



CONVERTING **LIGHT**
INTO **VISION** AGAIN

2017

INTERIM FINANCIAL REPORT

Limited company with a share capital of € 801,882.72
Headquarters: 74 rue du Faubourg Saint-Antoine, 75012 Paris
538 797 655 RCS Paris

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This document is a free translation from French to English and is provided for convenience purpose only. In case of discrepancy, the French version prevail.

I – PRESENTATION OF THE COMPANY

The company

Pixium Vision, a company that specializes in sensorial neuromodulation, was created in December 2011 upon the collaborative work of several prestigious scientists and technology institutions in France, including the “Institut de la Vision” (UPMC, CNRS, INSERM). The Company is also collaborating with scientific groups and clinicians at research institutes and clinical centres around the world, including Stanford University (USA).

The Company is developing and aims to commercialize Bionic Vision Systems (BVS) – namely active implantable medical devices to treat blindness caused by degeneration of photoreceptor cells in the retina.

Pixium Vision’s Bionic Vision Systems (BVS) are intended to improve the independence, mobility and quality of life of patients who have lost their sight because of retinal degenerative diseases. These diseases, whether genetic, such as retinitis pigmentosa (RP) or age-related like macular degeneration (AMD), cause the acute or progressive degeneration of photoreceptor cells in the retina. The loss of these cells prevents the conversion of visual information into electrical signals, which can then be transmitted to and analysed by the brain. Importantly, these diseases are rarely associated with the deterioration of the other nerve cells in the retina or the optic nerve, and provided an artificial stimulus can still be transmitted, it can be interpreted by the brain.

- Pixium Vision is developing its innovative BVS to replace the normal physiological functions of photoreceptor cells in the eye by electrically stimulating the remaining active nerve cells of the retina, which then transmit the input to the brain via the optic nerve. This process is called sensory neuromodulation.
- Pixium Vision’s BVS leverage a wide array of cutting-edge technologies. They enable the Company to develop therapeutic solutions aimed at providing vision as close as possible to normal. They comprise three components that harness recent developments in microelectronics, optoelectronics, and intelligent software algorithms:
 - A retinal implant that provides the artificial stimulation, via an electrode array, to the remaining functional retinal nerve cells needed to restore the vision of blind patients. This is only part of the BVS that is implanted in the patient’s eye;
 - A portable visual interface in the form of a pair of glasses integrating an advanced biomimetic mini-camera. The camera uses a proprietary technology developed by Pixium Vision. Event based, it functions the same way as the biological retina. This technology harnesses the latest generation of biomimetic sensors – asynchronous time-based image sensors – an event-based sensor that combines the spatial and temporal functions of human vision. The visual interface is linked to a pocket computer and contains a system for transmitting processed information received from the computer to the implant;
 - A pocket computer linked to the visual interface that replaces the information-processing function of the retina using a high-speed digital signal processor and proprietary tuneable software.

The Company is developing and aims to commercialize two BVS:

- IRIS[®]II is the first BVS developed by the company uses a bio-mimetic camera and a 150 electrodes epi-retinal implant with a proprietary design, intended to be explantable and eventually upgradable for patients who have lost their sight due to Retinis Pigmentosa. The Company received CE mark for IRIS[®]II in July 2016. Obtaining the CE mark for IRIS[®] II allows the Company to file for reimbursement in Europe, and initiate its commercial activities. The

company has obtained the NUB Status (medical innovation financing vehicle) in Germany in February 2017, allowing to anticipate a reimbursement by the German health financing system. In France, the Company will respond to requests for additional information in order to obtain the Forfait Innovation (Innovation Package). In other countries, the Company is working to find alternative financing solutions for its devices. The Company anticipates its first sales in 2017.

IRIS® is a trademark of Pixium-Vision SA.

- The PRIMA device targets a broader market, especially dry AMD. The second system developed by the Society uses an implant positioned under the retina (sub-retinal implant) located at the level of degenerated photoreceptors. Pixium Vision has completed the pre-clinical phases including thermal and electrical safety studies, meeting the safety thresholds required for the eye. The Company has also finalized implantation studies in animal models demonstrating a response to light stimulation in blind animals. Pixium Vision submitted a protocol to the Regulatory Authorities in the United States and Europe for the first feasibility study in Human in dry AMD. Pixium Vision considers that an authorization during the second half of 2017 could potentially allow the recruitment of the first patients by the end of 2017.

Pixium Vision's BVS are protected by more than 250 patents, which cover the key components of the IRIS® and PRIMA systems.

Major developments

During the first half of 2017, major developments includes:

- On **January 3, 2017**, Pixium Vision announced the nomination of Robert J.W TEN HOEDT as an independent member in its Board of Directors.
- On **January 11, 2017**, Pixium Vision announced completion of implantation of 10 systems within the framework of its clinical study. Every implanted patient will now follow the re-education program, as defined in the European multi-centric study which started in January 2016.
- On **February 14, 2017**, Pixium Vision announced that the German Institute for Hospital Payment System (InEK) granted it Status 1 of the NUB Innovation Program for its IRIS[®]II bionic vision epi-retinal system.
- On **February 15, 2017**, Pixium Vision announced the appointment of M. Didier LAURENS as Chief Financial Officer.
- On **February 16, 2017**, Pixium Vision, announced the first implantation and activation of IRIS[®]II in Spain at the prestigious Institute of Eye Microsurgery (IMO) in Barcelona as part of the ongoing clinical trial.
- On **February 20, 2017**, Pixium Vision announced its 2016 annual results.
- On **March 28, 2017**, Pixium Vision announced the drawdown of the first € 4 million of its bond financing.
- On **April 25, 2017**, Pixium Vision announced its cash position as at March 31, 2017 and provides a business review of its activities.
- On **April 27, 2017**, Pixium Vision made its 2016 registration document available.
- On **May 3, 2017**, Pixium Vision and research partners reported progress in multiple areas with IRIS[®]II and PRIMA during ARVO 2017 world conference.
- On **May 24, 2017**, Pixium Vision took a step with the French health authority for the eligibility of IRIS[®]II reimbursement under Forfait Innovation.
- On **June 13, 2017**, Pixium Vision announced further positives discussions with FDA for a feasibility study with its PRIMA system for dry-AMD.
- On **June 30, 2017**, Pixium Vision announced the drawdown of the second tranche of its bond financing.

II – RISK FACTORS

The risk factors affecting the Company are presented in Chapter 4 of the 2016 Annual Report filed on April 26th, 2017 by the French Financial Markets Authority (AMF) under number R.17-027.

To the best of the Company's knowledge, the assessment of risks has not changed during the last semester.

The 2016 registration document is available on the company's website:

<http://www.pixium-vision.com/fr/rapports-financiers-et-documents-de-reference>

III – FIRST HALF 2017 CONDENSED FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS

(Amounts in euros)

| | Note | 06/30/2017 | 12/31/2016 |
|----------------------------------|------|-------------------|-------------------|
| Non-current Assets | | | |
| Intangible assets | 3 | 7,942,399 | 8,205,391 |
| Property, plant and equipment | 4 | 1,716,528 | 1,785,758 |
| Non-current financial assets | 5 | 402,354 | 193,116 |
| Total non-current assets | | 10,061,281 | 10,184,265 |
| Current assets | | | |
| Inventories and work in progress | 6 | 778,920 | 312,171 |
| Receivables | | - | 30,060 |
| Other current assets | 7 | 3,520,413 | 2,818,885 |
| Cash & cash equivalents | 8 | 14,916,051 | 14,244,174 |
| Total current assets | | 19,215,384 | 17,405,290 |
| TOTAL ASSETS | | 29,276,665 | 27,589,555 |

LIABILITIES

(Amounts in euros)

| | | 06/30/2017 | 12/31/2016 |
|---|------|-------------------|-------------------|
| Shareholders' equity | | | |
| Share capital | 9 | 801,883 | 764,988 |
| Additional paid-in capital | 9 | 69,738,603 | 69,762,804 |
| Retained earnings | | (46,535,120) | (34,838,941) |
| Profit / (loss) | | (6,442,186) | (12,440,766) |
| Total shareholders' equity | | 17,563,176 | 23,248,084 |
| Non-current liabilities | | | |
| Conditional advances | 10.1 | 1,410,086 | 1,333,145 |
| Other bond financing | 10.2 | 8,080,070 | - |
| Non-current provisions | 10.3 | 187,401 | 171,893 |
| Total non-current liabilities | | 9,677,558 | 1,505,308 |
| Current liabilities | | | |
| Trade account payables | 11.1 | 1,155,491 | 1,292,860 |
| Other current liabilities | 11.2 | 880,438 | 1,543,303 |
| Total current liabilities | | 2,035,929 | 2,836,163 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 29,276,665 | 27,589,555 |

P&L

| | Note | As at June 30 | |
|--|-----------|--------------------|--------------------|
| | | 2017 | 2016 |
| <i>(Amounts in euros)</i> | | | |
| Revenue | 12 | | |
| Net sales | | - | - |
| Research Tax Credit | | 905,898 | 1,242,046 |
| Grants | | 288,923 | 123,376 |
| Other revenues | | 60,358 | 584 |
| Total revenues | | 1,255,179 | 1,366,005 |
| Operating expenses | 13 | | |
| Cost of goods sold | | (561,585) | - |
| Research and development | | (3,990,829) | (5,800,891) |
| Selling | | (238,728) | - |
| General and administrative | | (2,527,059) | (2,597,548) |
| Total expenses | | (7,318,201) | (8,398,440) |
| Operating income | | (6,063,023) | (7,032,434) |
| Financial income | | 40,929 | 127,603 |
| Financial expenses | | (420,092) | (7,650) |
| Financial profit (/loss) | 15 | (379,164) | 119,953 |
| Current profit (/loss) before tax | | (6,442,186) | (6,912,481) |
| Corporation tax | | - | - |
| Net Result | | (6,442,186) | (6,912,481) |
| Other non-transferable comprehensive income | | | |
| Actuarial (loss) / gain on pension plans | | 2,102 | (2,480) |
| Total profit (/loss) for the year | | (6,440,084) | (6,914,961) |
| Weighted average number of shares | | 12,920,539 | 12,746,480 |
| Net earnings per share* | | (0.50) | (0.54) |
| Diluted earnings per share | | (0.50) | (0.54) |

* Net income / weighted average number of shares

CASH FLOW STATEMENT

(Amount in euros)

| | <u>Note</u> | As at 30 June | |
|---|-------------|----------------------|--------------------|
| | | 2017 | 2016 |
| Cash flows from operating activities | | | |
| Profit (/loss) for the financial year | | (6,442,186) | (6,912,481) |
| Reconciliation of net profit to cash flows used in operating activities: | | | |
| Depreciation, amortisation and impairment | | 453,121 | 544,819 |
| Public Grants | | (271,392) | - |
| Non-cash charge for share-based compensation | 14 | 793,202 | 881,239 |
| Retirement benefit obligations | | 17,611 | 18,290 |
| Cash flows from operating activities before financial income/expense and tax | | (5,449,645) | (5,468,133) |
| Inventories | | (466,749) | - |
| (Increase) / decrease in trade receivable | | 30,060 | 4,437 |
| Other current assets | | (701,528) | (1,453,970) |
| Increase / (Decrease) in trade payables | | (137,369) | (815,295) |
| Other current liabilities | | (391,473) | (357,453) |
| Net cash provided (used) by operating activities | | (7,116,704) | (8,090,415) |
| Acquisitions of property, plant and equipment | | (120,899) | (97,387) |
| Acquisitions of intangible assets | | - | - |
| Acquisitions of financial investments | | (209,238) | 1,129 |
| Net cash provided (used) by investing activities | | (330,137) | (96,257) |
| Increase / (decrease) of conditional advances | | 8,156,741 | 1,175 |
| Treasury stock | | (50,717) | 60,028 |
| Capital increase | | 12,694 | 1,800 |
| Net cash provided (used) by financing activities | | 8,118,718 | 63,004 |
| Opening cash and cash equivalents | | 14,244,175 | 24,353,828 |
| Closing cash and cash equivalents | | 14,916,052 | 16,230,159 |
| (Decrease) / Increase in cash position | | 671,877 | (8,123,669) |

**STATEMENT OF CHANGES IN
SHAREHOLDER'S EQUITY**

(Amounts in euros)

| | Share capital | | Share Premiums | Reserves | Net profit (loss) | Total Equity |
|---------------------------------|-----------------------------|----------------|---------------------------|---------------------|------------------------------|-------------------------|
| | Number of Shares | Amount | | | | |
| As at December 31, 2015 | 12,739,795 | 764,388 | 69,742,546 | (19,906,480) | (15,644,427) | 34,956,027 |
| Allocation of prior period loss | | | | (15,644,427) | 15,644,427 | - |
| Share Capital increases | 10,000 | 600 | | | | 600 |
| Elimination of treasury shares | | | | (21,276) | | (21,276) |
| Issue of BSA – BSPCE | | | 20,258 | | | 20,258 |
| Profit (loss) for the year | | | | | (12,440,766) | (12,440,766) |
| Actuarial gains (loss) | | | | 14,176 | | 14,176 |
| Share-based payments | | | | 719,067 | | 719,067 |
| As at December 31, 2016 | 12,749,795 | 764,988 | 69,762,804 | (34,838,940) | (12,440,766) | 23,248,085 |
| Allocation of prior period loss | | | | (12,440,766) | 12,440,766 | - |
| Share Capital increases | 614,917 | 36,895 | - | | | 36,895 |
| Elimination of treasury shares | | | | (50,717) | | (50,717) |
| Issue of BSA – BSPCE | | | (24,201) | | | (24,201) |
| Profit (loss) for the year | | | | | (6,442,186) | (6,442,186) |
| Actuarial gains (loss) | | | | 2,102 | | 2,102 |
| Share-based payments | | | | 793,202 | | 793,202 |
| As at June 30, 2017 | 13,364,712 | 801,883 | 69,738,603 | (46,535,119) | (6,442,186) | 17,563,180 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1: The Company

The company and major developments that occurred during the first half of 2017 are presented in chapter 1 of this document. (Page 4 & 5)

The major developments that occurred after June 30, 2017 are presented in Note 17 of this chapter. (Page 31)

Note 2: Guiding principles and compliance

Preliminary remarks:

The company's accounts are established and presented in euros. Amounts are rounded to the closest euro unless otherwise stated.

Condensed Half year accounts close on June 30, 2017.

Condensed Half year accounts have been approved on July 26, 2017 by the Board of Directors.

General principles and statement of compliance

The going concern assumption was adopted by the Company's management, taking into account the following elements:

- The Company's shareholders' equity is positive and remains at June 30 at € 17.6 million.
- Cash position at June 30, 2017 is positive at € 14.9 million. However, funding for further research and development for PRIMA will require new inflows by the end of the second quarter of 2018.
- The Company is confident that these additional resources will be available, which could take several forms, such as the creation of a private placement with French and international investors or a financing line in equity (Equity line). The General Meeting of June 27, 2017 adopted the specific resolutions to carry out these operations.

Going concern over the next 12 months is conditional on one of the operations described above.

In compliance with EC regulation n°1606 / 2002 adopted on July 19, 2002 by the European Parliament and European Council the 2017 interim financial statements were prepared in compliance with the IFRS standards as adopted by the European Union for all the reporting periods presented.

IFRS as adopted by the EC differs in certain aspects to the one published by IASB. Nevertheless, the Company has made sure that the financial information presented in its statements would not have been materially different if presented according to IASB's IFRS framework.

International standards include IFRS norms (*International Financial Reporting Standards*), IAS norms (*International Accounting Standards*) as well as SIC (*Standing Interpretations Committee*) and IFRIC (*International Financial Reporting Interpretations Committee*) interpretations.

The 2017 interim financial statements are prepared in accordance with IAS 34 - Interim Financial Reporting, as adopted by the European Union, which permits the presentation of a selection of explanatory notes.

The accompanying notes do not contain all of the information required for the complete annual financial statements and should be read in conjunction with the 2016 financial statements.

All the texts adopted by the European Commission are available on its website: http://ec.europa.eu/internal_market/accounting/ias_fr.htm

IFRS standards applied at June 30, 2017

The financial statements are prepared in accordance with the accounting policies and methods applied by the Company to the 2016 financial statements (described in Note 2 to Section 20.1, "Historical Financial Information as of December 31, 2016") and in accordance with other standards and interpretations entered into force on 1 January 2017, except for the application of the new standards and interpretations described below:

New standards, amendments and interpretations not yet applied

The IASB has issued the following standards, amendments and interpretations not yet adopted by the European Union or not binding on 1 January 2017:

- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from contracts with customers
- IFRS 16 – Leases
- Amendments to IAS 7 – Disclosure initiative
- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 2 - Clarifications of classification and measurement of share based payment transactions
- Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture
- Annual improvements to IFRS standards - 2014-2016 cycle

The Company has not applied any of these new standards or amendments in advance and is currently assessing the impacts resulting from their first application.

Note 3: Intangible assets

Intangible assets break down as follows:

| | INTANGIBLE ASSETS | |
|---|---------------------------|-------------------|
| | <i>(Amounts in euros)</i> | |
| | 30/06/2017 | 31/12/2016 |
| Patents, licenses, trademarks | 10,499,989 | 10,499,989 |
| Software | 217,988 | 217,988 |
| Total historical cost | 10,717,977 | 10,717,977 |
| Depreciation of patents, licenses, trademarks | 2,557,915 | 2,295,415 |
| Depreciation of software | 217,663 | 217,171 |
| Depreciation | 2,775,578 | 2,512,586 |
| Net total | 7,942,399 | 8,205,391 |

Intangible assets are mainly composed of the patents acquired by the Company in 2012 for its IRIS® research and development activities

In accordance with IAS 36, no impairments of losses were recognized in the interim financial report presented.

Note 4: Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

(Amounts in euros)

| | <u>01/01/2016</u> | <u>Increase</u> | <u>Decrease</u> | <u>31/12/2016</u> |
|---|-------------------------|-------------------------|-----------------------|-------------------------|
| Industrial and laboratory equipment | 1,535,964 | 50,582 | - | 1,535,964 |
| Building fixtures and fittings | 913,751 | 59,702 | - | 913,751 |
| IT equipment | 154,340 | 17,742 | (2,140) | 154,340 |
| Office furniture | 355,491 | 19,422 | - | 355,491 |
| Other property, plant and equipment | - | - | - | - |
| Gross total | <u>2,959,546</u> | <u>147,448</u> | <u>(2,140)</u> | <u>3,104,854</u> |
| Accumulated depreciation of industrial and laboratory equipment | 679,668 | 89,082 | - | 768,750 |
| Accumulated depreciation of building fixtures and fittings | 46,229 | 231,064 | - | 277,293 |
| Accumulated depreciation of IT equipment | 95,899 | 39,265 | (983) | 134,181 |
| Accumulated depreciation of office furniture | 66,241 | 72,631 | - | 138,872 |
| Accumulated depreciation of other property, plant and equipment | - | - | - | - |
| Total accumulated depreciation | <u>888,037</u> | <u>432,042</u> | <u>(983)</u> | <u>1,319,096</u> |
| Net total | <u>2,071,510</u> | <u>(284,594)</u> | <u>(1,157)</u> | <u>1,785,758</u> |

PROPERTY, PLANT AND EQUIPMENT

(Amounts in euros)

| | <u>01/01/2017</u> | <u>Increase</u> | <u>Decrease</u> | <u>30/06/2017</u> |
|---|-------------------------|------------------------|------------------------|-------------------------|
| Industrial and laboratory equipment | 1,586,547 | 41,559 | - | 1,628,106 |
| Building fixtures and fittings | 973,453 | 51,643 | - | 1,025,096 |
| IT equipment | 169,941 | 7,394 | - | 177,335 |
| Office furniture | 374,913 | 81,006 | (64,020) | 391,899 |
| Other property, plant and equipment | - | 3,316 | - | 3,316 |
| Other tangible assets | - | - | - | - |
| Gross total | <u>3,104,854</u> | <u>184,918</u> | <u>(64,020)</u> | <u>3,225,753</u> |
| Accumulated depreciation of industrial and laboratory equipment | 768,750 | 106,155 | - | 874,905 |
| Accumulated depreciation of building fixtures and fittings | 277,293 | 58,514 | - | 335,807 |
| Accumulated depreciation of IT equipment | 134,181 | 14,892 | - | 149,072 |
| Accumulated depreciation of office furniture | 138,872 | 39,003 | (28,343) | 149,441 |
| Accumulated depreciation of other property, plant and equipment | - | - | - | - |
| Total accumulated depreciation | <u>1,319,096</u> | <u>218,563</u> | <u>(28,434)</u> | <u>1,509,225</u> |
| Net total | <u>1,785,758</u> | <u>(33,645)</u> | <u>(35,585)</u> | <u>1,716,528</u> |

During the first half of 2017, tangible fixed assets increased of € 120,899 against € 145,308 over the same period in 2016.

Note 5: Non-current financial assets

NON-CURRENT FINANCIAL ASSETS

(Amounts in euros)

| | <u>01/01/2016</u> | <u>Increase</u> | <u>Decrease</u> | <u>12/31/2016</u> |
|------------------------|-----------------------|-----------------|------------------------|-----------------------|
| Deposits and guarantee | 238,846 | - | (45,730) | 193,116 |
| Financing deposit | - | - | - | - |
| Gross Total | <u>238,846</u> | <u>-</u> | <u>(45,730)</u> | <u>193,116</u> |

| | <u>01/01/2016</u> | <u>Allocation</u> | <u>Writeback</u> | <u>12/31/2016</u> |
|-------------------------------------|-----------------------|-------------------|------------------------|-----------------------|
| Provision for deposit and guarantee | 45,780 | - | (45,780) | - |
| Total provision | <u>45,780</u> | <u>-</u> | <u>(45,780)</u> | <u>-</u> |
| Net Total | <u>193,067</u> | <u>-</u> | <u>49</u> | <u>193,116</u> |

NON-CURRENT FINANCIAL ASSETS

(Amounts in euros)

| | <u>01/01/2017</u> | <u>Increase</u> | <u>Decrease</u> | <u>06/30/2017</u> |
|------------------------|-----------------------|-----------------------|------------------------|-----------------------|
| Deposits and guarantee | 193,116 | 1,598 | (73,590) | 121,125 |
| Financing deposit | - | 281,230 | - | 281,230 |
| Gross Total | <u>193,116</u> | <u>282,828</u> | <u>(73,590)</u> | <u>402,354</u> |

| | <u>01/01/2017</u> | <u>Allocation</u> | <u>Writeback</u> | <u>06/30/2017</u> |
|-------------------------------------|-----------------------|-----------------------|------------------------|-----------------------|
| Provision for deposit and guarantee | - | - | - | - |
| Total provision | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Total | <u>193,116</u> | <u>282,828</u> | <u>(73,590)</u> | <u>402,354</u> |

Non-current financial assets comprise the deposit paid for the lease of the Company's premises. This amount decreased in the first half of 2017 due to the new lease contract signed between Pixium Vision and Passage de l'Innovation.

The financing deposits correspond to the two advance payments of the last instalment of tranches A & B of the bond financing to Kreos Capital.

These amounts are not discounted in accordance with IAS 17.

Note 6: Inventories and work in progress

INVENTORIES AND WORK IN PROGRESS

(amounts in euros)

| | <u>06/30/2017</u> | <u>12/31/2016</u> |
|--|-----------------------|-----------------------|
| Inventories and work-in-progress | 778,920 | 312,171 |
| Depreciation of inventories and work in progress | - | - |
| Total inventories and work in progress in net value | <u><u>778,920</u></u> | <u><u>312,171</u></u> |

Inventories and work in progress relate to the work in progress of the IRIS®II system, which can be marketed since obtaining the CE marking in July 2016.

Note 7: Other Current Assets

Other current assets break down as follows:

OTHER CURRENT ASSETS

(Amounts in euros)

| | <u>30/06/2017</u> | <u>31/12/2016</u> |
|----------------------------------|-------------------------|-------------------------|
| Advances and prepayments | 94,355 | 236,836 |
| State, Research Tax Credit, CICE | 2,729,907 | 1,817,850 |
| VAT | 157,584 | 239,218 |
| Liquidity contract | 85,155 | 117,819 |
| Differed charges | 446,538 | 373,980 |
| Others | 6,874 | 33,181 |
| Net total | <u><u>3,520,413</u></u> | <u><u>2,818,885</u></u> |

On 30 June 2017, “State, Research Tax Credit, CICE” equals to Research Tax Credit receivable for € 2.7m. This amount is composed of a 2016 receivable of € 1.8m and a half year 2017 receivable of € 0.9m. The company expects to receive the payment of the 2016 receivable in the second half of 2017.

On 30 June 2017, prepaid expenses correspond mainly to rent expenses and related charges.

Research tax credit

The Company benefits from the provisions of Articles 244 c B and 49f F of the General Tax Code relating to research tax credit. In accordance with the principles described in Note 3.14 of the notes to IFRS financial statements established on 31 December 2016, the research tax credit is recognized in “Other revenues” in the year to which the qualifying research expenses relate.

The change in this Research Tax Credit during the last two financial years is shown as follows:

**CHANGE IN RESEARCH TAX CREDIT
RECEIVABLE**

(Amounts in euros)

| | Amount |
|---------------------------------|------------------|
| Receivable on 01/01/2016 | 2,218,603 |
| Other revenues | 1,805,990 |
| Payment received | (2,261,854) |
| Receivable on 31/12/2016 | 1,762,739 |
| | |
| | Amount |
| Receivable on 01/01/17 | 1,762,739 |
| Other revenues | 905,898 |
| Payment received | - |
| Receivable on 30/06/2017 | 2,668,637 |

Note 8: Cash and cash equivalent

Cash and cash equivalents breaks down as follows:

CASH AND CASH EQUIVALENTS

(Amounts in euros)

| | 30/06/2017 | 31/12/2016 |
|-----------------------|-------------------|-------------------|
| Cash | 6,909,067 | 6,242,902 |
| Term deposits | 8,006,984 | 8,001,272 |
| Marketable securities | - | - |
| Net total | 14,916,051 | 14,244,174 |

Note 9: Share capital

9.1 Issued share capital

Share capital at 30 June 2017 amounted to € 801,882.72 (eight hundred and one thousand eight hundred eighty-two euros and seventy-two cents), divided into 13,364,712 shares fully subscribed and paid-up with a nominal value of € 0.06.

This number excludes BSA (share subscription warrants), BSPCE (founders' share warrants) granted to specified investors and individuals who may or may not be employed by the Company and AGA (Free shares).

All the shares give their holders the right to a proportional share in the income and net assets of the Company.

The table below shows the history of share capital for the two periods presented:

| | Nature of operation | Share capital | Issue premium | Number of shares | Nominal |
|--------------------|--|------------------|---------------------|-------------------|---------------|
| | Balance at 31 December 2015 | € 764,388 | € 69,742,546 | 12,739,795 | € 0,06 |
| January 28, 2016 | BSA 05/02/2013 exercise | | €2,000 | | |
| April 07, 2016 | Share capital increase from ordinary share issue | € 600 | | 10,000 | € 0.06 |
| June 05, 2016 | BSPCE Exercise 03/18/2013 | | € 1,200 | | |
| July 13, 2016 | BSPCE Exercise 03/18/2013 | | € 310 | | |
| July 20, 2016 | BSPCE Exercise 03/18/2013 | | € 424 | | |
| July 20, 2016 | BSPCE Exercise 10/02/2013 | | € 694 | | |
| July 20, 2016 | BSPCE Exercise 03/18/2013 | | € 943 | | |
| September 02, 2016 | BSPCE Exercise 03/18/2013 | | € 6,774 | | |
| September 21, 2016 | BSPCE Exercise 03/18/2013 | | € 930 | | |
| September 26, 2016 | BSPCE Exercise 03/18/2013 | | € 3,183 | | |
| September 29, 2016 | BSPCE Exercise 02/05/2014 | | € 1,000 | | |
| October 07, 2016 | BSPCE Exercise 10/02/2013 | | € 694 | | |
| October 07, 2016 | BSPCE Exercise 03/18/2013 | | € 212 | | |
| November 15, 2016 | BSPCE Exercise 10/02/2013 | | € 694 | | |
| November 15, 2016 | BSPCE Exercise 03/18/2013 | | € 1,199 | | |
| | Balance at December 31, 2016 | € 764,988 | € 69,762,804 | 12,749,795 | € 0.06 |
| January 4, 2017 | BSPCE Exercise 05/02/2014 | | € 1,600 | | |
| January 4, 2017 | BSPCE Exercise 03/18/2013 | | € 1,358 | | |
| January 4, 2017 | BSPCE Exercise 02/10/2013 | | € 364 | | |
| January 23, 2017 | BSPCE Exercise 02/10/2013 | | € 305 | | |
| February 01, 2017 | Fees recorded in diminution of issuance premium | | -€ 6 | | |
| February 16, 2017 | Share capital increase from ordinary share issue (AGA) | € 3,844 | -€ 3,844 | 64,068 | € 0.06 |
| February 16, 2017 | Share capital increase from ordinary share issue (BSA) | € 9,974 | -€ 9,974 | 166,237 | € 0.06 |
| February 16, 2017 | Share capital increase from ordinary share issue (BSPCE) | € 13,599 | -€ 13,599 | 226,657 | € 0.06 |
| March 17, 2017 | BSPCE Exercise 03/18/2013 | | € 1,273 | | |
| April 24, 2017 | BSA Exercise 05/02/2014 | | € 6,200 | | |
| May 15, 2017 | BSPCE Exercise 03/18/2013 | | € 1,698 | | |
| June 27, 2017 | Share capital increase from ordinary share issue | € 6,200 | -€ 6,200 | 103,334 | € 0.06 |
| June 27, 2017 | Share capital increase from ordinary share issue | € 3,277 | -€ 3,227 | 54,621 | € 0.06 |
| | Balance at June 30, 2017 | € 801,883 | € 69,748,180 | 13,364,712 | € 0.06 |

The Board of Directors meeting on February 16, 2017, recorded the exercise of 997,425 BSA and 1,359,950 BSPCE for € 23,574 and the definitive allocation of 64,068 bonus shares, resulting in the issuance of 456,962 ordinary shares with par value € 0, 06.

The Board of Directors of June 27, 2017, recorded the exercise of 620,000 BSA and 327,730 BSPCE for € 9,477 resulting in the issuance of 157,955 ordinary shares with a nominal value of € 0.06 and increasing the number of shares constituting the capital of the Company to 13,364,712.

9.2 Share subscription warrants, share warrants for founders of companies

The Company has issued BSA (share subscription warrants), BSPCE (share warrants for founders of companies or stock options) and AGA (Free shares) as follows:

| Type | Date | Subscription price | Number of warrants issued | Number of warrants exercised | Number of forfeited warrants | Number of outstanding warrants | Number of potential shares* |
|----------------------------|------------|--------------------|---------------------------|------------------------------|------------------------------|--------------------------------|-----------------------------|
| BSA | | | | | | | |
| BSA IMI n°2 | 04/27/2012 | € 0.79 / Warrants | 11,392,405 | (11,392,405) | 0 | 0 | 0 |
| BSA Tranche 2 NEW INV | 11/13/2013 | € 0.79 / Warrants | 12,002,713 | (12,002,713) | 0 | 0 | 0 |
| BSA 2013 | 03/18/2013 | € 0.01 / Warrants | 1,978,020 | (857,425) | 0 | 1 120,595 | 186,764 |
| BSA 2013 | 02/05/2014 | € 0.01 / Warrants | 820,000 | (820,000) | 0 | 0 | 0 |
| BSA 2014 | 12/17/2014 | € 0.34 / Warrants | 40,000 | 0 | 0 | 40,000 | 40,000 |
| BSA 2015 | 06/23/2015 | € 0.32 / Warrants | 33,333 | 0 | 0 | 33,333 | 33,333 |
| BSA 2016 KREOS | 09/29/2016 | € 1.00 | 207,817 | 0 | (207 817) | 0 | 0 |
| New BSA 2016 KREOS | 06/27/2017 | € 1.00 | 140,935 | 0 | 0 | 140,935 | 140,935** |
| BSPCE | | | | | | | |
| BSPCE 2013 | 03/18/2013 | € 0.01 / Warrants | 2,000,517 | (1,143,092) | 0 | 857,425 | 142,904 |
| BSPCE 2013 | 10/02/2013 | € 0.01 / Warrants | 824,589 | (344,589) | 0 | 480,000 | 80,000 |
| BSPCE 2013 | 02/05/2014 | € 0.01 / Warrants | 2,809,933 | (260,000) | 0 | 2,549,933 | 424,987 |
| AGA | | | | | | | |
| AGA 2014 | 12/17/2014 | N/A | 215,646 | (64,068) | (151,578) | 0 | 0 |
| AGA 2016 | 01/28/2016 | N/A | 773,200 | 0 | (169,500) | 603,700 | 603,700 |
| Total at 30/06/2017 | | | 33,239,108 | (26,884,292) | (528,895) | 5,825,921 | 1,652,623 |

* Instruments issued prior to 17/06/2014 (date of the reverse stock split by 6 of the Company's shares) have been adjusted accordingly.

** Each New BSA 2016 KREOS gives the right to subscribe a number N of shares, equal to the following formula: $N = 1,100,000 / P / [\text{Number of BSA2016-KREOS}]$ where P is equal to € 7,8050. (See New BSA 2016 KREOS in the General Conditions below)

General conditions of instruments:

BSPCE 2013-03 and BSA 2013-03

Given the consolidation of shares by 6 adopted by the Annual General Meeting and Extraordinary of 24 April 2014, six BSA 2013-03 or six BSPCE 2013-03 ("the warrants") entitle the holder to subscribe one ordinary share of par value of € 0.06 a subscription price of € 0.06.

The warrants may be exercised for up to ten years starting from the allocation date. These have become totally exercisable following the IPO of the company (accelerated vesting provided for in the issuance agreement).

BSA 2014

Each BSA (share subscription warrants) entitles the holder to subscribe one ordinary share to a subscription price of € 6.80.

The capital would be increased by € 2,400 by issuing 40,000 shares with at a par value of € 0.06, with an issue premium of € 269,600 representing a total subscription amount of € 272,000 in the event of the full exercise of all the BSA 2014.

The warrants may be exercised within seven years starting from the allocation date and 1/36th are exercisable at the end of each month from the allocation date.

BSA 2015

Each BSA 2015 entitles its holder to subscribe for one ordinary share at a subscription price of € 6.23. The capital would be increased by € 1,999.98 by issuing 33,333 shares with a nominal value of € 0.06, with an issue premium of € 205,664.61, representing a total subscription amount of € 207,664.59 in case of exercise of all the 2015 BSAs.

The main characteristics are identical in terms of content in relation to the Issuance Contract applicable to the 2014 BSAs.

The warrants were awarded to persons with the following characteristics:

- officers subject to the tax regime of employees and employees of the Company;
- member of a study committee or acting as a non-voting director or independent director of the Company participating significantly in the scientific or economic development of the Company at the time of the award;
- consultant, officer or partner of the companies providing services to the Company.

AGA (Free shares) 2014

The total number of shares allocated in this plan is 215,646. These shares are not subject to any performance conditions.

Each AGA 2014 becomes definitive after a vesting period of 2 years. Then, the beneficiary must retain the shares for two years.

The impact on the net income of share-based payments is shown in Note 14.

AGA 2016

On January 28, 2016, the Board of Directors has granted 773,200 free shares in two separate plans.

➤ *Plan AGA ALL 2016*

The total number of shares allocated to this plan is 673,400, including 300,000 shares allocated to executive directors, ie 90,000 shares in Bernard Gilly and 210,000 shares in Khalid Ishaque.

These shares are subject to the following performance conditions:

- Obtaining the CE mark for IRIS[®]II
- Positive results of the feasibility study on Prima; Achievement of safety and performance assessment criteria

Being reminded that these conditions are cumulative.

➤ *Plan AGA 2016*

The total number of shares allocated in this plan is 99,800.
These shares are not subject to any Performance Conditions.

Each AGA 2016 has a 2-year vesting period and a 1-year retention period. Except for the AGA ALL 2016 Plan, which will only be definitively acquired subject to the fulfilment of the performance conditions before the expiration of the vesting period.

The impact on net income from share-based payments is presented in note 14.

BSA 2016 Kreos

On September 29, 2016, Pixium Vision issued a warrant to Kreos Capital.

The BSA 2016 KREOS entitles its holder to subscribe for one ordinary share at a subscription price of € 5.2931. The share capital would be increased by € 12,469.02 by issuing 207,817 shares with a par value of € 0.06, plus the nominal amount required to protect the holder's rights of the BSA and a total amount of subscription proceeds of € 1,099,996.16.

This warrant has become obsolete following the decision of the Shareholder's General Meeting held on June 27, 2017 to replace it by the New BSA 2016 Kreos. (See below)

New BSA 2016 Kreos

Following the Shareholders' General Meeting on June 27, 2017, the BSA 2016 KREOS was replaced by 140,935 New BSA 2016 KREOS. The latter entitles the holder to subscribe for 140,935 ordinary shares, with a nominal value of € 0.06 with a subscription price of € 7,805¹ per unit, in accordance with the commitments made by the parties during the Venture Loan Agreement of September 27, 2016. The maximum number of shares to be issued² is 422,805 increasing shareholder's Equity by € 25,368.30.

Note 10 : Non-current liabilities

10.1 Conditional advances

Bpifrance Financement granted Pixium Vision a conditional advance within the framework of the company's contribution to the SIGHT AGAIN R&D project.

This advance of a maximum amount of € 5,225,680 breaks down as follow:

- First payment at contract signature: € 179.000 (paid in December 2014),
- Milestone n°1: € 1.900.000
- Milestone n°2: € 879.000
- Milestone n°3: € 764.680
- Milestone n°4: € 1.483.000

¹ The subscription price of each of the issued shares per fiscal year of the New BSA2016-KREOS will be equal to € 7.8050 (corresponding to the volume-weighted average of the closing prices of the issuer's ordinary shares on compartment C of the Euronext Paris three months prior to September 27, 2016), or, in the event of a new Introduction to a price per share of less than this amount, between the issue date of the New BSA2016-KREOS and the expiry of the Validity Period, or any subsequent issuance of securities in the context of a fund raising, for an Issue Price below this amount, at the lowest of such amounts;

² The maximum number of shares to be issued is calculated as follows: $N=1,100,000/P/140,935$, where P is the subscription price as fixed according to the above-mentioned elements.

This conditional will be repaid according to the following schedule:

- Year 1 at the latest on 30 June 2022: € 500.000
- Year 2 at the latest on 30 June 2023: € 750.000
- Year 3 at the latest on 30 June 2024: € 1.000.000
- Year 4 at the latest on 30 June 2025: € 1.500.000
- Year 5 at the latest on 30 June 2026: € 2.100.000

Or a total consideration of €5.850.000.

Following the repayment of the conditional advance, Pixium Vision may have to make additional payments over a period of two years of up to € 2,490,000 depending on reaching cumulative sales of € 100.000.000.

The difference in the valuation of the conditional advance according to the rates used is recognized as a subsidy. (IAS20.10A) The conditional advance is discounted at a rate of 11.5% in reference to the bond financing implemented with Kreos Capital.

Conditional advances to be reimbursed in more than one year are recorded in non-current liabilities, while the rest is recorded in current liabilities as deferred income (PCA).

The effect of "discounting" is shown in financial expenses. (Note 15)

The table below shows the breakdown of debts recorded on the balance sheet by instalments of repayable advances:

| (Amounts in euros) | First payment made at the signature | Milestone n°1 | Milestone n°2 | Milestone n°3 | Milestone n°4 | Total |
|---|-------------------------------------|---------------|---------------|---------------|---------------|------------------|
| Opening balance sheet debt 01.01.2016 | 164,266 | - | - | - | - | 164,266 |
| (+) cashing | - | 1,900,000 | - | - | - | 1,900,000 |
| (-) reimbursement | - | - | - | - | - | - |
| Deferred income at cashing | (86,682) | (681,392) | - | - | - | (768,074) |
| Capitalized interest | 22,489 | - | - | - | - | 22,489 |
| (+) / (-) other movements | 14,734 | - | - | - | - | 14,734 |
| Closing balance sheet debt 12.31.2016 | 114,807 | 1,218,608 | - | - | - | 1,333,415 |
| LT | | | | | | 1,333,415 |
| CT | | | | | | |
| Deferred income considered as grants | 86,682 | 391,800 | - | - | - | - |
| Deferred income recorded as current liabilities | - | 289,592 | - | - | - | - |
| (+) / (-) other movements | (2,456) | - | - | - | - | - |
| Interest rate | 4.57% | 5.69% | 6.48% | 7.55% | 9.03% | - |
| Discount rate | 11.5% | 11.5% | 11.5% | 11.5% | 11.5% | - |
| Maturity in years | 0-14 | 0-12 | 0-11 | 0-10 | 0-9 | - |

| (Amounts in euros) | First payment made at the signature | Milestone n°1 | Milestone n°2 | Milestone n°3 | Milestone n°4 | Total |
|---|---|------------------|------------------|------------------|------------------|------------------|
| Opening balance sheet debt 01.01.2017 | 114,807 | 1,218,608 | - | - | - | 1,333,415 |
| (+) cashing | - | - | - | - | - | - |
| (-) reimbursement | - | - | - | - | - | - |
| Deferred income at cashing | - | - | - | - | - | - |
| Capitalized interest | 6,601 | 70,070 | - | - | - | 76,671 |
| (+) / (-) other movements | - | - | - | - | - | - |
| Closing balance sheet debt 06/30/2017 | 121,408 | 1,288,678 | - | - | - | 1,410,086 |
| LT | | | | | | 1,410,086 |
| CT | | | | | | |
| Deferred income considered as grants | - | 289,252 | - | - | - | |
| Deferred income recorded as current liabilities | - | - | - | - | - | - |
| (+) / (-) other movements | - | - | - | - | - | - |
| Interest rate | 4.57% | 5.69% | 6.48% | 7.55% | 9.03% | |
| Discount rate | 11.5% | 11.5% | 11.5% | 11.5% | 11.5% | |
| Maturity in years | 0-14 | 0-12 | 0-11 | 0-10 | 0-9 | |

Interest rates: they are calculated according to the schedule of payment of the refunds.
Discount rate: This is the market rate used for Pixium vision.

Deferred income was recognized in the income statement for € 289,592. The deferred income related to M-1 has been entirely recognized at the end of June 2017.

10.2 Financial debt

Bond Financing 2016

On September 27, 2016, Pixium Vision signed a € 11 million bond financing with the company "KREOS Capital". This financing is divided into three tranches of € 4 million, € 4 million and € 3 million.

The first tranche was drawn on 27 March 2017 and the second on 30 June 2017. The Company recalls that the drawdown of the third tranche is optional.

The contractual interest rate is 11.5%; the repayment of each tranche is made on a monthly basis and occur in 33 instalments following a 9 months interest only period for the first tranche and 3 months for the second tranche. Interests are paid monthly from the drawdown date.

For this loan, Pixium Vision incurred a transaction fee and, after authorization by the General Meeting of June 27, 2017, issued 140,935 warrants to the lender. These warrants entitle the holder to an equal number of shares at an exercise price of € 7,805.

The fair value of the 140,935 warrants, ie € 181,649, was estimated at the date of issue by an actuary. The fair value of the BSAs is estimated based on the so-called "Black & Scholes" valuation method. The fair value of the 140,935 warrants has been recorded under "Other bond financing" in the Balance sheet.

At the same time, the transaction costs were included in the calculation of the EIR (Effective Interest Rate), the resulting interest expense is shown in financial expenses. (Note 15)

10.3 Non-current provisions

Non-current provisions break down as follow:

NON-CURRENT PROVISIONS

(Amounts in euros)

| | <u>30/06/2017</u> | <u>31/12/2016</u> |
|--------------------|-----------------------|-----------------------|
| Pension obligation | 187,401 | 171,893 |
| Various | - | - |
| Net total | <u>187,401</u> | <u>171,893</u> |

Retirement benefit commitment break down as follow:

RETIREMENT BENEFIT COMMITMENT

(Amounts in euros)

| | <u>Amount</u> |
|---------------------------|-------------------------|
| As at 1/1/2016 | (150,776) |
| Cost of services rendered | (32,157) |
| Interest charges | (3,3136) |
| Service paid | - |
| Actuarial gain (loss) | 14,176 |
| As at 12/31/2016 | <u>(171,893)</u> |
| Cost of services rendered | (16,485) |
| Interest charges | (1,126) |
| Service paid | - |
| Actuarial gain (loss) | 2,102 |
| As at 06/30/2017 | <u>(187,401)</u> |

Each year, the Company carries out an external valuation of its pension liabilities consisting of indemnities upon retirement. The amount recognized for the first half of 2017 corresponds to half of the estimate made by the appraiser; ie. € 16K in 2017 vs. €32K in 2016.

Note 11: Trade account payables and other current liabilities

11.1. Trade account payables and related accounts

In account payable, no discount is applied as no payment deadlines exceeds 1 year. Trade account payables and related accounts break down as follows:

TRADE ACCOUNT PAYABLES AND RELATED ACCOUNTS

(Amounts in euros)

| | <u>30/06/2017</u> | <u>31/12/2016</u> |
|------------------|-------------------------|-------------------------|
| Trade payables | 1,155,491 | 1,292,860 |
| Net total | <u>1,155,491</u> | <u>1,292,860</u> |

11.2. Other current liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES

(Amounts in euros)

| | <u>30/06/2017</u> | <u>31/12/2016</u> |
|------------------|-----------------------|-------------------------|
| Social debt | 868,436 | 1,238,606 |
| Tax debt | 9,531 | 12,645 |
| Deferred revenue | - | 289,592 |
| Other payables | 1,062 | 2,461 |
| Net total | <u>879,029</u> | <u>1,543,303</u> |

Deferred revenue related to the conditional advance SIGHT AGAIN of € 289,592 (ie Note 10.1), recorded in December 2016, has been recognised as operating subsidies on the first half of 2017.

Note 12: Other revenues

Other revenues break down as follows:

OTHER REVENUES

(Amounts in euros)

| | <u>30/06/2017</u> | <u>30/06/2016</u> |
|---------------------|-------------------------|-------------------------|
| Research tax credit | 905,898 | 1,242,046 |
| Grants | 288,923 | 122,159 |
| Other | 60,358 | 1,801 |
| Net total | <u>1,255,179</u> | <u>1,366,005</u> |

Note 13: Operating expenses

The expenses incurred in the manufacture of the commercial IRIS®II system break down as follow:

COST OF GOODS SOLD

(Amounts in euros)

| | <u>06/30/2017</u> | <u>06/30/2016</u> |
|---|-----------------------|-------------------|
| Personnel costs | 485,693 | - |
| Purchase of raw materials, supplies and other consumables | 441,661 | - |
| Subcontractors, collaboration and consultants | 20,150 | - |
| Change in inventory | (466,749) | - |
| Depreciation and provision | 51,782 | - |
| Others | 26,048 | - |
| Total net | <u><u>561,585</u></u> | <u><u>-</u></u> |

Research and development expenses break down as follow:

R&D EXPENSES

(Amounts in euros)

| | <u>30/06/2017</u> | <u>30/06/2016</u> |
|---|-------------------------|-------------------------|
| Personnel costs | 1,331,836 | 2,072,972 |
| Subcontractors, collaboration and consultants | 1,241,158 | 1,415,797 |
| Research supplies | 604,105 | 1,195,705 |
| Lease of real property | 523,373 | 621,308 |
| Conferences, travel expenses | 99,793 | 96,086 |
| License fees | 17,542 | 50,746 |
| Depreciation, amortization and provisions | 145,705 | 259,631 |
| Other | 27,317 | 88 646 |
| Net total | <u><u>3,990,829</u></u> | <u><u>5,800,891</u></u> |

Personnel costs presented above include a non-cash expense related to share plans 2016 (AGA 2016 and AGA ALL 2016) for an amount of € 330,070 at the end of June 2017 versus € 304,266 in 2016.

The lines “Personnel costs” and “Research supplies” have decreased because of the change in resources allocation on IRIS®II. Part of this costs have been recorded in Costs of Good Sold as at June 30, 2017.

Selling and marketing expenses break down as follow:

SELLING AND MARKETING

(Amounts in euros)

| | <u>30/06/2017</u> | <u>30/06/2016</u> |
|--|-----------------------|-------------------|
| Personnel costs | 123,194 | - |
| Fees | 67,628 | - |
| Communication, public relations, travel and entertainment expenses | 28,874 | - |
| Other | <u>19,032</u> | <u>-</u> |
| Total net | <u>238,728</u> | <u>-</u> |

General and Administrative expenses break down as follows:

GENERAL AND ADMINISTRATIVE

(Amounts in euros)

| | <u>30/06/2017</u> | <u>30/06/2016</u> |
|--|-------------------------|-------------------------|
| Personnel costs | 1,261,196 | 1,338,468 |
| Fees | 350,276 | 386,421 |
| Lease of real property | 127,847 | 153,098 |
| Insurance | 25,157 | 30,313 |
| Communication, travel and entertainment expenses | 356,968 | 283,427 |
| Postal and telecommunication costs | 30,915 | 38,349 |
| Administrative supplies and equipment lease | 19,881 | 15,011 |
| Depreciation, amortization and provisions | 284,068 | 284,031 |
| Other | <u>70,750</u> | <u>58,431</u> |
| Net total | <u>2,527,059</u> | <u>2,597,548</u> |

Personnel costs presented above include a non-cash expense related to share plans 2016 (AGA 2016 and AGA ALL 2016) for an amount of € 390,109 at the end of June 2017 versus € 550,908 in 2016. External service costs relating to commissions and borrowing fees were transferred to financial expenses.

Personnel expenses

The Company employed 41 people on 30 June 2017, compared with 38 on 30 June 2016.

Personnel expenses break down as follows:

PERSONNEL EXPENSES

(Amounts in euros)

| | <u>30/06/2017</u> | <u>30/06/2016</u> |
|---------------------------------|-------------------------|-------------------------|
| Salaries and other compensation | 1,751,330 | 1,870,511 |
| Social contributions | 530,730 | 597,252 |
| Pension liability expenses | 16,485 | 16,722 |
| Share-based payments | <u>793,202</u> | <u>881,239</u> |
| Net total | <u>3,091,747</u> | <u>3,365,724</u> |

Salaries and other compensations paid amounted to € 1,751,330 at the end of June 2017, down from the first half of 2016, and is explained by lesser bonus payments paid less than in 2016.

Note 14: Share-based payments

Share-based payments relate to warrants and free shares (BSA/BSPCE/AGA) allocated to employees, non-employed members of the Board of Directors and scientific advisors.

The cost representing the granted benefit is recorded linearly in Personnel costs over the vesting period.

The amount of the expense recognized during the half year period breaks down as follows for each plan:

| In euros | June 30 2017 | | | | | June 30, 2016 | | | | |
|-----------------------------------|---------------|----------------|----------|----------------|----------------|---------------|----------------|----------|----------------|-----------------|
| | COGS | R&D | S&M | G&A | Total | COGS | R&D | S&M | G&A | Total |
| BSA | 0 | 3,388 | 0 | 5,531 | 8,919 | 0 | 10,884 | 0 | 14,622 | 25,506 |
| BSA - Attribution of 03/18/2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BSA – Attribution of 02/05/2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BSA - Attribution of 1/17/2014 | 0 | 3,388 | 0 | 0 | 3,388 | 0 | 10,884 | 0 | 0 | 10,884 |
| BSA - Attribution of 06/23/2015 | 0 | 0 | 0 | 5,331 | 5,331 | 0 | 0 | 0 | 14,622 | 14,622 |
| BSPCE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 559 | 5592,872 |
| BSPCE - Attribution of 03/18/2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 340 | 340 |
| BSPCE - Attribution of 10/02/2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 210 | 210 |
| BSPCE - Attribution of 02/05/2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| AGA | 64,104 | 330,070 | 0 | 390,109 | 784,283 | 0 | 304,266 | 0 | 550,908 | 855,174 |
| AGA - attribution of 12/17/2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| AGA - attribution of 01/28/2016 | 64,0104 | 370,000 | 0 | 390,109 | 784,283 | 0 | 304,266 | 0 | 550,908 | 855,174 |
| Total | 64,104 | 333,458 | 0 | 395,641 | 793,202 | 0 | 315,150 | 0 | 566,089 | 881,239 |

*: The warrants linked to the KREOS bonds are not included in the category treated in IFRS 2. They are included for their fair value in Liabilities in the Balance Sheet in "Other Bond Financing" (see Note 10.2)

The main characteristics of each plans are detailed in the following table:

| | BSA | | | | BSPCE | | | AGA | |
|---|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Date of Assignment (CA) | 18/03/13 | 05/02/14 | 17/12/14 | 23/06/15 | 18/03/13 | 02/10/13 | 05/02/14 | 17/12/14 | 28/01/16 |
| Vesting period (in years) | 4 | 4 | 3 | 3 | 4 | 4 | 4 | 2 | 2 |
| Contractual life (in years) | 10 | 10 | 7 | 7 | 10 | 10 | 10 | - | - |
| Average expected life of instrument (in years) | 6 | 6 | 4,5 | 4,5 | 6 | 6 | 6 | - | - |
| Total number of instruments originally issued * | 329,668 | 136,666 | 40,000 | 33,333 | 323,425 | 137,432 | 468,319 | 215,646 | 773,200 |
| Parity Instrument / Action * | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Strike price * | € 0.06 | € 0.06 | € 6.80 | € 6.23 | € 0.06 | € 0.06 | € 0.06 | N/A | N/A |
| Evaluation model used | Black and Scholes | | | | | | | | |
| Fair value of share at grant date * | € 0.06 | € 0.06 | € 6.10 | € 6.02 | € 0.06 | € 0.06 | € 0.06 | € 6.10 | € 5.25 |
| Expected volatility (1) | 45.0% | 45.0% | 45.0% | 45.0% | 45.0% | 45.0% | 45.0% | - | - |
| Expected Dividends | - | - | - | - | - | - | - | - | - |
| Performance conditions | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | OUI |
| Fair value of option * | € 0.03 | € 0.02 | € 1.64 | € 1.91 | € 0.03 | € 0.03 | € 0.02 | € 6.04 | € 5.25 |

*: In order to ensure better comparability between the instruments and the same conversion parity, instruments issued before 17/06/2014 (the date of the merger of my Company's shares) were adjusted accordingly (number, price Exercise, value of the action ...).

(1) Based on the historical volatility of a comparable panel of listed companies.

Detailed information on the number of options by category and exercise prices for the financial year is shown in Note 9.2.

Note 15: Financial income and expenses

Financial income and expenses break down as follows:

FINANCIAL INCOME AND EXPENSES

(Amounts in euros)

| | <u>30/06/2017</u> | <u>30/06/2016</u> |
|------------------------------------|-------------------------|-----------------------|
| Financial income | 40,929 | 127,603 |
| Financial expenses | (420,092) | (7,650) |
| <i>Interest, loans and debts</i> | (217,652) | - |
| <i>Valuation of Kreos Warrants</i> | (181,649) | - |
| <i>Other financial expenses</i> | (20,791) | (7,650) |
| Net total | <u>(379,164)</u> | <u>119,953</u> |

At June 30, 2017, financial income corresponds to interest related to the remuneration of time deposits and marketable securities. The financial expenses are composed of interest on debt, and of foreign exchange losses on foreign currency purchases.

Financial expenses consist of interest on Kreos debt for € 140,980 and interest on the "Sight Again" conditional advance for € 76,671. The valuation of the Kreos Warrants is € 181,649 at the end of June 2017. (see Note 10.2)

Note 16: Related party transactions

The remuneration presented below, granted to officers and members of the Board of Directors of the Company have been expensed during the two periods:

RELATED PARTY TRANSACTIONS

(Amounts in euros)

| | <u>30/06/2017</u> | <u>30/06/2016</u> |
|---------------------------------|-----------------------|-----------------------|
| Salaries and other compensation | 272,786 | 375,507 |
| Attendance fees | 77,000 | 23,000 |
| Benefits in kind | 19,403 | 24,492 |
| Pension liability expenses | 4,331 | 5,628 |
| Share-based payment | 395,511 | 331,806 |
| Net total | <u>769,030</u> | <u>760,432</u> |

Note 17: Major developments that occurred after the reporting date

No major developments occurred after closing.

IV – ACTIVITY REPORT

P&L Analysis

| <i>Income Statement summary</i> | | |
|---------------------------------|------------------|------------------|
| <i>In K euros</i> | H1 2017 | H1 2016 |
| Revenues (*) | 1,255.2 | 1,366.0 |
| Operating expenses | (7,318.2) | (8,398.4) |
| Cost of goods sold | (561.6) | - |
| Research and development | (3,990.8) | (5,800.9) |
| Selling and marketing | (238.7) | - |
| General and administrative | (2,527.1) | (2,597.5) |
| Operating Result | (6,063.0) | (7,032.4) |
| Net result | (6,442.2) | (6,912.5) |
| Earning per shares | € (0.50) | € (0.54) |

(*): O/W Research Tax Credit

Over both presented periods, the Company did not generated sales.

Revenues amounted € 1.26 million including € 0.91 million from Research Tax Credit (CIR), down compared to H1 2016. CIR corresponds to the Company's ongoing R&D efforts, notably in clinical expenses for IRIS®II and the preclinical development of PRIMA. A reduction in IRIS®II's R&D expenses following its CE marking led to the overall decrease in revenues in 2017 compared to 2016. The Company also accounted €0.29 million related to the "Sight Again" project.

Costs of goods sold amount to € 0.6 million at the end of June 2017. Since entering the marketing phase of the IRIS®II system, part of the R&D expenses has been allocated to manufacturing costs as well as the various purchases of materials, supplies and other consumables relating to this system.

Research & Development (R&D) spending amounted to € 3.99 million. Pixium Vision continues to invest in the development of its two bionic vision systems. Since obtaining the CE marking last July, part of the costs for the IRIS®II system is now allocated to the manufacturing cost and explains the decline in R&D spending between 2017 and 2016. The majority of IRIS®II spending remains focused on clinical studies. PRIMA, Pixium Vision's second and innovative bionic vision system, saw R&D spending focused on the next stages of development and its first human implantation.

Selling and Marketing costs amounted to € 0.24 million at the end of June 2017. During the past six months, Pixium Vision continued to recruit commercial development staff to strengthen its sales capabilities in Germany, Spain and the Middle-East. Beyond the expert centers of excellence involved in its clinical trials, Pixium Vision aims to develop additional centers of excellence in ophthalmology, and train healthcare professionals (retinal surgeons and low-vision specialists) in the implantation of its IRIS®II system, and in the re-education and re-adaptation of patients. At the same time, Pixium Vision continues to provide a sustained partnership t to blind patient advocacy groups.

General and administrative expenses amounted to € 2.53 million against € 2.60 million a year earlier. The Company keeps control of its General and administrative costs year on year.

Net financial result shows a loss of € 0.33 million mainly related to the execution of the bond financing with Kreos Capital and its first interest payment, as well as capitalized interests on the recording of Conditional advances.

Operating income is a loss of € 6.06 million compared with a loss of € 7.03 million in the first half of 2016, and **Net result** shows a loss of €6.44 million (against a loss of € 6.91 million in the first half of

2016). **Net earnings per share** amounted to € (0.50) and € (0.54) respectively at June 30, 2017 and June 30, 2016.

Cash flows analysis

| <i>Cash flow statement summary</i> | | |
|---|----------------|----------------|
| <i>In thousand Euros</i> | S1 2017 | S1 2016 |
| Opening cash and cash equivalents | 14,244.2 | 24,353.8 |
| (Decrease) / Increase in cash position | 671.9 | (8,123.7) |
| <i>O/W net cash flows from operating activities</i> | (7,116.7) | (8,090.4) |
| <i>O/W net cash flows from investing activities</i> | (330.1) | (96.3) |
| <i>O/W net cash flows from financing activities</i> | 8,118.7 | 63.0 |
| Closing cash, and cash equivalents | 14,916.1 | 16,230.2 |

Net cash outflow from operating activities amounted to € 7.12 million and € 8.09 million respectively as at June 30, 2017 and June 30, 2016. In the first half of 2017, R&D spending focused on the further development of PRIMA, with the completion of in-vitro and studies in animal models and the filing for the first-in-human feasibility study for dry AMD indication. Therefore, Selling and Marketing spending increased in line with the strategic plan to selectively build field commercial presence. General and Administrative costs, on the other hand, remain well controlled.

During the first half of 2017, **net cash flows from investing activities** amounted to € 0.33 million against € 0.10 million the year before. In 2017, the expenses mainly comprise the deposit cashed out over the first two tranches of the bond financing, for an amount of € 0.28 million.

At June 30, 2017, **net cash flows from financing activities** amounted to € 8.12 million. On March 28 and June 30, 2017, Pixium Vision received a net payment of € 3.7 million euros and € 3.9 million, respectively, following the planned drawdown of tranches A and B of the bond financing signed with Kreos Capital in September 2016.

On June 30, 2017, the company had a **positive net cash position** of € 14.92 million.

PIXIUM VISION

Société Anonyme

74 rue du Faubourg Saint Antoine

75012 PARIS

**Statutory auditor’s report on interim financial report
for the first semester 2017**

Shareholders,

In accordance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with article L.451-1-2 III of the Monetary and Financial Code, we carried out:

- the review of the condensed half-yearly financial statements of PIXIUM VISION for the period from 1 January to 30 June 2017, as attached to this report;
- verification of the information given in the half-year activity report.

These condensed half-year financial statements have been drawn up under the responsibility of your Board of Directors. It is our responsibility, on the basis of our limited review, to express our conclusion on these financial statements.

I - Conclusion on the accounts

We conducted our review in accordance with professional standards applicable in France. A limited review primarily consist on talking with members of management responsible for financial and accounting matters and implementing analytical procedures. It is substantially less in scope than an audit conducted in accordance with professional standards applicable in France. Therefore, the assurance that the financial statements taken as a whole, does not contain any significant anomalies obtained in the context of a limited review is moderate, lower than that obtained in the course of an audit.

Based on our limited review, we have not identified any significant anomalies that would call into question the conformity of the condensed interim consolidated financial statements with IAS 34 - standard of the IFRS as adopted by the European Union On interim financial reporting.

Without calling into question the above conclusion, we draw your attention to Note 2 to the consolidated financial statements, which sets out the basis for maintaining the principle of going concern for the preparation of the financial statements.

II - Specific verification

We also verified the information given in the interim management report on the interim financial statements subject to our review. We have no comment to make on the fairness and consistency with the condensed interim financial statements.

Lyon, on July the 28th, 2017

The Statutory Auditor

DELOITTE & ASSOCIES

Dominique VALETTE

VI - STATEMENT OF THE PERSON RESPONSIBLE FOR THE 2017 INTERIM FINANCIAL REPORT

I certify that, to my knowledge, the condensed interim financial statements were prepared in accordance with applicable accounting standards and give a fair view of the assets, the financial position, and the results of the Company at 30 June 2017 and that the interim management report includes a fair review of major developments that occurred during the first six months of the year, their impact on the financial statements, the main transactions between related parties and a description of the principal risks and uncertainties for the remaining six months of the year.

Monsieur Khalid Ishaque
Chief Executive Officer
July, the 26th 2017