditors

ARESXPERT AUDIT		ERNST & YOUNG et Autres	
Frédéric Gregnanin	Johan Azalbert	Xavier Senent	Frédérique Doineau

20.4.2. STATUTORY AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS OF SUPERSONIC IMAGINE SA

SuperSonic Imagine

Fiscal year ended December 31, 2017

Statutory Auditors' Report on the Annual Financial Statements

To the Shareholders of SuperSonic Imagine,

Opinion

In performance of the engagement entrusted to us by your Shareholders' General Meetings, we audited the accompanying annual financial statements of SuperSonic Imagine for the fiscal year ended December 31, 2017.

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 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 work in accordance with the applicable rules on independence, for the period from January 1, 2017 to the date on which this report was issued. It should be noted that we did not provide any of the services prohibited under Article 5 (1) of EU Regulation no. 537/2014 or the French Code of Ethics for Statutory Auditors.

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 risk 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 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 development costs

Risk identified	How we addressed it
At December 31, 2017, the Company's net development costs totaled €13.8 million out of a total balance sheet of €52.5 million. The 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 of Aixplorer as well as the expenses capitalized for the next generation of ultrasound on which the Company is working. 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 capability 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; ► 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 remaining life of the Aixplorer product. Development costs that are capitalized for ongoing projects, which cannot yet be amortized, are tested for impairment at least once a year. An impairment test is done on the net book value of the capitalized 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.	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; ► Confirming, primarily through interviews with management, that the key data and assumptions underlying the picking of their amortization period are reasonable; ► Examining the impairment testing procedures for development costs on products on the market and under development, and those used to calculate their value in use. We have checked the cash flow forecasts against the budgets prepared by management and approved by the Management Board. ► Reviewing the appropriateness of the information provided in Note 1.2.1 to the annual financial statements.

■ **Revenue recognition**

Risk identified	How we addressed it
At December 31, 2017, the Company's revenue totaled €23.8 million. It is generated from the sale of Aixplorer 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 the sale of equipment is recognized upon the transfer of ownership and the associated risk of loss, to the extent that all of the Company's significant contractual obligations have been performed and collectability is reasonably assured. Revenue for services is recognized over the period when services are rendered and when collectability 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 verify 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; ► Carrying out analytical reviews versus 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 matching principle by means of detailed tests.

Verification of the management report and of the other documents sent to shareholders

We have likewise performed the specific legally prescribed checks, in conformity with the professional standards applicable in France.

■ **Information in the management report and in the other documents sent to shareholders regarding the financial position and the annual financial statements**

We have no comments to make as to the accuracy and conformity with the annual financial statements of the information provided in the Management Board's Management Report and in the other documents sent to shareholders regarding the financial position and annual financial statements.

■ **Corporate Governance Report**

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 Supervisory Board's Corporate Governance Report.

As concerns the information provided in application of Article L. 225-37-3 of the French Commercial Code on compensation and benefits paid 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 that control it, or that are controlled by it. Based on this work, we certify that this information is true and accurate.

- **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 by the Shareholders' General Meeting on May 16, 2012 for ARESXPERT AUDIT and on July 5, 2010 for ERNST & YOUNG et Autres.

As of December 31, 2017, ARESXPERT AUDIT was in the sixth continuous year of its engagement and ERNST & YOUNG et Autres in the eighth year, including four 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 Management Board.

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 option 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 27, 2018

French original signed by the Statutory Auditors

ARESXPERT AUDIT		ERNST & YOUNG et Autres	
Frédéric Gregnanin	Johan Azalbert	Xavier Senent	Frédérique Doineau

20.4.3. OTHER INFORMATION VERIFIED BY LEGAL CONTROLLERS

Expenses and charges that are not tax deductible:
In application of Articles 223 (c) and 39.4 of the French General Tax Code (CGI), the amount of non-tax-deductible expenses and charges amounted to €38,403. These mainly concern the share of non-deductible leases of passenger vehicles.

Information concerning time limits for supplier and customer payments:

	Invoices received and unpaid on the balance sheet date that are due						Invoices sent and unpaid on the balance sheet date that are due					
	0 day	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day and over)**	**0 day**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day and over)**
(A) Late payment tranches												
Number of invoices involved	252					494	210					163
Total amount of invoices in question including VAT	1,867	698	53	2	16	769	6,238	331	91	240	143	806
% of total purchases in the fiscal year including VAT	5%	2%	0%	0%	0%	2%						
% of revenue for the fiscal year including VAT							25%	1%	0%	1%	1%	3%
(B) Invoices excluded from (A) relating to disputed payables and receivables or not recognized												
Number of invoices excluded	2						66					
Total amount of invoices excluded	359						1,541					
(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 client					

Chart on the results for the last 5 years of SuperSonic Imagine SA:

	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017
CAPITAL AT YEAR-END					
Share Capital	1,133,738	1,606,823	1,621,718	1,627,148	2,320,913
Number of ordinary shares in existence	11,337,376	16,068,228	16,217,179	16,271,481	23,209,127
Number of priority dividend shares in existence	-	-	-	-	-
Maximum number of future shares to be created	2,950,363	1,525,831	1,420,663	1,081,861	2,647,455
-by conversion of bonds	50,000	50,000	50,000	50,000	681,579
-by exercise of a subscription right	2,900,363	1,475,831	1,370,663	1,031,861	1,965,876
OPERATIONS AND RESULTS					
Revenue before taxes	16,549,814	19,394,154	19,453,452	22,145,581	23,834,757
Result before taxes, employee participation and allocations to amortization and depreciation and provisions	-7768966	-6845839	-10432678	-5436495	-8657592
Income tax	-1660695	-1749560	-2075666	-2226788	-2,128,712
Employee participation for the year	-	-	-	-	-
Result after taxes, employee participation and allocations to amortization and depreciation and provisions	11,840,530	14,580,845	14,938,481	-9963993	-10192444
Distributed earnings					
EARNINGS PER SHARE					
Result after taxes and employee participation but before allocations to amortization and depreciation and provisions	-0.539	-0.317	-0.515	-0.197	-0.281
Result after taxes, employee participation and allocations to amortization and depreciation and provisions	-1.044	-0.907	-0.921	-0.612	-0.439
Per-share dividend distributed	-	-	-	-	-
PERSONNEL					
Average headcount of staff employed during the fiscal year	88	94	103	104	114
Amount of payroll for the fiscal year	6,193,255	7,456,210	8,391,392	7,081,390	7,401,665
Total amount paid in employee benefits for the fiscal year	2,535,033	3,144,580	3,126,970	2,760,453	2,997,441

20.5. DATE OF THE MOST RECENT FINANCIAL INFORMATION

December 31, 2017

20.6. INTERIM CONSOLIDATED FINANCIAL INFORMATION

No financial information has been published since December 31, 2017.

Before that date, the most recent audited information published was the consolidated financial statements and notes at June 30, 2017, included in the semi-annual financial report which is available on the Group's website in the investor section.

20.7. DIVIDEND DISTRIBUTION POLICY

20.7.1. DIVIDENDS PAID DURING THE LAST THREE FISCAL YEARS

The Group has not paid a dividend during the last 3 fiscal years and does not intend to pay one in 2018.

20.7.2. DIVIDEND DISTRIBUTION POLICY

Given the Company's stage of development, it does not anticipate initiating a dividend payment policy in the short term.

20.8. LEGAL PROCEEDINGS AND ARBITRATION

In China, the Group had chosen to terminate the exclusive distribution agreement between it and its distributor in April 2013. 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 contract with its distributor for some of its products in China (excluding Taiwan, Hong Kong and Macao) for a four-year term to start once the authorizations for marketing said products were obtained from the competent authorities, which occurred on July 14, 2010. The contract was subject to French law and contained an arbitration clause, which process would be carried out before an arbitral tribunal formed in application of the Rules of Arbitration of the International Chamber of Commerce.

In April 2013, the Company terminated this contract, in particular noting that its distributor had not achieved its contractual objectives, and offered it a new distribution agreement to sign. After discussion between the parties, the distributor summoned the Company before the Beijing Chaoyang district court, and the intermediate district court of Beijing, in particular asking to continue the contract and extend it, given its interruption during the discussions between the parties, and that the Company comply with its exclusivity arrangement, disputing to that end the Company's statements and the applicability of the contractual arbitration clause. In September 2013, the Company had commenced an arbitration proceeding before the International Chamber of Commerce for payment of amounts owed under the contract as well as for damages.

The Company had prevailed, as per a decision handed down on October 30, 2014 by an arbitral tribunal that was formed in application of the Arbitration Regulations of the International Chamber of Commerce. In October 2014 as well, the Intermediate District Court of Beijing rendered its decision, affirming that the Arbitral Tribunal formed under the auspices of the International Chamber of Commerce was the sole party competent to hear all of the disputes relating to the agreement between the company and its distributor, and dismissed its claims against the company before the Chaoyang Beijing District Court.
The arbitral award thus ordered the Chinese distributor to repay its debt (€474 thousand, fully provisioned), and that it pay €1 million in principal for other damage suffered by the Group. In 2014, the income expected for damage suffered was recorded on the assets side of the balance sheet under other current assets for €1 million, and then fully provisioned to the extent that it was uncertain that the distributor would be able to honor the judgment.

As of the date of this report, proceedings for recovery were ongoing.

There were no other governmental, legal or arbitration proceedings, including any proceedings of which the Company is aware, that are pending or threatened, which 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.

20.9. Significant Changes in Financial or Business Position

To the best of the Company's knowledge, there has been no significant change in the Group's financial or business situation since December 31, 2017.

21. ADDITIONAL INFORMATION

21.1. SHARE CAPITAL

21.1.1. AMOUNT OF THE SHARE CAPITAL

At the date of registering this document, the Company's share capital amounted to €2,320,912.70, divided into 23,209,127 ordinary shares with a nominal value of €0.1 each, fully paid-up.

21.1.2. NON-EQUITY SECURITIES

None.

21.1.3. ACQUISITION BY THE COMPANY OF TREASURY SHARES

The Company's Combined Shareholders' Meeting on May 15, 2017:
authorized the Management Board, with the right to further delegate in the manner provided for by law, for a period of eighteen months therefrom, to acquire Company shares, in accordance with Articles L. 225-209 et seq. of the French Commercial Code;

resolved that the Management Board should seek the approval of the Supervisory Board before using this authorization;

resolved that these shares may be acquired, disposed of or transferred, on one or more occasions, in particular on the market or over the counter, including through block purchases or sales, public offerings, the use of options or derivatives, in the manner permitted by market authorities and in line with applicable regulations;

The main terms of this authorization were as follows:

- maximum number of shares that may be purchased: 10% of the total number of shares, at any time, it being stipulated that, when the shares are purchased with the goal of facilitating the liquidity of the Company's shares, the number of shares taken into account for the calculation of this limit corresponds to the number of shares purchased, reduced by the number of shares re-sold during the authorization period; when they are bought for the purpose of being retained and used later as payment or for exchange in connection with a merger, spin-off, or contribution, the number of shares purchased may not exceed 5% of the total number of shares;
- objectives of the share buyback:
- to promote the liquidity of the Company's shares under a liquidity agreement to be entered into, as may be appropriate, with an investment services provider, complying with the ethics charter 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 as payment or exchange within the framework of external growth transactions;
- cancel some or all of the shares bought back in the manner indicated therein;
- maximum purchase price (excluding expenses and commission): €20, it being noted that this purchase price shall be adjusted as necessary to reflect changes to the share capital (in particular the capitalization of reserves and allocation of free shares, share splits or reverse splits) made during the period of validity of this authorization
- maximum total amount of purchases: €3 million.

The Company has established a liquidity agreement for these instruments, for which the procedures and flows for the fiscal year are described in Section 20.1 of this document, Note 15.3.

At December 31, 2017, within the context of this agreement entrusted to Exane, the number of treasury shares held pursuant to this contract was 90,675, in addition to €97,000 in cash.

21.1.4. SECURITIES GIVING RIGHTS TO AN INTEREST IN THE CAPITAL

As of the date of this document, securities and other instruments currently issued and outstanding that give access to the Company's share capital are as follows.

21.1.4.1. FOUNDERS' WARRANTS (*BONS DE SOUSCRIPTION DE PARTS DE CREATEUR D'ENTREPRISE* (BSPCE))

	10-2008 BSPCE
Date of the shareholders' meeting	Oct. 23, 08
Management Board date	Nov. 5, 09
Number of BSPCE authorized	79,750
Total number of BSPCE granted	29,600
Total number of shares that could be subscribed[1]	296,000
Of which number can be subscribed by directors [1]	130,000
Directors concerned:	
- Jacques Souquet	70,000
- Claude Cohen-Bacrie	60,000
Number of non-director beneficiaries (at outset)	55
Start date for the exercise of the BSPCE	Nov. 5, 10
Expiration date of the BSPCE	Nov. 5, 19
Subscription price of a share	€8.847
Terms of exercise	[2]
Number of shares subscribed at April 5, 2018 as a result of the exercise of founders' warrants (BSPCE) [1]	5,000
Cumulative number of shares canceled or void as a result of founders' warrants (BSPCE) allocated [1] [3]	164,500
Adjustment following the capital increase	2,356
Number of shares remaining at April 5, 2018 as a result of the exercise of founders' warrants (BSPCE) [1]	128,856

(1) These figures take into account the 10-1 stock split decided upon by the Combined Shareholders' Meeting held on May 16, 2012.

(2) These founders' warrants can all be exercised at the date of this document.

(3) Cancellations of founders' warrants are the result of the departure of the employee beneficiaries.

21.1.4.2. SHARE WARRANT (*BONS DE SOUSCRIPTION D'ACTIONS* (BSA)) PLAN

The 5 share warrant plans still in effect to date include:

- 3 plans for corporate officers and/or employees and outside consultants,
- 1 plan (BSA OBSA) resulting from the issuance of bonds with share warrants (OBSA D) completed in December 2013 (see Note 21.1.4.5),
- 1 plan (BSA OBSA) resulting from the issuance of bonds with share warrants (OBSA D) completed in March and December 2017 (see Note 21.1.4.6),

	10-2008 warrants	2013 BSA	2017 BSA
Date of the shareholders' meeting	Oct. 23, 08	Mar. 22, 13	May 15, 17
Management Board date	Apr. 16, 10	Oct. 4, 13	Nov. 22, 17
Number of warrants authorized	79,750	989,715	1,500,000
Number of warrants issued	16,950	27,000	100,000
Total number of shares that could be subscribed by exercise of the warrants (1)	169,500	27,000	100,000
Of which number can be subscribed by directors (1)	35,000	15,000	100,000
Directors concerned:			
Hans Barella	30,000	15,000	
Bradley Garrett	5,000	-	
Michael Brock		-	100,000
OMNES Capital	-	-	
NBGI Private Equity Partners	-	-	
Auriga Partners	-	-	
EDRIP Investment Partners	-	-	
Merieux Participations	-	-	
CDC Entreprises SA	-	-	
Number of non-director beneficiaries	14	2	0
Start date for the exercise of the warrants	(2)	(2)	Nov. 22, 18
Expiration date of the warrants	Apr. 16, 20	Oct. 4, 23	Nov. 21, 27
Issue price of the warrants	€0.10	€0.01	€0.31
Warrant exercise price(1)	€8.847	€0.10 (3)	€1.86
Terms of exercise	(2)	(2)	(5)
Number of shares subscribed at April 5, 2018 as a result of the exercise of warrants (1)	-	18,300	0
Cumulative number of shares canceled or void as a result of the exercise of warrants (1)(4)	159,500	6,000	
Adjustment following the capital increase	266	72	
Number of shares remaining at April 05, 2018 and which could result from the exercise of warrants (1)	10,266	2,772	100,000

(1) These figures take into account the 10-1 share split decided on by the Combined Shareholders' Meeting held on May 16, 2012. Following this, a warrant affords its bearer the right to subscribe for 10 new shares.

(2) These warrants are all exercisable at the date of this document

(3) The exercise price of 09-2010 BSA, and of the 2013 BSA, determined by an independent expert, takes into account the fact that the ordinary shares to which they give the right to subscribe did not have a favorable ranking

for the preferential distribution of the Company's sale price that was stipulated in the shareholders' agreement in effect when they were allotted.

(4) The BSA cancellations arising from death, waiver or departure of their beneficiaries.

(5) Exercisable by tranche of 33.33% at the end of 12, 24 and 36 month vesting periods from the Award within at most 4 years.

Furthermore, all of the so-called "ratchet bond" warrants became legally void due to the company's IPO in April 2014, and are thus not included herein.

21.1.4.3. STOCK OPTION OR PURCHASE PLAN

	Ordinary stock options	Exchange free share (AGA) stock options (4)	SO 092014
Date of the shareholders' meeting	Mar. 22, 13	Mar. 22, 13	Mar. 3, 14
Management Board date	Oct. 4, 13	Oct. 4, 13	Sep. 19, 14
Number of stock options authorized	989,715	989,715	963,479
Number of stock options allocated	381,250	254,500	411,850
Total number of shares that could be subscribed[(1)]	381,250	254,500	411,850
Of which number can be subscribed by directors [(1)]	292,500	243,500	411,850
Directors concerned:			
Jacques Souquet	35,000	78,000	0
Claude Cohen-Bacrie	30,000	0	0
Tom Egelund	0	0	411,850
Bradley Garrett	20,000	0	0
Kurt Kelln	186,500	0	0
Gordon Waldron	21,000	165,500	0
Number of non-director beneficiaries (at outset)	72	4	0
Start date for the exercise of the S.O.	Oct. 4, 14	Oct. 4, 13	Sep. 19, 14
Expiration date of the S.O.	Oct. 4, 23	Oct. 4, 23	Sep. 18, 24
Subscription price of a share	€0.10 [(3)]	€0.10 [(3)]	€8.40
Terms of exercise	(2)	(2)	(5)
Number of shares subscribed at April 05, 2018 [(1)]	47,403	5,000	-
Adjustment following the capital increase	8,566	6,605	
Cumulative number of S.O. canceled or void	-	-	308,886
Stock options remaining as at April 05, 2018	342,413	256,105	102,964
Total number of shares that can be subscribed at April 05, 2018 [(1)]	342,413	256,105	102,964

- *These figures take into account the 10-1 share split decided on by the Combined Shareholders' Meeting held on May 16, 2012.*
- *These stock options can all be exercised at the date of this document.*

- *The exercise price for the Ordinary and Exchange Stock Options, determined by an independent expert, takes into account the fact that the ordinary shares to which they give the right to subscribe did not have a favorable ranking for the preferential distribution of the Company's sale price that was stipulated in the shareholders' agreement in effect when they were allotted.*

- *The Stock Option Exchange Plan was allocated as compensation for its beneficiaries' waiver of the free share plan which had been allocated to them by the Management Board on September 30, 2011;*

- *The terms for exercising these Stock Options are as follows:*

  6.25% of options may be exercised at the expiry of each successive 3-month period that has elapsed as of the date of allocation, and at the latest within the 10 years following the date of allocation.

21.1.4.4. FREE SHARE ALLOCATIONS

As of the date of registration of this document, the Management Board had awarded a total of 1,073,500 free performance shares for the Company's employees and corporate officers under authorizations granted by the Combined Shareholders' Meeting of June 24, 2016.

The Performance Shares will effectively vest and be delivered to beneficiaries in tranches in the following proportions after the vesting periods indicated:

a. twenty percent (20%) at the end of a twelve (12) month vesting period from March 31, 2017 (the "**Award**");
b. twenty percent (20%) at the end of a twenty-four (24) month vesting period following the Award;
c. twenty percent (20%) at the end of a thirty-six (36) month vesting period following the Award;
d. twenty percent (20%) at the end of a forty-eight (48) month vesting period following the Award;
e. twenty percent (20%) at the end of a sixty (60) month vesting period following the Award.

During the vesting periods, the beneficiaries don't own the shares awarded to them and may not transfer the rights arising from such awards. 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 an employee or corporate officer of the Company or of an associate throughout the vesting period for each tranche, except where otherwise provided for under the Plan and below.

Except in special instances approved by the Management Board with the agreement of the Supervisory Board, beneficiaries irrevocably lose their Performance Shares for unvested tranches:

- where their resignation takes effect before the end of a vesting period, the loss of the Performance Shares shall take effect on the date of the end of the employment contract or of the corporate office of the beneficiary;

- in the event of dismissal or termination for any reason whatsoever before the end of the Vesting period, the loss of the Performance Shares shall take effect on the date of notification of dismissal or termination, as the case may be.

The number of Performance Shares to be delivered to each beneficiary in respect of each tranche at the end of each vesting period, subject to satisfaction of the continued employment condition and aside from specific cases provided for under the Plan, shall be equal to the number of Performance Shares awarded to that Beneficiary for said tranche multiplied by a rate (the "**Total Award Rate**") equal to the weighted average:

- of the "Revenue Award Rate" (one third);
- of the "**EBITDA Award Rate**" (one third);
- of the "Percentage Margin Award Rate" (one third);

calculated for each tranche in the fiscal year immediately preceding the corresponding vesting, on the basis, respectively, of the Revenue, EBITDA and Percentage Margin, (the "**Performance Conditions**") in accordance with the rules for the percentage achievement of the revenue, EBITDA and margin level. If the weighted average exceeds 100%, the number of Shares to be delivered will be equal to 100% of the Performance Shares awarded for the tranche in question, before any adjustments provided for under the Plan.

	Free shares
Date of the shareholders' meeting	Jun. 24, 16
Management Board date	Mar. 31, 17
Number of free shares allocated	1,073,500
Total number of shares authorized	1,500,000
Number of shares that may vest for corporate officers	700.000
Directors concerned:	
Michèle Lesieur	300,000
Jacques Souquet	100,000
Claude Cohen-Bacrie	100,000
Kurt Kelln	100,000
Elisabeth Winter	100,000
Start-date of the vesting period	Mar. 31, 17
Expiration date of the holding period(1)	(1)
Vesting conditions(2)	(2)
Number of shares awarded at April 05, 2018	1,073,500
Total number of free shares canceled or void	-
Number of free shares remaining at April 05, 2018 that may result from their vesting	1,022,500

(a) For each Performance share tranche, 12 months from vesting.

(b) The Performance Shares will effectively vest and be delivered to the beneficiaries in tranches of 20% at the end of 12, 24, 36, 48 and 60 month vesting periods from the Award. During the vesting periods, the beneficiaries don't own the shares awarded to them and may not transfer the rights arising from such awards. The free shares will be delivered to their beneficiaries at the end of this vesting period.

21.1.4.5. BOND ISSUE WITH CLASS D PREFERRED SHARE WARRANT: NORGINE

The €5 million issue in 2013 was redeemed in March 2017.

Characteristics of Warrants (BSA)
Number: a warrant is attached to each bond (i.e. 50,000 warrants).

Exercise ratio: each warrant entitles its bearer to subscribe for a share with a unit price of €10.

Exercise period: Due to the Company's IPO in April 2014, these warrants became exercisable through December 17, 2023.
See Note 17.2 to the consolidated financial statements presented in Section 20.1 of this document.

21.1.4.6. BOND WITH WARRANT ISSUE: KREOS

The March 13, 2017 meeting of the Management Board, pursuant to the powers granted in resolution 14 of the Combined Shareholders' Meeting of June 24, 2016, and following the authorization of the Supervisory Board on March 13, 2017, resolved to arrange a Venture Loan type bond issue involving the issue of bonds with warrants (OBSA) issued with preferential subscription rights being waived in favor of Kreos Capital V (UK) Ltd with its registered office at 5th Floor, 25-28 Old Burlington Street, London W1S 3AN, UK, company No. 09728300 (hereinafter, "**Kreos**"), the key terms of which are as follows:

Key characteristics of the loan
The €12 million loan arranged with Kreos consists of two €6 million tranches of bonds with share warrants (OBSA).
The first tranche was subscribed following the Management Board meeting of March 13, 2017.

The second tranche was issued in December 2017 at the request of the Management Board.
The loan is for a period of 42 months and bears interest at an annual rate of 10.75%.
In order to guarantee all of the Company's obligations under the Venture Loan, it provided a number of securities: pledge of bank accounts, pledge of receivables and pledge of some intellectual property rights (see Sections 11.2.2 and 11.3.1 for the details of these pledges).
A representative of Kreos is entitled to attend Supervisory Board meetings of SuperSonic Imagine as a non-voting member (*censeur*).
Characteristics of Warrants (BSA)
Number: a warrant is attached to each bond (i.e. 12,000,000 warrants).
Exercise ratio: each warrant shall entitle the holder to subscribe for a number of shares calculated using the following formula (the "**Exercise Ratio**"):
R = [(1,320,000 / P) * { 0.5 + [0.5 * (NOBSA / 12,000,000)] }] / NOBSA
where:
R: means the Exercise Ratio
P: means the volume-weighted average price of the Company's shares on the Paris NYSE Euronext market during the ninety days preceding the date of issue of the bonds with share warrants (OBSA), and
NOBSA: means the number of bonds with share warrants (OBSA) actually subscribed by said holder on the date of exercise of the share warrants.
Accordingly, each share warrant holder may subscribe for the number of shares ("**N**") resulting from the following formula:
N = R * NBSA
Where:
R: means the Exercise Ratio, and
NBSA: means the number of share warrants (BSA) held by the relevant share warrant holder.
The maximum dilution of the share warrants as a result of the first and second tranches represents a maximum total of €989,999.56.
A shareholder holding 1% of the share capital prior to the issue would hold around 0.96% of the share capital following the exercise of all the share warrants in the two tranches on the basis of a price "P" of €2.09.

21.1.4.7. SUMMARY OF DILUTIVE INSTRUMENTS

The exercise or definitive vesting, as the case may be, of all of the securities and instruments providing access to the Company's capital would result in the issue of 2,647,455 new Company shares, i.e. a maximum dilution of 11.41% based on the current capital and voting rights at December 31, 2017, brought down to 10.24% based on the diluted voting rights and capital.

	Number of new shares or instruments	Number of new shares likely to result from their exercise
Founders warrants (BSPCE)	12,886	128,856
Warrants (BSA)	13,038	*(a)*794,617
Free shares	0	*(b)*1,022,500
Stock options	701,482	701,482
Total	727,406	2,647,455

(a) The 781,579 new shares consisted of 100,000 new shares resulting from the 100,000 2017 BSA (warrants) described in Section 21.1.4.2, the 50,000 new shares resulting from the 50,000 warrants linked to the Bonds with Share Warrants (OBSA) described in Section 21.1.4.5 and the 631,579 new shares linked to the 631,579 warrants resulting from the Bonds with Share Warrants described in Section 21.1.4.6.
(b) The maximum dilution is presented here, understanding that the Performance shares will effectively vest and be delivered to the beneficiaries in tranches at the end of the vesting periods. (see Section 21.1.4.4 of this document)

The number of warrants and founders' warrants indicated in the first column corresponds to the number that was initially issued at the time of the plan in question.

For plans issued before the Combined Shareholders' Meeting of May 16, 2012, the number of securities issued was multiplied by 10 following the 1:10 split of the nominal value, which was decided on at said meeting. The second column presents all of the securities that were issued, as the equivalent of new shares.

21.1.5. AUTHORIZED CAPITAL, CURRENTLY VALID DELEGATIONS

The currently valid resolutions concerning issues of securities approved by the Combined Shareholders' Meeting of May 15, 2017 (delegations to the Management Board), voting on an extraordinary basis, are summarized below:

Resolution No.: Type of delegation		
Type of securities authorized	Number of securities or maximum nominal amount authorized	Subscription price of the security
	i- Exercise price of the share where applicable ii- Length of the authorization and date of expiration iii- Use	
13: Delegation of authority to increase the capital by issuing ordinary shares or any equity-linked security, maintaining shareholders' preferential subscription right		
Ordinary shares and/or securities which provide access through all means, immediately or in the future, to ordinary shares of the Company	The total nominal amount of the capital increases may not exceed €506,817.10 (available balance following the use of the delegation on May 15, 2017) [1]	Free or for consideration
	i- N/A ii- 26 months, date of expiration of July 14, 2019 iii- N/A	
14: Delegation of authority to increase the capital by issuing ordinary shares or any equity-linked securities, waiving shareholders' preferential subscription right, and a public offering		
Ordinary shares and/or securities which provide access through all means, immediately or in the future, to ordinary shares of the Company	The total nominal amount of the capital increases may not exceed €400,000 [1]	Free or for consideration. Price set by the Management Board as follows: the issue price of the shares shall be at least equal to the weighted average price quoted over the three trading months preceding its determination, minus, where applicable, the maximum discount authorized by legislation (i.e., currently 5%) and adjusted for differences in the date of entitlement [2]
	i- N/A ii- 26 months, date of expiration of July 14, 2019 iii- N/A	
15: Delegation of authority to increase the capital by issuing ordinary shares or any equity-linked security, waiving the preferential subscription right of shareholders as part of an offer to qualified investors or a restricted group of investors as per Article L. 411-2(II) of the French Monetary and Financial Code		
Ordinary shares and/or securities which provide access through all means, immediately or in the future, to ordinary shares of the Company	The total nominal amount of the capital increases may not exceed €400,000, and may not exceed the limits prescribed by the regulations which apply at the issue date [1]	Free or for consideration. Price set by the Management Board according to the following terms: the issue price of the shares shall be at least equal to the weighted average price quoted over the last three trading days preceding its determination, as, where applicable, decreased by the maximum discount authorized by legislation (i.e., currently 5%) and adjusted for differences in the date of first entitlement [2]
	i- N/A ii- 26 months, date of expiration of July 14, 2019 iii- N/A	
16: Delegation of authority to increase the share capital by issuing ordinary shares or equity convertible securities with the waiving of shareholders' preferential subscription rights for any credit institution, investment service provider or any other investment fund underwriting the capital increase(s) or other issues that may over time result in one or more capital increases under said authorization as part of an equity financing facility		
Ordinary shares and/or securities which provide access through all means, immediately or in the future, to ordinary shares of the Company	The total nominal amount of the capital increases may not exceed €400,000, and may not exceed the limits prescribed by the regulations which apply at the issue date [1]	Free or for consideration. Price set by the Management Board as follows: the issue price of the shares shall be at least equal to the weighted average price quoted over the three trading months preceding its determination, minus, where applicable, a maximum discount of 15% and adjusted for differences in the date of entitlement
	i- N/A ii- 18 months, date of expiration of November 14, 2018 iii- N/A	
18: Delegation of authority to increase the number of securities to be issued in case of a capital increase with or without		

a preferential subscription right determined under resolutions 12 to 15		
Same type as provided for in the resolution covering the increase	Within the limit of 15% of the initial issue	Same price as provided for in the resolution which could be subject to the increase
i- N/A ii- 26 months, date of expiration of July 14, 2019 iii- N/A		
19: Delegation of authority with the effect of issuing ordinary shares and equity-linked Company securities, in case of a public offering containing an exchange component initiated by the Company		
Ordinary shares and/or securities which provide access through all means, immediately or in the future, to ordinary shares of the Company	The total nominal amount of the capital increases may not exceed €400,000 [1]	Exchange parity as well as, where applicable, the amount of the cash balance payable as determined by the Management Board
i- N/A ii- 26 months, date of expiration of July 14, 2019 iii- N/A		
20: Delegation of powers to increase the share capital, up to at most 10% of the capital, to pay for contributions in kind of equity securities or equity-linked securities of third party companies, outside of a public exchange offer		
Ordinary shares of the Company and/or securities which provide access through all means, immediately or in the future, to ordinary shares of the Company	The total nominal amount of the capital increases may not exceed 10% of the Company's capital [1]	-
i- N/A ii- 26 months, date of expiration of July 14, 2019 iii- N/A		
21: Delegation of authority to increase the capital by incorporating premiums, reserves, profits or other		
Ordinary shares	The total nominal amount of the capital increases may not exceed €50,000	-
i- N/A ii- 26 months, date of expiration of July 14, 2019 iii- N/A		
22: Authorization for the Management Board to grant Company share subscription or purchase options		
Share purchase or subscription options	A maximum of 1,500,000 shares [3]	-
i- Price to be determined by the Management Board, in accordance with legal provisions ii- 38 months, date of expiration of July 14, 2020 iii- N/A		
23: Authorization for the Management Board to proceed with the free allocation of shares existing or to be issued		
Free shares	A maximum of 1,500,000 shares [3]	-
i- N/A ii- 38 months, date of expiration of July 14, 2020 iii- N/A		
24: Delegation of authority to issue and award warrants to (i) members of the Company's Supervisory Board on the basis of the warrant allocation date not being employees or directors of the Company or of one of its subsidiaries or (ii) people linked by a service or consulting contract to the Company or to one of its subsidiaries or (iii) members of any committee that the Supervisory Board has or may establish who are not employees or directors of the Company or of one of its subsidiaries		
Warrants ("**BSA**")	A maximum of 1,500,000 shares [3]	The issue price of a warrant (BSA) shall be determined by the Management Board on the issue date of said warrant, according to the latter's features, and shall in any event be at least equal to 10% the subscription price (share premium included) of the share to be granted by the warrant
i- Price to be determined by the Management Board, in accordance with legal provisions ii- 18 months, date of expiration of November 14, 2018 iii- N/A		

[1] Following the Combined Shareholders' Meeting of May 15, 2017 , the overall maximum nominal amount of capital increases that may be carried out under the delegations granted in resolutions 13 to 16, 18 to 20 and resolution 27 is set at €1.2 million, it being specified that this threshold will be increased by the additional amount of shares to be issued to maintain, in accordance with statutory or regulatory provisions and, where relevant, applicable contractual provisions, the rights of holders of equity-linked securities.
The overall maximum nominal amount of debt securities that may be issued under resolutions 13 to 16, resolutions 18 to 20 and resolution 27 is set at €15 million (or the equivalent on the date of issue of this amount in a foreign currency or a unit of account established with reference to a basket of currencies).
[2] Resolution 17 of the Combined Shareholders' Meeting of May 15, 2017 authorizes the Management Board, with the option to further delegate, for a period of 26 months from May 15, 2017, for each issue decided under resolutions 14 to 15 and up to 10% of the Company's capital per 12-month period, to derogate from the terms and conditions governing the setting of prices set out in the above resolutions and to set the issue price of ordinary shares and / or immediate or deferred equity-linked securities, in the following manner:
the issue price of ordinary shares shall at the very least be equal to the weighted average price over the three trading months preceding the date of its determination, potentially reduced by a maximum discount of 15%, it being recalled that it cannot in any event be under the nominal value of a Company share on the date of issue of the shares in question;

the issue price of equity-linked securities will be such that the sum received immediately by the Company, plus, as the case may be, any sum that may be received subsequently by it, shall, for every share issued as a result of the issue of these securities, at least equal the issue price defined in the above paragraph.

[3] The Combined Shareholders' Meeting of May 15, 2017 resolved that the total number of shares issued under Resolutions 23 to 25 may not exceed 1,500,000 shares in total.

21.1.6. INFORMATION CONCERNING THE SHARE CAPITAL OF ALL MEMBERS OF THE GROUP SUBJECT TO AN OPTION OR A CONDITIONAL OR UNCONDITIONAL AGREEMENT ALLOWING IT TO BE PLACED UNDER OPTION

To the Company's knowledge, there are no options or conditional or unconditional agreements that provide for the establishment of such an option on the capital of a Group member.

Due to the Company's IPO in April 2014, the shareholders' agreement which entered into the scope of this note was automatically terminated.

21.1.7. HISTORY OF THE SHARE CAPITAL

a) The following table presents a summary of the changes in the share capital since that date.

Date	Nature of operations	Number of shares issued or canceled	Capital in €	Share premium or contribution in €	Total nominal amount of share capital in €	Cumulative number of total shares outstanding	Nominal value in €	Issue (or exercise) price per adjusted share
Apr. 15, 09	Capital increase through issue of class 2 preferred shares	36,978	36,978	3,234,466	431,308	431,308	1.00	€8.85
Jun. 5, 09	Exercise of warrants $(BSA)_{10\text{-}2008\text{-}Tranche\ 1.2}$	45,211	45,211	3,954,606	476,519	476,519	1.00	€8.85
Nov. 23, 09	Exercise of warrants $(BSA)_{10\text{-}2008\text{-}Tranche\ 2}$	67,817	67,817	5,931,953	544,336	544,336	1.00	€8.85
Apr 27, 10	Exercise of anti-dilutive warrants	42,230	42,230		586,566	586,566	1.00	€0.10
Sep. 27, 10	Capital increase through issue of C1 class preferred shares with $warrant_{C1\text{-}2010\text{-}R}$	153,204	153,204	13,400,754	739,770	739,770	1.00	€8.85
Sep. 27, 10	Capital increase through issue of C1a class preferred shares	1,096	1,096	81,323	740,866	740,866	1.00	€7.52
Sep. 27, 10	Conversion of bonds into C1 shares	66,886	66,886	4,962,941	807,752	807,752	1.00	€7.52
Nov. 25, 10	Capital increase through issue of C1 class preferred shares with $warrant_{C1\text{-}2010\text{-}R}$	48,981	48,981	4,284,368	856,733	856,733	1.00	€8.85
Dec. 30, 11	Exercise of warrant $(BSA)_{C2\text{-}2010\text{-}T2}$	106,746	106,746	9,808,890	963,479	963,479	1.00	€9.29
May 15, 12	Exercise of warrant $(BSA)_{C2\text{-}2010\text{-}T2}$	20,897	20,897	1,562,469	984,376	984,376	1.00	€7.58
May 16, 12	Division of the nominal value of shares				984,376	9,843,760	0.10	N/A
Mar. 27, 13	Capital increase through issue of D class preferred shares with warrant $(BSA)_{D\text{-}2013}$	1,255,502	125,550	12,429,470	1,109,926	11,099,262	0.10	€10.00
Apr. 15, 13	Capital increase through issue of D class preferred shares with warrant $(BSA)_{D\text{-}2013}$	150,000	15,000	1,485,000	1,124,926	11,249,262	0.10	€10.00
May 13, 13	Exercise of warrant $(BSA)_{D\text{-}2013\text{--}T2}$	30,554	3,055	302,485	1,127,982	11,279,816	0.10	€10.00
Sep. 30, 13	Definitive vesting of free shares	42,625	4,263	-	1,132,244	11,322,441	0.10	N/A
Dec. 16, 13	Exercise of BSA09-	4,125	413	-	1,132,657	11,326,566	0.10	€0.10

	2010							
Dec. 16, 13	Exercise of founders' warrants 03-2006	5,000	500	28,690	1,133,157	11,331,566	0.10	€5.84
Dec. 31, 13	Definitive vesting of free shares	5,810	581	-	1,133,738	11,337,376	0.10	N/A
Mar. 3, 14	Reclassification of reserves below share premium	-		(22,550,179)	1,133,738	11,337,376	0.10	N/A
Apr. 9, 14	Capital increase in cash - IPO	4,273,504	427,350	45,132,000	1,561,088	15,610,880	0.10	€10.66
Apr. 9, 14	Creation of free shares	29,065	2,907		1,563,995	15,639,945	0.10	€0.10
May 9, 14	Shares created after the over-allotment	407,783	40,778	4,676,000	1,604,773	16,047,728	0.10	€11.57
Jun. 30, 14	Exercise of Stock options	6,500	650		1,605,423	16,054,228	0.10	€0.10
Dec. 31, 14	Exercise of BSPCE	5,000	500	43,735	1,605,923	16,059,228	0.10	€8.85
Dec. 31, 14	Exercise of Stock options	5,000	500		1,606,423	16,064,228	0.10	€0.10
Dec. 31, 14	Exercise of warrants	4,000	400		1,606,823	16,068,228	0.10	€0.10
Jun. 30, 15	Exercise of Stock options	153	15		1,606,838	16,068,381	0.10	€0.10
Jun. 30, 15	Exercise of BSPCE	2,200	220	12,624	1,607,058	16,070,581	0.10	€5.84
Jun. 30, 15	Exercise of warrants	22,000	2,200		1,609,258	16,092,581	0.10	€0.10
Dec. 31, 15	Exercise of Stock options	2,500	250		1,609,508	16,095,081	0.10	€0.10
Dec. 31, 15	Exercise of BSPCE	25,680	2,568	9,553	1,612,076	16,120,761	0.10	€0.47
Dec. 31, 15	Exercise of warrants	96,418	9,642	59,751	1,621,718	16,217,179	0.10	€0.72
Jun. 30, 16	Exercise of Stock options	27,500	2,750		1,624,468	16,244,679	0.10	€0.10
Jun. 30, 16	Exercise of warrants	21,802	2,180		1,626,648	16,266,481	0.10	€0.10
Dec. 31, 16	Exercise of Stock options	5,000	500		1,627,148	16,271,481	0.10	€0.10
Jun. 12, 17	Cash capital increase -	6,931,829	693,183	10,027,741	2,320,331	23,203,310	0.10	€1.66
Jun. 30, 17	Exercise of Stock options	3,250	325		2,320,656	23,206,560	0.10	€0.10
Dec. 31, 17	Exercise of Stock options	2,567	257		2,320,913	23,209,127	0.10	€0.10

21.2. ARTICLES OF INCORPORATION AND BYLAWS

21.2.1. CORPORATE PURPOSE

The Company's objectives are:
research and development in medical imaging;

marketing of all products related to diagnostics and therapy in the field of medicine;

marketing of all services and support relating to the medical products described above;

design and operation of all solutions arising directly or indirectly from the Company's R&D activities;

as well as, more generally, all industrial and business activities relating to:

the establishment, purchase, rental, responsibility for property management of a business, the leasing, the installation, and operation of any companies, businesses, factories, or workshops related to one or another of the activities described above;

holding, acquiring, operating or selling any procedures, patents and intellectual property rights concerning the activities described above;

the direct or indirect investment by the Company in any financial, real estate or property transactions or commercial or industrial companies that may relate to the corporate purpose or any similar or associated purpose;

any transactions whatsoever contributing to the achievement of this purpose.

21.2.2. MANAGEMENT AND SUPERVISORY BODIES

21.2.2.1. MANAGEMENT BOARD

21.2.2.1.1. COMPOSITION

The Company is managed by a Management Board composed of no more than seven members, which carries out its duties under the supervision of the Supervisory Board.
The members of the Management Board are natural persons. They are not required to be shareholders.
They are appointed for a period of four years by the Supervisory Board, which appoints one of them as Chairman.
The members of the Management Board may not be older than seventy-five years of age.
Any member of the Management Board is re-eligible for a new term.
Members of the Management Board may be revoked by the Shareholders' Meeting, as well as by the Supervisory Board. If the revocation is decided without due cause, it may give rise to damages. If the person concerned has signed an employment contract with the Company, his revocation from the Management Board does not have the effect of cancelling this contract.
The members of the Management Board meet any time that the corporate interest so requires and may be convened by the Chairman or by half of its members, in the location specified by the convening party. Meetings may be called by any means, including by verbal communication.
Decisions of the Management Board are taken by the majority of members present or represented. Any member of the Management Board may be represented by another member of the Management Board, with the exception of the cases in which the Management Board consists of two members. In all circumstances, a member of the Management Board may not receive more than one proxy.

21.2.2.1.2. POWERS OF THE MANAGEMENT BOARD

The Management Board has the broadest authority to act under any circumstances on behalf of the Company, within the limits of the corporate purpose, and subject to the powers expressly allocated by law to the Supervisory Board and the

meetings of shareholders. In relationships with a third party, the Company is bound even by acts of the Management Board that are outside the corporate purpose, unless it is proven that the third party knew that the act was outside the corporate purpose or that such third party could not have been ignorant thereof given the circumstances, it being excluded that the mere publication of the bylaws suffices to represent this proof.
The Chairman of the Management Board represents the Company in relationships with third parties. The Supervisory Board may grant the same power of representation to one or more other members of the Management Board, who will then have the title of chief executive officer. The Chairman of the Management Board and the Chief Executive Officer(s), if such officers exist, are authorized to partially substitute in their powers any special representatives and inform them of such substitution.

21.2.2.2. SUPERVISORY BOARD

21.2.2.2.1. COMPOSITION

The Supervisory Board is composed of a minimum of three members and a maximum of eighteen members.
An employee of the Company cannot be appointed as a member of the Supervisory Board unless he has an actual position under his employment contract. No more than one third of the acting members of the Supervisory Board may have an employment contract with the Company.
The Supervisory Board members serve a term of three years, which ends at the Ordinary Shareholders' Meeting that votes on the financial statements of the last fiscal year, which is held during the year in which such term expires.
Members of the Supervisory Board are re-eligible, but they may not be over 85 years of age.
In conformity with the terms of the bylaws of the Supervisory Board, which were adopted by the Board during its session on June 4, 2014, the Supervisory Board promises to have independent members within it. The Company's criteria for independence and other provisions of the Supervisory Board's charter regarding its composition are described in Section 16.3.1 of this document.

21.2.2.2.2. FUNCTIONING OF THE SUPERVISORY BOARD

The Chairman, Vice Chairman, or two members acting jointly may call a meeting of the Supervisory Board. Meetings may be called by any means, either written or oral.

Meetings of the Supervisory Board are presided over by its Chairman, or, in his absence, by the Vice Chairman, or, in his absence, by a member chosen by the Board at the beginning of the meeting.

Deliberations take place under conditions of a quorum and the majority specified by law; in the event of a tie, the Chairman of the meeting has the deciding vote.

The bylaws of the Supervisory Board provide for the ability to allow its members to participate in the meetings (deliberations and voting) by videoconference (which involves combining image and sound) or through other telecommunication methods which allow them to be identified and which guarantee their effective participation under the current regulatory conditions.
Videoconferencing or other telecommunications methods must meet the technical characteristics which ensure effective participation at the Supervisory Board's meeting, including continuously retransmitting deliberations. If these conditions are met, the Supervisory Board members participating in the meeting via videoconferencing or other telecommunication methods are considered present for calculating the quorum and majority.
Using videoconferencing or other means of telecommunication is prohibited when the Supervisory Board is asked to deliberate on the verification and control of the annual and consolidated financial statements.

The deliberations of the Supervisory Board are recorded in minutes that are prepared and maintained in accordance with the French Commercial Code.
The other major provisions of the Supervisory Board's bylaws relating to its functioning are described in Section 16.3.1 of this document.

21.2.2.2.3. MISSIONS OF THE SUPERVISORY BOARD

The Supervisory Board oversees permanent management of the Company by the Management Board. To that end, it may carry out verifications and controls as it sees fit and ask to receive any documents it judges to be useful in the performance of its mission at any time during the year.
At least once each quarter, the Management Board presents to the Supervisory Board a report on the state of the Company's activities.

21.2.3. RIGHTS, PRIVILEGES AND RESTRICTIONS ATTACHED TO THE COMPANY'S SHARES

21.2.3.1. FORM OF SHARES

Shares are held in registered or in bearer form at the shareholder's discretion. They may not be converted to bearer form until they are completely paid up.
Shares and all other securities issued by the Company are registered in an account subject to the terms and conditions of applicable legal and regulatory provisions.

21.2.3.2. VOTING RIGHTS

Except where provided otherwise by law, each shareholder has the same number of voting rights and can exercise that number at shareholders' meetings as shares owned, provided that all payments due for such shares have been met. With the same nominal value, all shares give entitlement to one vote. Any mechanism automatically granting double voting rights to shares that have been registered in the same shareholder's name for at least two years is expressly rejected by these Bylaws.

21.2.3.3. RIGHTS TO DIVIDENDS AND PROFITS

Each share entitles its owner to a portion of the corporate assets, profits of the Company and the liquidation surplus proportionate to the percentage of the share capital that it represents.
At least five per cent (5%) of the Company's net income, reduced where relevant by any prior losses, must be allocated to the "legal reserve". The allocation is no longer required when the amount of the legal reserve reaches one-tenth of shareholders' equity.
Distributable income consists of the fiscal year's net income reduced by prior losses and the allocation described in the preceding paragraph, increased by income carried forward.
The Shareholders' Meeting records any distributable income in one or more reserves over which it controls the allocation and use, or decides to carry it forward, or to distribute it in the form of dividends.
If there are available reserves, the Shareholders' Meeting may decide on the distribution of amounts from such reserves. In this case, the decision will specify expressly the reserve entries from which these withdrawals will be made. However, dividends are to be drawn first from the fiscal year's distributable net income.
The Shareholders' Meeting or, failing which, the Supervisory Board decides the dividend payment methods.
However, the payment of dividends must occur within nine months following the close of the fiscal year.
The Shareholders' Meeting voting on the financial statements may grant to each shareholder, for all or part of the dividend distributed, a choice between payment of the dividend in cash or in shares.
Similarly, the Ordinary Shareholders' Meeting voting under the conditions described in Article L. 232-12 of the French commercial code, may make an interim dividend payment, and for all or part of said partial payment, may offer a choice between paying the interim dividend in cash or in shares.

The offer for payment in shares, the price and terms of issue of the shares as well as the request for payment in shares and the conditions for carrying out the capital increase will be governed by law and the regulations.

When a balance sheet that is prepared during or at the end of the fiscal year and that has been certified as compliant by the statutory auditor(s) shows that the company has earned a profit since the preceding reporting date, upon establishment of the depreciation, amortization, and provisions necessary, and upon deducting, where applicable, prior losses as well as the amount to be put in reserves in application of the law or of these bylaws, the Management Board may decide to distribute interim dividends before the financial statements are approved, as well as to set the amount and date of distribution. The amount of these interim dividends may not exceed the amount of the profit defined in this paragraph. In this case, the Management Board may not use the option described in the paragraphs above.

21.2.3.4. PREFERENTIAL SUBSCRIPTION RIGHT

The Company's shares have a preferential subscription right to capital increases under the conditions specified by the French Commercial Code.

21.2.3.5. LIMITATION ON VOTING RIGHTS

There is no clause in the bylaws that restricts the voting rights attached to shares.

21.2.3.6. IDENTIFIABLE BEARER SHARES

In addition and subject to legal and regulatory conditions in effect, the Company may request at any time and at its own cost from any authorized entity, the name or the company name, if a legal person, the nationality and the address of the holders of shares that immediately or in the future confer a voting right at its shareholder meetings, as well as the number of shares held by each of them and, if applicable, the restrictions to which these shares may be subject.

21.2.3.7. BUYBACK BY THE COMPANY OF TREASURY SHARES

See Section 21.1.3.

21.2.4. TERMS FOR MODIFICATION OF THE RIGHTS OF SHAREHOLDERS

The rights of shareholders as they are set forth in the Company's bylaws may be modified only by an Extraordinary Shareholders' Meeting.

21.2.5. SHAREHOLDERS' MEETINGS

21.2.5.1. HOLDING OF MEETINGS

Shareholders' meetings are convened and held under the conditions established by law.
When the Company wishes to call a meeting by means of electronic telecommunication instead of by mail, it must obtain the prior approval of the shareholders concerned, who must provide their respective email address.
Meetings will be held at the headquarters or at any other location specified in the meeting notice.
The right to participate in meetings is regulated by the legal and regulatory provisions in effect and in particular is subject to shares being registered in the name of the shareholder or the intermediary registered on its behalf on the second business day preceding the meeting at 12 a.m., Paris time, either in the registered shares ledger held by the Company or for bearer share records held by an authorized intermediary.
Instead of personally attending the meeting, the shareholder may choose from among the following three options:
grant a proxy,

vote by mail, or

send a proxy to the Company without indicating instructions,

under the conditions provided for by the law and regulations.

The Management Board 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 videoconference or by means of telecommunication that allow them to be identified. If the Management Board 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 videoconference or by any other means of telecommunication described above, pursuant to the Management Board's choice, will be considered to be present for the calculation of the quorum and the majority.
The meetings are presided over by the Chairman of the Supervisory Board or, in his absence, by the Vice Chairman of the Supervisory Board. Failing this, the shareholders' meeting elects its Chairman.
The duties of scrutineers are performed by the two members of the meeting who are present and accept these duties, and have the largest number of votes. The office names the secretary, who is not required to be a shareholder.
An attendance record will be maintained subject to the conditions specified by law.
The Ordinary Shareholders' Meeting on a first convocation may make valid decisions only if the shareholders present or represented own at least one fifth of the shares with voting rights. The ordinary shareholders' meeting on a second convocation may make valid decisions regardless of the number of shareholders present or represented.
Decisions of the Ordinary Shareholders' Meeting are made by the majority of votes of shareholders present or represented.
The Extraordinary Shareholders' Meeting on a first convocation can only make valid decisions if the shareholders present or represented own at least a quarter of the shares with voting rights. The Extraordinary Shareholders' Meeting

on a second convocation can only make valid decisions if the shareholders present or represented own at least one fifth of the shares with voting rights.
Decisions of the Extraordinary Shareholders' Meeting are made by a majority of two thirds of the shareholders present or represented.
Copies or extracts of the meeting minutes may be validly certified by the Chairman or the Vice Chairman of the Supervisory Board, by a member of the Management Board, or by the secretary of the meeting.

21.2.5.2. POWERS AT MEETINGS

Ordinary and Extraordinary Shareholders' Meetings exercise their respective powers subject to the conditions provided by law.

21.2.6. PROVISIONS FOR THE DELAY, DEFERRAL OR PREVENTION OF A CHANGE OF CONTROL

The Company's bylaws do not contain mechanisms allowing the delay, deferral or prevention of a change of control.

21.2.7. EXCEEDING STATUTORY LIMITS

Any natural or legal person acting alone or in concert, that comes to hold, in any manner whatsoever, in the sense 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, addressed to the Company's headquarters within four trading days after the threshold has been crossed.
This obligation also applies, subject to the conditions above, every time a new threshold of 3% of the Company's capital or voting rights is reached or crossed, for whatever reason, including a crossing of a threshold above the legal 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 inform 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 of the Company's share capital or voting rights, the shares exceeding the fraction which should have been declared are deprived of their voting rights in any shareholder meetings held until the expiration of a period of two years following the date on which the notification is properly made.

21.2.8. SPECIAL PROVISIONS GOVERNING CHANGES IN THE SHARE CAPITAL

There is no special provision in the Company's bylaws that governs changes in its share capital.

22. MAJOR CONTRACTS

22.1. COOPERATION AGREEMENTS

Contract relating to the exploitation of Patent No. L09189 entered into by and between the Centre National de la Recherche Scientifique (CNRS), the Université Paris Diderot - Paris 7 and SuperSonic Imagine dated December 4, 2009.

The purpose of this contract is to formalize the conditions under which the parties may exploit a French patent application filed on February 21, 2007 by the Company in the names of SuperSonic Imagine and CNRS under number FR07 01235 and entitled "Procedure for optimizing the focusing of waves through an element that introduces aberrations", resulting from the works performed under a collaboration master agreement entered into by and between the Company, the CNRS and the Ecole Supérieur de Physique et de Chimie Industrielles de la Ville de Paris, on September 13, 2005, regarding scientific and technical cooperation between the parties in the field of medical and therapeutic imaging using focused ultrasound.

The exploitation agreement also covers the international patent application filed on February 20, 2008 under number WO2008/113940, together with corresponding patents in foreign countries, as well as any application for renewal of, extension of or a protection certificate resulting therefrom.

The Company owns fifty percent (50%) of the above-mentioned patents on which the agreement is based and the CNRS and the Université Paris Diderot - Paris 7 jointly own the remaining fifty percent (50%).

The contract became effective retroactively on February 21, 2007 and will remain in force for the valid term of the underlying patents; it may not therefore be terminated early except in the event of gross negligence by one of the parties, subject to the applicable law for this type of agreement. In addition, the agreement would be automatically terminated if one of the parties becomes the sole owner of the patents.
Under this agreement, the Company is granted (i) an exclusive and worldwide right, including the right to sub-license, to use or exploit the patents, and (ii) the right to manufacture and market, directly or indirectly, products using all or part of the patents, in the areas of ultrasonic imaging, multi-wave medical imaging where at least one wave is ultrasonic, and ultrasonic therapy.
As consideration, the Company undertakes to pay royalties on a proportional basis calculated as follows:
royalties on indirect exploitation: annual royalty calculated on revenue of any kind earned by the Company from the licenses granted to it;

royalties for direct exploitation:

annual royalties calculated on the net sales of the products sold by the Company which use all or part of the underlying patents and the patents sold by the CNRS to the Company under the patent transfer agreement No. L08186 entered into by and between the parties on September 11, 2008, until expiry of the last patent so sold; and

annual royalties calculated on the net sales of the products sold by the Company by using all or part of the licensed patents and until the termination of the last patent licensed.

In addition, these annual royalties are accompanied by the payment of a guaranteed minimum annual fee.

Outside of the areas described above, the CNRS and the Université Paris Diderot - Paris 7 have an exclusive right, including the right to sub-license, to use and to exploit the patents. In the event of indirect exploitation, the CNRS and the Université Paris Diderot - Paris 7 owe the Company a proportional royalty on all types of revenues received from their licenses.

This agreement is governed by French law and the jurisdiction of the French courts.

Licensing agreement between Société d'Elastographie Impulsionnelle pour les Systèmes de Mesures de l'Elasticité (SEISME) and SuperSonic Imagine dated July 20, 2011

Under this licensing agreement, SEISME grants the Company a license (non-exclusive since 2013) on a French patent and an international patent application in imaging using elastography by shear waves to manufacture, have

manufactured, market and have marketed any procedure or product integrating all or part of the licensed technologies in the specific area employing path formation in ultrafast imagery.
This license, which is valid in all countries where said patents are filed, is limited in several ways. The license is first limited to the following area of application:
products and processes using shear waves according to any mode of imaging employing path formation in ultrafast imaging;

products and processes using shear waves according to any method of imaging employing path formation in ultrafast imaging in the sector of cardiovascular imaging excluding the 1D imaging mode, since January 1, 2013.

Under this agreement, the Company is granted the right to sub-license its rights to third parties.

Since 2013, the Company is required to pay a royalty, which is calculated on the net sale price of products implementing all or part of the licensed patents, noting that this royalty will be decreased whenever the total amount of annual royalties is greater than €10,000. In the event that one or another of the patents included under the license agreement is declared null, the contract expressly provides that the royalties that are then due will remain acquired by SEISME.

The contract, which came into effect on July 20, 2011, will expire at the end of the effective term of the last of the patents concerning it, or in March 2020. Each of the parties may terminate the contract in case of a breach by the other party of contractual obligations which have not ended within the 60 days following notice.

The Company takes on its own the entire responsibility regarding the exploitation of the licensed patents. SEISME cannot be held liable for damages resulting from such exploitation nor for indirect damages or financial losses caused by this exploitation.

This agreement is governed by French law and the jurisdiction of the French courts.

Licensing agreement between the Company and a major industrial player dated March 3, 2014
On March 3, 2014, the Company entered into a licensing agreement with a major industrial player (the "**Industrial Player**") pursuant to which the Company grants the Industrial Player a worldwide non-exclusive and non-transferable right to use that may not be sub-licensed for four key patents in the field of shear wave elastography. In consideration for payments to the Company, this licensing agreement authorizes the Industrial Player to manufacture and market products that implement the licensed patents, according to a time-phased schedule established by mutual agreement between the parties.

The Company and the Industrial Player also mutually waive, until November 30, 2023, the enforcement of the patents in the field of ultrasound medical imaging that they own or for which they hold a license as of June 1, 2013.

The contract is concluded on a personal basis and no party may assign its contractual rights or obligations without the prior written consent of the other party, with the understanding, however, that, as an exception and under certain conditions, the Company may transfer its rights and obligations to the first person or entity to acquire its assets or shares upon a change of control.
This contract is subject to the laws of New York State, and any dispute relating to it is to be submitted to prior mediation, then to an arbitration tribunal or a court of the State of New York.

Licensing agreement between the Company and a major industrial player dated December 23, 2014
On December 23, 2014, the Company signed a licensing agreement with a major industrial player (the "**Industrial Player**") concerning almost all of its imaging patents portfolio, pursuant to which the Company was granted an international license that was non-exclusive, not assignable and not subject to sub-licenses (apart from by the Company's subsidiaries under certain conditions).
In consideration for the granting of this license to the Company the latter is required to pay the Industrial Player royalties, the amount of which takes into account the net price from sales of products covered by the license (see Note 34.1 to the Consolidated Financial Statements presented in Section 20.1 of this document).

This license was entered into for an initial period beginning (retroactively) on January 1, 2014 and ending on December 31, 2016. It is then subject to tacit renewal for successive periods of one year each. It may be terminated in the event that a party commits a serious contractual breach of its obligations or if said party is the material subject of insolvency proceedings.

The contract may likewise be terminated (i) by the Industrial Player in the event that the Company disputes the validity of the patents covered by the license and/or (ii) at the end of the initial period, by each of the parties, respecting the period of 30 days' prior notice before the anniversary date of the next renewal.

22.2. MASTER AGREEMENT RELATING TO PRODUCTION

Contract for professional services signed with Plexus Corp. on November 1, 2013.
The Company signed a contract with Plexus Corp. (a US company) pursuant to which Plexus Corp. provides the Company with the assembly and testing of the Aixplorer® system, and provides it with related services.

Through the expiration date of the contract, the Company undertakes to exclusively use Plexus Corp. for any manufacture it envisages concerning the assembly of the Aixplorer® system, as well as any testing.

The parties have had a contractual relationship since June 2007; the contract signed on November 1, 2013 will expire on May 13, 2016. This contract is automatically renewable each year, for a one-year term. Each party may terminate the contract at its discretion by giving prior notice of 270 days or, in the event there is a serious breach of the obligations under the contract which is not resolved within 45 days following notice. Termination is likewise permitted in cases of insolvency or insolvency proceedings of the other party.

Plexus Corp. also offers the Company guarantees of compliance and of the absence of any defects concerning the assembly and testing of the Aixplorer® system, save for when a design flaw, fault or delay is attributable to the Company.

The contract may only be transferred to a third party if there is a prior agreement from the co-contracting party, unless there is any kind of merger or restructuring. The contract is subject to the laws of New York State and provides for a prior mediation clause which must take place in Milwaukee, Wisconsin, without the competent jurisdiction being more fully specified.

22.3. MASTER AGREEMENT RELATING TO DISTRIBUTION

Distribution agreement with a major distributor in the US for gastrointestinal diagnostic solutions dated March 14, 2016, renewable on March 14, 2019.

SuperSonic Imagine signed an agreement with Sandhill Scientific, Inc. for the distribution throughout the United States of its sonography technology with ShearWave™ Elastography (SWE™) in real-time for assessment of liver diseases. Since March 14, 2016, Sandhill Scientific had been the exclusive distributor for the Aixplorer® ultrasound system to gastroenterologists and hepatologists. Sales in the breast sector are now directly managed by the Group's sales force.

The distributor sets its own sale prices; the Company may only give indicative prices.

This agreement, which may be terminated (i) freely by either party with 90 days' notice, (ii) in the event of a change in control at the distributor (acquisition of over 50% of the share capital) or (iii) if there is a violation of a major obligation of a party that is not resolved within a period of 60 days following notice thereof by the other party.

This distributor may not resell the products to a person that it knows or supposes will resell them or re-export them outside of the United States. Throughout the term of the contract, it must not manufacture, promote and/or sell ultrasound diagnostic products in the United States that would compete with the products of the Group.

The Company guarantees that the products are free of defects, also provides maintenance for the spare parts, and holds its distributor harmless for claims that are made against it in the event of infringement, defects or delays that are attributable to the Company, non-compliance with American laws or liability due to defective products.

The contract is subject to the laws of the US State of Colorado and contains an arbitration clause under the rules of the International Chamber of Commerce.

On November 3, 2010, a distribution agreement had been signed with a leading distributor in the United States in the area of medical imaging, amended by a rider dated November 1, 2012 and extended through March 1, 2016, non-exclusively. It was subsequently terminated with effect from September 24, 2015.

As of the date of this report, there are no other major distribution agreements over the previous two years, other than contracts within the ordinary course of business.
As of the date of this report, there are no other major distribution agreements over the previous two years, other than contracts within the ordinary course of business.
In accordance with the AMF's recommendations, this paragraph details the major contracts over the previous two years.

22.4. VENTURE LOAN WITH NORGINE B.V.

The €5 million issue in 2013 was redeemed in March 2017.

Characteristics of Warrants (BSA)
Number: a warrant is attached to each bond (i.e. 50,000 warrants).
Exercise ratio: each warrant entitles its bearer to subscribe for a share with a unit price of €10.
Exercise period: Due to the Company's IPO in April 2014, these warrants became exercisable through December 17, 2023.
See Note 17.2 to the consolidated financial statements presented in Section 20.1 of this document.

22.5. VENTURE LOAN WITH KREOS CAPITAL V (UK) LIMITED

In March 2017, the Company arranged a Venture Loan with Kreos, for a total of €12 million, consisting of two tranches of bonds with share warrants (OBSA), for €6 million each, and will help finance the commercial development of SuperSonic Imagine and pay down some existing debts. The first tranche was subscribed following the Management Board meeting of March 13, 2017. The loan's terms and conditions are as follows:
the loan is for a period of 42 months and bears interest at an annual rate of 10.75%

the first 6,000,000 bond with share warrant tranche was issued with preferential subscription rights being waived in favor of Kreos pursuant to the authorization granted to the Management Board under resolution 14 of the Combined Shareholders' Meeting of June 24, 2016;

the second tranche of 6,000,000 bonds with share warrants was issued in December 2017 at the request of the Management Board

each warrant shall entitle the holder to subscribe for a number of shares calculated using the following formula (the "Exercise Ratio"): R = [(1,320,000 / P) * { 0.5 + [0.5 * (NOBSA / 12,000,000)] }] / NOBSA where: R: means the Exercise Ratio P: means the volume-weighted average price of the Company's shares on the Paris NYSE Euronext market during the ninety days preceding the date of issue of the bonds with share warrants, and NOBSA: means the number of bonds with share warrants actually subscribed by said holder on the date of exercise of the share warrants. Accordingly, each share warrant holder may subscribe for the number of shares ("N") resulting from the following formula: N = R * NBSA where: R: means the Exercise Ratio, and NBSA: means the number of share warrants held by the relevant share warrant holder. The maximum dilution of the share warrants as a result of the first and second tranches represents a maximum total of €989,999.56. A shareholder holding 1% of the share capital prior to the issue would hold around 0.96% of the share capital following the exercise of all the share warrants in the two tranches on the basis of a price "P" of €2.09.

A representative of Kreos is entitled to attend Supervisory Board meetings of SuperSonic Imagine as a non-voting member (*censeur*).

In order to guarantee all of the Company's obligations under the Venture Loan, it provided a number of securities: pledge of bank accounts, pledge of receivables and pledge of some intellectual property rights (see Sections 11.2.2 and 11.3.1 for the details of these pledges).

With regard to the pledge of receivables, the Company undertook to pledge all receivables owed by French third parties in the normal course of the Company's business. The research tax credit is not affected by this pledge.
The bank account pledge will supersede the one granted to Norgine B.V. and eliminate the undertaking to maintain a positive balance of at least €2 million in its bank accounts at any given time. In fact, the first tranche of the Kreos loan made it possible to repay, on April 17, 2017, the outstanding principal owed to Norgine B.V., namely €4.2 million, and free up €2 million in cash.

23. INFORMATION PROVIDED BY THIRD PARTIES, STATEMENTS OF EXPERTS AND STATEMENTS OF INTEREST

23.1. APPOINTMENT OF EXPERTS

None.

23.2. DESIGNATION OF THIRD PARTIES

None.

24. DOCUMENTS ACCESSIBLE TO THE PUBLIC

Copies of this Registration Document are available free of charge at the Company's headquarters, Les Jardins de la Duranne - Bât E & F, 510 rue René Descartes, Aix-en-Provence, France. This document may also be reviewed on the Company's website (www.supersonicimagine.fr) and on the French Financial Market Authority's (Autorité des marchés financiers) website (www.amf-france.org).

The bylaws, minutes of the Shareholders' Meetings and other Company documents, as well as historical financial information and all evaluations or statements prepared by an expert at the Company's request, are available to shareholders in accordance with applicable legislation, and may be consulted, free of charge, at the Company's headquarters.

Ever since the Company's shares have been admitted to trading on the Paris Euronext regulated market, regulatory information as defined by the provisions of the AMF's General Regulations has also been available on the Company's website (www.supersonicimagine.com).

25. INFORMATION ON EQUITY INVESTMENTS

Information regarding companies in which the Company holds a portion of capital that may have a significant impact on the value of its assets, its financial position or its results appear in Chapters 7 “Organizational Chart” and 20 “Financial Information” of this document.

26. GLOSSARY

Biopsy: a mechanism whereby a sample is taken from the body for the purposes of examination under a microscope.

Mucinous carcinoma: mucinous mammary carcinomas are a rare form of breast cancer, the cells of which secrete mucus.

Coronal incision: incision which is perpendicular to a horizontal or transverse incision.

Cytology: examine under the microscope of a small number of cells, which have been harvested by puncture with a fine needle or by taking blood and which are stained and spread out onto a slide.

Doppler: use of ultrasonic waves to measure the speed or velocity of blood flow in blood vessels.

Color Doppler: color Doppler displays the result of echocardiographic shots over a large area of interest in 2D. Color Doppler is used to locate in space the flow within a region of interest.

Pulsed Doppler: pulsed Doppler enables the flow located by color Doppler within the region of interest to be quantified.

Stiffness: see Elasticity.

Sonography: use of ultrasonic waves to measure the speed or velocity of blood flow in blood vessels.

Elasticity (or stiffness): elasticity is the property of a body, organ or tissue of being able to stretch itself and then return to its original shape and size. The elasticity of human tissues varies. However, this variability is particularly significant as a reflection of the pathological condition of tissues.

Elastography: term for imaging techniques concerning tissue elasticity. The main objectives of elastography are to refine diagnosis and to improve the specificity of an ultrasound scan.

ShearWave™ Elastography: a new type of ultrasound imaging created by SuperSonic Imagine, which displays maps of elasticity (kPa) in real time. ShearWave™ Elastography is the first to use shear waves in sonography and is the only method able to provide a local and quantitative measure of tissue elasticity in real time.

Multicenter clinical trials: a clinical trial which takes place simultaneously in several different locations.

FDA: the Food and Drug Administration is a US government agency primarily responsible for controlling and regulating drugs prior to market release.

Goiter: increase, often visible, in the volume of the thyroid gland.

UltraFast™ imaging: a technological breakthrough patented by SuperSonic Imagine, which enables the Aixplorer® ultrasound apparatus to acquire data at a speed of up to 20,000 Hz, which is around 200 times faster than with a traditional ultrasound apparatus.

Acoustic Impedance: resistance of an environment to the passage of sound.

ICC index: The “Intraclass Coefficient Correlation” is defined as the proportion of total variability due to inter-subject variability. It is traditionally used to estimate the reproducibility of a measuring instrument.

Insonify: to use a method enabling the recovery of raw data collected by an acoustic signal, which accurately reflects the subject surveyed, without processing.

Invasive: capable of creating lesions in the body. A non-invasive examination is a medical examination that does not require any penetration of the skin other than to obtain a blood sample or to inject a product.

MRI (Magnetic Resonance Imaging): images in sections in different planes, based on the magnetic properties of tissues, which enables the structure being analyzed to be reconstructed in three dimensions.

Pascals (or kiloPascals): unit of pressure, which allows for measurement of elasticity (stiffness) of human tissue by means of elastography.

Lesions: an anatomical and histological (study of cells) change in the tissues of an organ.

Malignancy: nature of a dangerous tumor.

Palpable masses: presence of a hard mass located within an organ, which can be felt by touch and which is possibly related to the existence of an abnormality. Examinations such as mammography, sonography, MRI or even biopsy are necessary to obtain a diagnosis.

Nodules: abnormal, rounded formation, which can be felt in or under the skin, benign or malignant. Some nodules can be cancerous tumors.

Shear waves: shear waves are slow waves which cause a sliding (or pinching together) of tissue layers relative to each other. Like palpation (which consists of shearing or pinching tissues), they are directly related to tissue stiffness. The shear waves used for the first time by SuperSonic Imagine's Aixplorer® are a source of valuable information, because measurement of their velocity enables tissue stiffness to be determined.

Parenchyma: all the cells which make up the functional tissue of an organ.

PCT (Patent cooperation treaty): international patent application procedure.

Pelvic: concerning the pelvis.

PSA: Prostate-Specific Antigen. a protein produced exclusively by the prostate.

Radiography: x-ray imaging technique which allows an organ or body part to be viewed on a photosensitive film.

Reproducibility: ShearWave™ Ultrasound Elastography measures tissue elasticity and provides quantifiable data in real time, which can be directly interpreted by the user regardless of his or her level of experience. The results can be repeated as many times as required and enable effective monitoring of a patient. They do not depend on how the examination was performed, as is the case with traditional ultrasound imaging.

Scintigraphy: Scintigraphy is emission imaging (namely, the radiation comes from the patient after injection of the tracer) as opposed to radiographic imaging, which is transmission imaging (the beam is external and goes through the patient).

Sensitivity: capability to detect something abnormal.

Specificity: capability to characterize the identified data.

Computed Tomography: medical imaging technique, in which the absorption of x-rays by tissues is measured, and then digitized by computer processing, and finally reconstructed into 2D or 3D images of anatomical structures.

Fast Fourier Transformation: Fourier transformation consists of decomposing an arbitrary periodic signal into a sum of sinusoidal signals of different amplitudes and phase shifts. Fast Fourier transformation (FFT) is a simplified mathematical procedure, which enables this transformation to be performed rapidly in certain conditions.

Positive predictive value: the probability that the condition is present when the test is positive.

27. CORRESPONDENCE TABLES

This Registration Document contains the information required by the annual financial report and the management report.

27.1. MANAGEMENT REPORT CONCORDANCE TABLE

For this document, the concordance table below identifies the information included in the annual financial report referred to in Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulations.

Information contained in the management report	Location
Key events of the period	Section 6.1, Chapter 9 and Section 20.1 Note 1.2
Major events after the balance sheet date	Section 12.1, Section 20.1 Note 37
Anticipated developments	Sections 12.2 and 12.3
Data changes	Section 9.1 and Section 9.2
Corporate Governance Report	Section 16.4
Societal and Environmental Report	Section 8.2 and Section 8.3
Compensation and manager interest in capital	Chapter 15
Corporate governance, functions and terms of office	Chapter 14 and Chapter 16
Market and competition	Section 6.4
Operating resources	Chapter 8
R&D, investment policy and products	Chapter 11, Section 5.2, Section 6.5, Section 9.2.1.4
Subsidiaries	Chapter 7
Risk factors	Chapter 4
Insurance	Section 4.6
Non-deductible expenses	Section 20.4
Information of a general nature concerning capital	Chapter 18 and Chapter 21
Employee incentives	Section 17.5
Earnings during the past 5 years	Section 20.4
Dividend distribution policy	Section 20.7
Treasury stock	Section 21.1.3
Information on supplier payment times	Section 20.4
Regulated-party agreements	Section 19
Summary of delegations of authority in effect	Section 21.1.5
Employee participation in capital	Section 17.4
Bylaws	Section 21.2

27.2. ANNUAL FINANCIAL REPORT CONCORDANCE TABLE

The purpose of the concordance table below is to identify the information included in the annual financial report referred to in Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulations.

Information in the "transparency directive" annual financial report	Location
Annual financial statements	Section 20.3
Consolidated financial statements	Section 20.1
Management report	Section 27.1
Statement by the person responsible	Section 1.2
Report by the Statutory Auditors on the SuperSonic Imagine SA statutory financial statements	Section 20.4.2
Statutory Auditors' Report on the Consolidated Financial Statements	Section 20.4.1
Statutory Auditors' Fees	Section 20.10
Corporate Governance Report	Section 16.4
Special report by the Statutory Auditors on the related-party agreements	Section 19.3