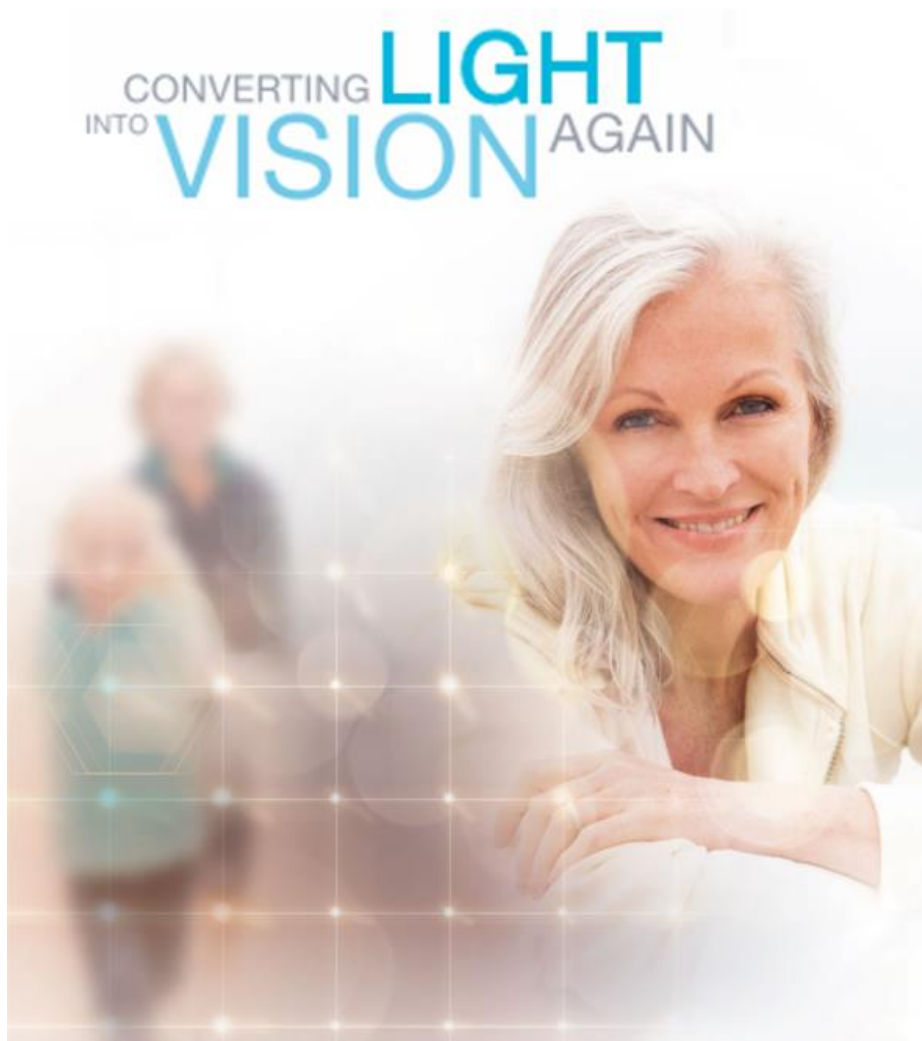




Société anonyme au capital social de 1 253 781,78 €  
Siège social : 74 rue du Faubourg Saint-Antoine, 75012 Paris  
538 797 655 RCS Paris

# INTERIM FINANCIAL REPORT

## 2018



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INTERIM FINANCIAL REPORT

# 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 centers 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 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 tunable software.

Pixium Vision’s BVS are protected by more than 250 patents, which cover the key components of the systems.

Pixium Vision is focusing its financial and human resources on the development of its platform PRIMA.

The PRIMA device targets advanced dry-AMD, a significant unmet medical need. The system uses an implant positioned under the retina (sub-retinal implant) located at the level of degenerated photoreceptors. PRIMA is an innovative technology now in its clinical development stage. 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 safety as well as a response to light stimulation in blind animals. The development of the manufacturing process in the industrial scale of implants has also been finalized. In 2017, 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. On October 19th, 2017, the French Agence Nationale de Sécurité des Médicaments et des produits de santé (ANSM) authorized a clinical trial of feasibility in Human. This feasibility trial aims to evaluate the safety and the restoration of a visual perception in 5 patients implanted with PRIMA. On July 10, 2018 the Company announced completion of implantations in five French patients. In parallel, the US FDA authorized in December 2017 a feasibility trial with PRIMA in five patients with advanced dry-AMD. The recruitment of patients in this study has now started.

The second platform, IRIS® has been in clinical development in Retinitis Pigmentosa (RP) in multiples hospitals in Europe from January 2016. The Company has completed implantations in January 2017 and mentioned that implanted patients entered in rehabilitation phase. In September 2017, the Company announced 6-month follow-up positive clinical results. However, in the same time, the Company found a shorter-than-expected lifetime of the implant, between 9 and 12 months and decided to halt implantations in the clinical study. A possible cause of this reduced lifetime as been identified and the Company proposed a remediation protocol to the regulatory authorities to resume the clinical trial. Some regulatory bodies, among which France, rejected the proposition and asked for more evidences. Such a request is equivalent to a new preclinical development plan which would require significant resources. Consequently, Pixium Vision has decided to postpone the needed investments in IRIS® and focused its resources to the development of PRIMA. The Bionic Vision System IRIS® II get its CE mark in July 2016 as well as reimbursement through NUB in Germany and Forfait Innovation in France and recorded the sale of one system in Spain in August 2017 before being halted. Given the innovative technology, manufacturing processes and intellectual property, the Company is pursuing the evaluation of potential applications in clinical domains outside of the vision segment.

## Major events in first half 2018

During the first half of 2018, major developments include:

- On **January 4, 2018**, Pixium Vision received FDA approval to begin human clinical study of its PRIMA retinal implant in the US.
- On **January 25, 2018**, Pixium Vision completed world's first activation in human of PRIMA bionic vision system.
- On **February 8, 2018**, Pixium Vision announced its 2017 annual results and provides business update. The Company also stated: "In October 2017, the Company halted new implantations of IRIS®II following an identified average lifetime between 9 and 12 months, shorter than expected during the clinical trial. However, 6-month follow-up clinical results of IRIS®II were positive in patients having lost their sight because of Retinitis Pigmentosa (RP). Despite positive clinical results with IRIS®II, the Company has decided to postpone developments needed to improve the implant's lifetime which would require important financial spend through to end 2019".
- On **March 13, 2018**, Pixium Vision announced successful activations with PRIMA, its breakthrough Bionic Vision System, in the first three patients with atrophic dry-AMD.
- On **April 11, 2018**, Pixium Vision reported Q1 2018 cash position.
- On **April 11, 2018**, Pixium Vision launched a €10.6 million right issue to support the advances in clinical development of PRIMA, its breakthrough bionic vision system.
- 
- On **April 27, 2018**, Pixium Vision's research partners, Stanford University, presented advances on bioelectronic PRIMA platform during ARVO 2018.
- 
- On **May 3, 2018**, Pixium Vision announced the significant success of its €10.6 million right issue.

## II – RISK FACTORS

The risk factors affecting the Company are presented in Chapter 4 of the 2017 Annual Report filed on March 26th, 2018 by the French Financial Markets Authority (AMF) under number R.18-0185.

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

The 2017 registration document is available on the company's website:  
<http://www.pixium-vision.com/fr/investors/financial-reports-and-documents>

### III – FIRST HALF 2018 CONDENSED FINANCIAL STATEMENTS

#### BALANCE SHEET

(Amounts in euros)		Note	30/06/2018	31/12/2017
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Intangible assets	3		7,417,075	7,679,574
Property, plant and equipment	4		1,370,453	1,567,341
Non-current financial assets	5		335,094	402,223
<b>Total non-current assets</b>			<b>9,122,621</b>	<b>9,649,139</b>
<b>Current assets</b>				
Stocks and work in progress	6		877,046	909,126
Receivables			–	–
Other current assets	7		3,592,321	2,800,553
Cash & cash equivalents	8		16,735,209	10,531,602
<b>Total current assets</b>			<b>21,204,575</b>	<b>14,241,281</b>
<b>TOTAL ASSETS</b>			<b>30,327,196</b>	<b>23,890,420</b>
<b>LIABILITIES</b>				
<b>Shareholders' equity</b>	9			
Share capital			1,253,782	816,005
Additional paid-in-capital			82,646,780	70,164,019
Retained earnings			(60,447,728)	(45,601,973)
Profit / (loss)			(2,988,563)	(13,541,934)
<b>Total shareholders' equity</b>			<b>20,464,271</b>	<b>11,836,118</b>
<b>Non-current liabilities</b>				
Refundable advances	10		1,572,246	1,486,758
Venture loan	11		6,639,201	7,643,731
Non-current provisions	12		156,791	171,576
<b>Total non-current liabilities</b>			<b>8,368,238</b>	<b>9,302,065</b>
<b>Current liabilities</b>				
Current provisions	13		–	184,190
Trade account payables	14		687,566	1,222,414
Other current liabilities	15		807,121	1,345,633
<b>Total current liabilities</b>			<b>1,494,687</b>	<b>2,752,237</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>30,327,196</b>	<b>23,890,420</b>

## Profit & Loss statement

		As at 30th June		
(Amounts in euros)	Note	2018	2017 adjusted*	2017 Reported*
<b>Revenues</b>	16			
Net sales		–	–	–
Research Tax Credit		859,067	905,898	905,898
Grants		7,125	288,923	288,923
Other revenues		47,072	60,358	60,358
<b>Total revenues</b>		<b>913,264</b>	<b>1,255,179</b>	<b>1,255,179</b>
<b>Operating expenses</b>	17			
Costs of goods sold		(36,511)	(497,481)	(561,585)
Research and Development		(3,049,449)	(3,657,371)	(3,990,829)
Sales and Marketing		(72,334)	(238,728)	(238,728)
General expenses		(1,326,106)	(2,131,418)	(2,527,059)
<b>Total expenses</b>		<b>(4,484,400)</b>	<b>(6,524,999)</b>	<b>(7,318,201)</b>
<b>Adjusted operating income *</b>		<b>(3,571,137)</b>	<b>(5,269,820)</b>	–
Charge for share-based compensation		1,368,973	(793,202)	–
<b>Operating income</b>		<b>(2,202,164)</b>	<b>(6,063,023)</b>	<b>(6,063,023)</b>
Financial income		90,620	40,929	40,929
Financial expenses		(877,019)	(420,092)	(420,092)
<b>Financial profit / (loss)</b>	19	<b>(786,399)</b>	<b>(379,164)</b>	<b>(379,164)</b>
<b>Current profit / (loss) before tax</b>		<b>(2,988,563)</b>	<b>(6,442,186)</b>	<b>(6,442,186)</b>
Corporation tax		–	–	–
<b>Net result</b>		<b>(2,988,563)</b>	<b>(6,442,186)</b>	<b>(6,442,186)</b>
<b>Other non-transferable comprehensive income</b>				
Actuarial gains / (losses) on pension plans	12	55,272	2,102	2,102
<b>Total profit / (loss) for the half year</b>		<b>(2,933,291)</b>	<b>(6,440,084)</b>	<b>(6,440,084)</b>
Weighted average number of shares		14,685,874	12,920,539	12,920,539
<b>Net earnings per share</b>		<b>(0.20)</b>	<b>(0.50)</b>	<b>(0.50)</b>
<b>Diluted earnings per share</b>		<b>(0.20)</b>	<b>(0.50)</b>	<b>(0.50)</b>

\* Adjusted operating income: The operating income was adjusted of non-cash items related to charge for share-based compensation.

## Cash Flow Statement

	As at 30th June		
	2018	2017 adjusted*	2017 reported
<i>(Amounts in euros)</i>			
<b>Cash flows from operating activities</b>			
Profit / (loss) for the half year	(2,988,563)	(6,442,186)	(6,442,186)
<b>Reconciliation of net profit to cash flows used in operating activities</b>			
Depreciation, amortization and impairment	429,245	453,121	453,121
Provisions	(160,984)	–	–
Government grants	30,375	(289,592)	(271,392)
Financial results	401,155	156,741	–
Non-cash charge for share-based compensation	(1,368,973)	793,202	793,202
Retirement benefit obligations	17,280	17,611	17,611
<b>Cash flows from operating activities</b>	<b>(3,640,465)</b>	<b>(5,311,103)</b>	<b>(5,449,645)</b>
Inventories	32,081	(466,749)	(466,749)
(Increase) / Decrease in trade receivables	–	30,060	30,060
Other current assets	(774,625)	(701,528)	(701,528)
(Increase) / Decrease in trade payables	(534,848)	(137,369)	(137,369)
Other current liabilities	(568,887)	(373,274)	(391,473)
<b>Net cash flows from operating activities</b>	<b>(5,486,744)</b>	<b>(6,959,962)</b>	<b>(7,116,703)</b>
Acquisitions of property, plant and equipment	30,143	(120,899)	(120,899)
Acquisitions of Intangible assets	–	–	–
Acquisitions of financial holdings	47,706	(209,238)	(209,238)
<b>Net cash flows from investing activities</b>	<b>77,850</b>	<b>(330,137)</b>	<b>(330,137)</b>
Increase / (Decrease) of refundable advances	–	–	–
Increase / (Decrease) of financial debt	(1,317,915)	8,000,000	8,156,741
Treasury stocks	9,879	(50,717)	(50,717)
Share capital Increases	12,920,537	12,694	12,694
<b>Net cash flows from financing activities</b>	<b>11,612,501</b>	<b>7,961,976</b>	<b>8,118,718</b>
Opening cash and cash equivalents	10,531,602	14,244,175	14,244,175
Closing cash and cash equivalents	16,735,208	14,916,052	14,916,052
<b>(Decrease) / Increase in cash position</b>	<b>6,203,607</b>	<b>671,877</b>	<b>671,877</b>

\* 2017 adjusted: adjusted of non-cash items related to refundable advances under IFRS ruling and the valuation of BSA attached to the Venture loan KREOS. Without IFRS restatement which consists of recording a subsidy (see chapter 20.1 note 3.11 & note 12 of the 2017 Annual Report filed on March 26th, 2018), the amount of the refundable advance received in 2016 was €1.9m.

## Statement of changes in shareholder's equity

(Amounts in euros)	Share capital		Share Premiums	Reserves	Net profit / (loss)	Total Equity
	Number of shares	Amount				
<b>As at 1 January 2017</b>	<b>12,749,795</b>	<b>764,988</b>	<b>69,762,804</b>	<b>(34,838,941)</b>	<b>(12,440,766)</b>	<b>23,248,084</b>
Allocation of prior period loss				(12,440,766)	12,440,766	–
Share capital increases	850,289	51,017				51,017
Profit / (loss) for the year					(13,541,934)	(13,541,934)
Transaction cost			(87,690)			(87,690)
Elimination of treasury shares				66,994		66,994
Issue of BSA			488,906			488,906
Actuarial gains / (losses)				7,002		7,002
Share-based Payments				1,603,739		1,603,739
<b>As at 31 December 2017</b>	<b>13,600,084</b>	<b>816,005</b>	<b>70,164,019</b>	<b>(45,601,973)</b>	<b>(13,541,934)</b>	<b>11,836,118</b>
Allocation of prior period loss				(13,541,934)	13,541,934	–
Share capital increases	7,296,279	437,777	10,274,528			10,712,305
Profit / (loss) for the half year					(2,988,563)	(2,988,563)
Transaction cost			(1,095,772)			(1,095,772)
Elimination of treasury shares				9,879		9,879
Issue of BSA			3,304,004			3,304,004
Actuarial gains / (losses)				55,272		55,272
Share-based Payments				(1,368,973)		(1,368,973)
<b>As at 30 June 2018</b>	<b>20,896,363</b>	<b>1,253,782</b>	<b>82,646,780</b>	<b>(60,447,728)</b>	<b>(2,988,563)</b>	<b>20,464,271</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### NOTE 1: THE COMPANY

The company and major developments that occurred during the first half of 2018 are presented in chapter 1 of this document. (Page 4 & 5)

The major developments that occurred after June 30, 2018 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, unless otherwise stated.

The Company has incorporated its US affiliates, Pixium Vision, LLC, in Delaware, on November 16, 2017. This affiliate is not doing business and is not considered as significant for the first half financial statements and is not justifying to report consolidated financial statements.

Amounts are rounded to the closest euro unless otherwise stated.

Condensed Half year accounts close on June 30, 2018.

Condensed Half year accounts have been approved on July 25, 2018 by the Board of Directors.

#### General principles and statement of compliance

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

- The Company's shareholders' equity is positive and remains at June 30 at € 20.5 million.
- La trésorerie au 30 juin 2018 est positive à 16,7 millions d'euros. La trésorerie a été renforcée au cours du premier semestre 2018 par plusieurs tirages sur une ligne de financement en fonds propres (Equity line) et une augmentation de capital de 10,6 millions d'euros et permet de financer la poursuite des travaux de recherche et développement pour PRIMA pour les 12 prochains mois.

In compliance with EC regulation n°1606 / 2002 adopted on July 19, 2002 by the European Parliament and European Council the 2018 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 2018 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 2017 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](http://ec.europa.eu/internal_market/accounting/ias_fr.htm)

#### IFRS standards applied at June 30, 2018

The financial statements are prepared in accordance with the accounting policies and methods applied by the Company to the 2017 financial statements (described in Note 2 to Section 20.1, "Historical Financial Information as of December 31, 2017") and in accordance with other standards and interpretations entered into force on 1 January 2018, 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 2018:

- 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 Unrealized 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:

<i>(Amounts in euros)</i>	30/06/2018	31/12/2017
Patents, licenses, trademarks	10,499,989	10,499,989
Software	217,988	217,988
<b>Total historical cost</b>	<b>10,717,977</b>	<b>10,717,977</b>
Accumulated amort. of patents, licenses, trademarks	3,082,914	2,820,415
Accumulated amort. of software	217,988	217,988
<b>Accumulated amortization</b>	<b>3,300,902</b>	<b>3,038,402</b>
<b>Net total</b>	<b>7,417,075</b>	<b>7,679,574</b>

Intangible assets mainly comprise the purchase of patents by the company in 2012 for the research and development of IRIS®.

The strategic options retained in connection with the halt of IRIS®II implantations and the postponement of investments related to the further development of this program, as described in chapter I and II of this document, led the company to review its business plan. In accordance with IAS 36, this analysis did not lead the company to depreciate patents relating to the IRIS® project.

#### NOTE 4: PROPERTY, PLANT & EQUIPMENT

<i>(Amounts in euros)</i>	01/01/2017	Increase	Decrease	31/12/2017
Industrial and laboratory equipment	1,586,547	72,760	–	1,659,306
Building fixtures and fittings	973,453	53,923	–	1,027,376
IT equipment	169,941	23,198	–	193,140
Office furniture	374,913	81,006	(64,020)	391,899
Tangible assets in progress	–	24,537	–	24,537
Other tangible assets	–	–	–	–
<b>Total brut</b>	<b>3,104,854</b>	<b>255,423</b>	<b>(64,020)</b>	<b>3,296,258</b>
Accumulated amort. of industrial and laboratory equipment	768,750	219,171	–	987,921
Accumulated amort. of building fixtures and fittings	277,293	115,758	–	393,051
Accumulated amort. of IT equipment	134,181	26,296	–	160,476
Accumulated amort. of office furniture	138,872	75,343	(26,747)	187,468
Accumulated amort. of other tangible assests	–	–	–	–
<b>Total accumulated amortization</b>	<b>1,319,096</b>	<b>436,568</b>	<b>(26,747)</b>	<b>1,728,916</b>
<b>Net total</b>	<b>1,785,758</b>	<b>(181,144)</b>	<b>(37,273)</b>	<b>1,567,341</b>

<i>(Amounts in euros)</i>	01/01/2018	Increase	Decrease	30/06/2018
Industrial and laboratory equipment	1,659,306	42,615	(2,160)	1,699,762
Building fixtures and fittings	1,027,376	36,360	–	1,063,737
IT equipment	193,140	–	–	193,140
Office furniture	391,899	350	(82,772)	309,476
Tangible assets in progress	24,537	–	(24,537)	–
Other tangible assets	–	–	–	–
<b>Total brut</b>	<b>3,296,258</b>	<b>79,326</b>	<b>(109,469)</b>	<b>3,266,115</b>
Accumulated amort. of industrial and laboratory equipment	987,921	117,317	(1,235)	1,104,003
Accumulated amort. of building fixtures and fittings	393,051	58,423	–	451,474
Accumulated amort. of IT equipment	160,476	8,578	–	169,054
Accumulated amort. of office furniture	187,468	33,527	(49,864)	171,131
Accumulated amort. of other tangible assests	–	–	–	–
<b>Total accumulated amortization</b>	<b>1,728,916</b>	<b>217,844</b>	<b>(51,098)</b>	<b>1,895,662</b>
<b>Net total</b>	<b>1,567,341</b>	<b>(138,518)</b>	<b>(58,370)</b>	<b>1,370,453</b>

During the first semester of 2018, the Company sold some of its office furniture following the new layout of its premises. Property, plant and equipment decreased by € 30,143 over the 2018 period.

## NOTE 5: NON-CURRENT FINANCIAL ASSETS

<i>(Amounts in euros)</i>	01/01/2017	Increase	Decrease	31/12/2017
Deposits and guarantee	193,116	3,233	(73,590)	122,759
Financing deposit	–	279,464	–	279,464
<b>Gross total</b>	<b>193,116</b>	<b>282,697</b>	<b>(73,590)</b>	<b>402,223</b>
	01/01/2017	Allocation	Writeback	31/12/2017
<i>(Amounts in euros)</i>				
Provision for deposit and guarantee	–	–	–	–
<b>Total provision</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net total</b>	<b>193,116</b>	<b>282,697</b>	<b>(73,590)</b>	<b>402,223</b>

<i>(Amounts in euros)</i>	01/01/2018	Increase	Decrease	30/06/2018
Deposits and guarantee	122,759	28,104	(75,810)	75,053
Financing deposit	279,464		(19,423)	260,041
<b>Gross total</b>	<b>402,223</b>	<b>28,104</b>	<b>(95,233)</b>	<b>335,094</b>
	01/01/2018	Allocation	Decrease	30/06/2018
<i>(Amounts in euros)</i>				
Provision for deposit and guarantee	–	–	–	–
<b>Total provision</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net total</b>	<b>402,223</b>	<b>28,104</b>	<b>(95,233)</b>	<b>335,094</b>

Non-current financial assets comprise the deposit paid for the lease of the Company's premises. This amount decreased in 2018 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 installment of tranches A & B of the bond financing to Kreos Capital.

These amounts are not discounted in accordance with IAS17.

## NOTE 6: INVENTORIES AND WORK IN PROGRESS

<i>(Amounts in euros)</i>	30/06/2018	31/12/2017
Raw materials	651,774	673,186
Finished goods	225,272	235,940
Depreciation of inventories and work in progress	–	–
<b>Total inventories and work in progress in net value</b>	<b>877,046</b>	<b>909,126</b>

Inventories of raw materials and finished goods relate to the IRIS®II system.

## NOTE 7: OTHER CURRENT ASSETS

Other current assets break down as follows:

<i>(Amounts in euros)</i>	30/06/2018	31/12/2017
Deposits and advances	87,896	101,140
State, Research Tax Credit and CICE	2,998,298	2,133,406
VAT	116,935	200,865
Liquidity agreement	74,505	71,980
Differed charges	294,502	287,696
Other	20,112	5,465
<b>Net total</b>	<b>3,592,321</b>	<b>2,800,553</b>

On 30 June 2018, other current assets consist mainly of a 2017 research tax credit receivable of 2,057,327 euros and a receivable incurred in first half of 2018 of 859,067 euros. The company expects to receive the payment of the 2017 receivable in the second half of 2018.

Prepaid expenses mainly correspond to expenses related to rents, insurance and travel expenses.

### 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 2017, the research tax credit is recognized in "Other income" 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:

<b>Change in research tax credit receivable (in euros)</b>	<b>Amount</b>
<b>Receivable on 01/01/2017</b>	<b>1,762,739</b>
Operating income	2,057,327
Payment received	(1,749,350)
<b>Receivable on 31/12/2017</b>	<b>2,070,716</b>
<b>Receivable on 01/01/2018</b>	<b>2,070,716</b>
Operating income	859,067
Payment received	–
<b>Receivable on 30/06/2018</b>	<b>2,929,783</b>

## NOTE 8: CASH AND CASH EQUIVALENT

The item cash and cash equivalents break down as follows:

<i>(Amounts in euros)</i>	30/06/2018	31/12/2017
Cash	5,734,445	2,513,256
Term deposits	11,000,764	8,018,346
Money market funds (SICAV)	–	–
<b>Net total</b>	<b>16,735,209</b>	<b>10,531,602</b>

## NOTE 9: SHARE CAPITAL

### 9.1 Issued share capital

Share capital at June 30, 2018 amounted to €1,253,781.78 divided into 20,896,363 shares fully subscribed and paid-up with a nominal value of €0.06.

This number excludes BSA (share subscription warrants), BCE (founders' share warrants) granted to certain 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:

Date	Nature of transactions	Share Capital	Issue Premium	Number of shares	Nominal value
	<b>Balance at December 31, 2016</b>	<b>764 988 €</b>	<b>69 762 804 €</b>	<b>12 749 795</b>	<b>€ 0.06</b>
January 04, 2017	Exercise BSPCE 05/02/14		€ 1,600		
January 04, 2017	Exercise BSPCE 18/03/13		€ 1,358		
January 04, 2017	Exercise BSPCE 02/10/13		€ 264		
January 23, 2017	Exercise BSPCE 02/10/13		€ 306		
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	Exercise BSPCE 18/03/13		€ 1,273		
April 24, 2017	Exercise BSA 05/02/14		€ 6,200		
May 15, 2017	Exercise BSPCE 18/03/13		€ 1,698		
June 27, 2017	Share capital increase from ordinary share issue (BSA)	€ 6,200	€ (6,200)	103,334	€ 0.06
June 27, 2017	Share capital increase from ordinary share issue (BSPCE)	€ 3,277	€ (3,277)	54,621	€ 0.06
July 01, 2017	Complement of Exercise (BSPCE)		€ 100		

Date	Nature of transactions	Share Capital	Issue Premium	Number of shares	Nominal value
September 18, 2017	Exercise BSA 18/03/13		€ 2,122		
September 25, 2017	Subscription of BSA 2016 KREOS		€ 1		
October 23, 2017	Subscription of BSA Kepler Cheuvreux (KC)		€ 500		
October 24, 2017	Fees recorded in diminution of issuance premium		€ (60,000)		
October 25, 2017	Exercise BSA Kepler Cheuvreux 16/10/17		€ 73,750		
October 25, 2017	Fees recorded in diminution of issuance premium		€ (1,844)		
November 02, 2017	Exercise BSA Kepler Cheuvreux 16/10/17		€ 73,750		
November 02, 2017	Fees recorded in diminution of issuance premium		€ (1,844)		
November 07, 2017	Exercise BSA Kepler Cheuvreux 16/10/17		€ 189,000		
November 07, 2017	Fees recorded in diminution of issuance premium		€ (4,725)		
November 08, 2017	Exercise BSA Kepler Cheuvreux 16/10/17		€ 65,000		
November 08, 2017	Fees recorded in diminution of issuance premium		€ (1,625)		
November 16, 2017	Exercise BSA Kepler Cheuvreux 16/10/17		€ 43,500		
November 16, 2017	Fees recorded in diminution of issuance premium		€ (1,088)		
November 16, 2017	Fees recorded in diminution of issuance premium		€ (14,609)		
November 29, 2017	Exercise BSPCE 05/02/14		€ 500		
December 04, 2017	Exercise BSA Kepler Cheuvreux 16/10/17		€ 78,000		
December 04, 2017	Fees recorded in diminution of issuance premium		€ (1,950)		
December 05, 2017	Exercise BSPCE 05/02/14		€ 1,000		
December 11, 2017	Share capital increase from ordinary share issue (BSA)	€ 2,122	€ (2,122)	35,372	€ 0.06
December 11, 2017	Share capital increase from ordinary share issue (BSPCE)	€ 1,500	€ (1,500)	25,000	€ 0.06
December 11, 2017	Share capital increase from ordinary share issue (BSA KC)	€ 10,500	€ (10 500)	175,000	€ 0.06
	<b>Balance at December 31, 2017</b>	<b>€ 816,005</b>	<b>€ 70,164,019</b>	<b>13,600,084</b>	<b>€ 0.06</b>
January 04, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 110,000		
January 04, 2018	Fees recorded in diminution of issuance premium		€ (2,750)		
January 05, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 110,000		
January 05, 2018	Fees recorded in diminution of issuance premium		€ (2,750)		

Date	Nature of transactions	Share Capital	Issue Premium	Number of shares	Nominal value
January 10, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 110,000		
January 10, 2018	Fees recorded in diminution of issuance premium		€ (2,750)		
January 17, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 112,000		
January 17, 2018	Fees recorded in diminution of issuance premium		€ (2,800)		
January 18, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 110,000		
January 18, 2018	Fees recorded in diminution of issuance premium		€ (2,750)		
January 26, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 1,220,000		
January 26, 2018	Fees recorded in diminution of issuance premium		€ (30,500)		
January 29, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 1,020,000		
January 29, 2018	Fees recorded in diminution of issuance premium		€ (25,500)		
January 30, 2018	Fees recorded in diminution of issuance premium		€ (60,000)		
February 06, 2018	Exercise BSA 18/03/2013		€ 2,122		
February 07, 2018	Share capital increase from ordinary share issue (AGA)	€ 21,096	€ (21,096)	351,600	€ 0.06
February 07, 2018	Share capital increase from ordinary share issue (BSA KC)	€ 54,000	€ (54,000)	900,000	€ 0.06
February 07, 2018	Share capital increase from ordinary share issue (BSA)	€ 2,122	€ (2,122)	35,372	€ 0.06
February 18, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 110,000		
February 18, 2018	Fees recorded in diminution of issuance premium		€ (2,750)		
February 20, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 110,000		
February 20, 2018	Fees recorded in diminution of issuance premium		€ (2,850)		
March 12, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 285,000		
March 12, 2018	Fees recorded in diminution of issuance premium		€ (7,125)		
March 13, 2018	Fees recorded in diminution of issuance premium		€ (12,500)		
March 26, 2018	Exercise BSA Kepler Cheuvreux 16/10/17		€ 91,000		
March 26, 2018	Fees recorded in diminution of issuance premium		€ (2,275)		
April 04, 2018	Fees recorded in diminution of issuance premium		€ (2,000)		
April 05, 2018	Exercise de BSA 18/03/2013		€ 2,122		

Date	Nature of transactions	Share Capital	Issue Premium	Number of shares	Nominal value
April 09, 2018	Share capital increase from ordinary share issue (BSA KC)	€ 12,900	€ (12,900)	215,000	€ 0.06
April 11, 2018	Fees recorded in diminution of issuance premium		€ (2,000)		
May 01, 2018	Fees recorded in diminution of issuance premium		€ (12,360)		
May 03, 2018	Fees recorded in diminution of issuance premium		€ (544,605)		
May 07, 2018	Share capital increase from ordinary share issue	€ 340,592	€ 10,274,528	5,676,535	€ 0.06
May 07, 2018	Share capital increase from ordinary share issue (BSA)	€ 2,122	€ (2,122)	35,372	€ 0.06
May 07, 2018	Fees recorded in diminution of issuance premium		€ (313,501)		
May 09, 2018	Fees recorded in diminution of issuance premium		€ (12,000)		
May 17, 2018	Fees recorded in diminution of issuance premium		€ (37,518)		
May 25, 2018	Fees recorded in diminution of issuance premium		€ (12,364)		
May 28, 2018	Exercise BSPCE 02/10/2013		€ 4,944		
June 14, 2018	Fees recorded in diminution of issuance premium		€ (2,123)		
June 27, 2018	Share capital increase from ordinary share issue (BSPCE)	€ 4,944	€ (4,944)	82,400	€ 0.06
	<b>Balance at June 30, 2018</b>	<b>€ 1,253,782</b>	<b>€ 82,646,780</b>	<b>20 896 363</b>	<b>€ 0.06</b>

On February 7, 2018, the Board of Directors recorded the exercise of 212,234 BSA and 900,000 BSA Kepler Cheuvreux for € 56,122 as well as the final allocation of 351,600 free shares. All of which resulted in the issue of 1,286,972 ordinary shares with a nominal value of € 0.06.

On April 9, 2018, the Board of Directors recorded the exercise of 212,234 BSA and 215,000 BSA Kepler Cheuvreux for € 15,022 giving rise to the issue of 250,372 ordinary shares with a nominal value of € 0.06. Moreover, the Board of Directors recorded a capital Increase by issuing 5,676,353 new ordinary shares with a nominal value of € 0.06, for an amount of € 340,592.

On June 27, 2018, the Board of Directors recorded the exercise of 480,000 BSPCE for € 4,944 giving rise to the Issue of 82,400 ordinary shares with a nominal value of € 0.06 and bringing the number of shares constituting the share capital of the Company to 20,896,363.

## 9.2 Share subscription warrants share warrants for founders of companies

The Company has issued BSA (share subscription warrants), BCE (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 <sup>(*)</sup>
<b>BSA</b>							
BSA IMI n°2	27/04/2012	€0.79 / warrant	11,392,405	(11,392,405)	0	0	0
BSA Tranche 2 NEW INV	13/11/2013	€0.79 / warrant	12,002,713	(12,002,713)	0	0	0
BSA 2013	18/03/2013	€0.01 / warrant	1,978,020	(1,494,127)	0	483,893	83,066
BSA 2013	05/02/2014	€0.01 / warrant	820,000	(820,000)	0	0	0
BSA 2014	17/12/2014	€0.34 / warrant	40,000	0	0	40,000	41,200**
BSA 2015	23/06/2015	€0.32 / warrant	33,333	0	0	33,333	34,332**
BSA 2016 KREOS	29/09/2016	€1.00	1	0	(1)	0	0
New BSA 2016 KREOS	27/06/2017	€1.00	140,935	0	0	140,935	422,805***
BSA Kepler Cheuvreux	16/10/2017	€500.00	2,000,000	(1,290,000)	0	710,000	710,000
<b>BSPCE</b>							
BSPCE 2013	18/03/2013	€0.01 / warrant	2,000,517	(1,143,092)	0	857,425	147,191**
BSPCE 2013	02/10/2013	€0.01 / warrant	824,589	(824,589)	0	0	0
BSPCE 2013	05/02/2014	€0.01 / warrant	2,809,933	(410,000)	0	2,399,933	411,986**
<b>AGA</b>							
AGA 2014	17/12/2014	N/A	215,646	(64,068)	(151,578)	0	0
AGA 2016	28/01/2016	N/A	773,200	(351,600)	(421,600)	0	0
AGA 2017	11/12/2017	N/A	140,000	0	0	140,000	144,200**
<b>Total</b>			<b>35,171,292</b>	<b>(29,792,594)</b>	<b>(573,179)</b>	<b>4,805,519</b>	<b>1,994,780</b>

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

(\*\*) The number of potential shares was adjusted at the end of the capital increase according to the adjustment clauses provided in the issue contract.

(\*\*\*) See New BSA 2016 KREOS in general conditions of exercise below.

## General conditions of exercise:

### *BSPCE 2013 et BSA 2013*

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 BCE 2013-03 ("the warrants") entitle the holder to subscribe one ordinary share of par value of 0.06 euro a subscription price of 0.06 euro.

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 euros. 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 1/36 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 euro. 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 2014*

The total number of shares granted in this plan is 215,646 of which 64,068 have been definitively granted, as the Board of Directors noted on February 16, 2017. These shares are not subject to any performance conditions.

Each free share in 2014 becomes definitive after a vesting period of 2 years. Once definitive, the beneficiary must retain the shares for two years.

The impact on the net income of share-based payments is shown in Note 18.

### *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, i.e. 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.

Each AGA 2016 has a 2-year vesting period and a 1-year retention period

The Board of Directors meeting of February 21, 2018 noted that a performance condition of both had been fulfilled and decided on the final allocation of 50% of the initial allocation plan. As a result, the Board of Directors has recorded the final allocation of 251,800 shares, with a retention period of 1 year. The unallocated free shares have been declared obsolete.

#### *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. These shares are not subject to any performance conditions. These shares were definitively recorded by decision of the Board of Directors on February 21, 2018.

The impact on net income from share-based payments is presented in note 18.

#### *AGA 2017*

The total number of shares allocated in this plan is 140,000. Each AGA 2017 has a 2-year vesting period and a 1-year retention period. These shares are not subject to any performance conditions.

The impact on net income from share-based payments is presented in note 18.

#### *BSA 2016 KREOS*

On September 27, 2016, Pixium Vision issued a warrant to Kreos Capital.

The BSA 2016 KREOS entitles its holder to subscribe for 207,817 ordinary shares at a subscription price of 5.2931 euros. 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 bond became void following the decision of the Combined Shareholders' Meeting of June 27, 2017 to replace this BSA 2016 KREOS with the New BSA 2016 KREOS below.

#### *New BSA 2016 KREOS*

In accordance with the commitments made by the parties during the Venture Loan Agreement of September 27, 2016, and authorized by the Shareholders' Meeting of June 27, 2017, the 2016 BSA KREOS was substituted by the 140,935 New BSA 2016 KREOS. Each New BSA 2016 KREOS gives rights to subscribe for N shares equal to the following formula:  $N = 1,100,000 / P / [\text{Number of BSA2016-KREOS}]$  where P is equal to € 7.8050, or in the assumption of a new IPO at a price lower than this amount, or any future issue of Transferable Securities at a lower exercise price than this amount in connection with a fund raising, at the lower of such amounts. In any event, the maximum number of shares to be issued has been capped at 422,805.

Following the capital increase carried out during the first half of 2018 at a price of € 1.87 each New BSA 2016 KREOS gives rights to subscribe for  $N = 4,1738$  shares according to the formula:  $N = 1,100,000 / 1.87 / 140,935$ . The number of shares to be Issued stands at 588,235 shares, higher than the cap of 422,805 shares. As a result, at June 30, 2018, the maximum number of shares to be created was 422,805 for a capital Increase of € 25,368.30.

#### *BSA Kepler Cheuvreux*

On October 16, 2017, an Equity Line was signed between Pixium Vision and Kepler Cheuvreux to support the development of the Company.

Under the agreement, the Company has issued a total of 2,000,000 warrants giving the right to subscribe to the same number of shares in favor of Kepler Cheuvreux, provided that the conditions defined by the parties are met, has committed to exercising them within 24 months of Equity Line funding being implemented. As of June 30, 2018, 1,290,000 warrants were exercised carrying the balance of subscription warrants exercisable at 710,000.

#### NOTE 10: REFUNDABLE ADVANCES

Bpifrance Financement granted Pixium Vision a refundable 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 euros breaks down as follow:

First payment at contract signature: 179,000 euros (paid in December 2014),

Milestone n°1: 1,900,000 euros (paid in July 2016)

Milestone n°2: 879,000 euros

Milestone n°3: 764,680 euros

Milestone n°4: 1,483,000 euros

The repayment of this refundable advance will be reimbursed according to the following estimated timetable:

Year 1 at the latest on 30 June 2022: 500.000 euros

Year 2 at the latest on 30 June 2023: 750.000 euros

Year 3 at the latest on 30 June 2024: 1.000.000 euros

Year 4 at the latest on 30 June 2025: 1.500.000 euros

Year 5 at the latest on 30 June 2026: 2.100.000 euros

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.

Refundable 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. (Cf. note 19)

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

<i>(Amounts in euros)</i>	First payment made at the signature	Milestone n°1	Milestone n°2	Milestone n°3	Milestone n°4	Total
<b>Opening balance sheet debt 01/01/2017</b>	<b>114,807</b>	<b>1,218,608</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,333,415</b>
(+) cashing	–	–	–	–	–	–
(-) reimbursement	–	–	–	–	–	–
Deferred income at cashing	–	–	–	–	–	–
Capitalized interest	13,203	140,140	–	–	–	153,343
(+) / (-) other movements	–	–	–	–	–	–
<b>Closing balance sheet debt 31/12/2017</b>	<b>128,010</b>	<b>1,358,748</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,486,758</b>
LT						1,486,758
CT						–
Deferred income considered as grants	–	289,592	–	–	–	289,592
Deferred income considering as other 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	–

<i>(Amounts in euros)</i>	First payment made at the signature	Milestone n°1	Milestone n°2	Milestone n°3	Milestone n°4	Total
<b>Opening balance sheet debt 01/01/2017</b>	<b>128,010</b>	<b>1,358,748</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,486,758</b>
(+) cashing	–	–	–	–	–	–
(-) reimbursement	–	–	–	–	–	–
Deferred income at cashing	–	–	–	–	–	–
Capitalized interest	7,360	78,128	–	–	–	85,488
(+) / (-) other movements	–	–	–	–	–	–
<b>Closing balance sheet debt 31/12/2017</b>	<b>135,370</b>	<b>1,436,876</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,572,246</b>
LT						1,575,246
CT						–
Deferred income considered as grants	–	–	–	–	–	–
Deferred income considering as other 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 rate: These are calculated based on the repayment schedule.  
Discount rate: This is the market rate used for Pixium vision.

## NOTE 11: OTHER BOND FINANCING

### Bond Financing 2016

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

The first tranche was drawn on March 28, 2017 and the second on June 30, 2017. The third tranche, optional and subject to the fulfilment of certain conditions, was to be drawn on October 31, 2017 at the latest and was not.

The contractual annual interest rate is 11.5% with a repayment of each tranche to be made monthly and occurring 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. Following the capital Increase carried out during the first half of 2018, these warrants give rights to 422,805 shares at a strike price of € 1.87. (See note 9.2 New BSA 2016 KREOS)

The fair value of the 140,935 warrants, i.e. € 309,905, was estimated at June 30, 2018 by an appraiser. The estimated fair value of the warrants is based on the "Black & Scholes" valuation method. The fair value of the 140,935 warrants has been recognized as a liability under "Venture loan". In parallel, transaction costs have been included in the calculation of the effective Interest rate, the resulting Interest expense is shown in financial expenses. (see note 19)

## NOTE 12: NON-CURRENT PROVISIONS

Non-current provisions mainly consist of retirement obligations and social charges to be paid in relation to the free shares AGA 2017 plan for €26,347. This provision is based on the probability to issue the share to beneficiaries and is accounted *pro rata temporis* over the acquisition period.

(Amounts in euros)	30/06/2018	31/12/2017
Pension obligation	130,444	168,435
Various	26,347	3,141
<b>Total net</b>	<b>156,791</b>	<b>171,576</b>

Retirement benefit commitment break down as follows:

(Amounts in euros)	Amount
<b>As at 31/12/2016</b>	<b>(171,893)</b>
Cost of services rendered (operating expenses)	(1,293)
Interest charges (financial expenses)	(2,252)
Service paid	–
Actuarial gain / (loss)	7,002
<b>As at 31/12/2017</b>	<b>(168,435)</b>
Cost of services rendered (operating expenses)	(16,185)
Interest charges (financial expenses)	(1,095)
Service paid	–
Actuarial gain / (loss)	55,272
<b>As at 30/06/2018</b>	<b>(130,444)</b>

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 2018 corresponds to half of the estimate made by the appraiser; i.e. € 16K in 2018.

The company observed a retirement in 2017.

### NOTE 13: CURRENT PROVISIONS

In December 31, 2017, current provisions correspond exclusively to social charges to be paid in relation to the free shares AGA 2016 plan. The amount was 184,190 euros.

This provision is based on the probability to issue the share to beneficiaries and is accounted *pro rata temporis* over the acquisition period.

As at June 30, 2018, the Company has not established a current provision for less than one year.

### NOTE 14: TRADE ACCOUNTS PAYABLES

In accounts payable, no discount is applied as no payment deadlines exceeds 1 year.

Trade accounts payables and related accounts break down as follows:

<i>(Amounts in euros)</i>	30/06/2018	31/12/2017
Trade payables	687,566	1,222,414
<b>Net total</b>	<b>687,566</b>	<b>1,222,414</b>

### NOTE 15: OTHER CURRENT LIABILITIES

Other current liabilities include short-term debts to employees and social and tax organizations. Deferred revenue relates to the grant received related to the R&D Project "GrapheneCore 2".

<i>(Amounts in euros)</i>	30/06/2018	31/12/2017
Social debt	760,850	1,289,200
Tax debt	13,039	46,931
Refundable advances	–	–
Deferred revenue	30,375	–
Borrowings and short-term financial debts	1,278	1,463
Other payables	1,579	8,040
<b>Net total</b>	<b>807,121</b>	<b>1,345,663</b>

## NOTE 16: REVENUES

Revenues break down as follows:

<i>(Amounts in euros)</i>	30/06/2018	30/06/2017
Net sales	–	–
Research tax credit	859,067	905,898
Grants	7,125	288,923
Other revenues	47,072	60,358
<b>Net total</b>	<b>913,264</b>	<b>1,255,179</b>

## NOTE 17: OPERATING EXPENSES

The expenses incurred in the manufacture of the commercial IRIS®II system are broken down as follows:

<b>Cost of goods sold</b> <i>(Amounts in euros)</i>	30/06/2018	30/06/2017
Staff costs	–	421,589
Purchase of raw materials, supplies and other consumables	4,430	441,661
Subcontractors, collaboration and consultants	–	20,150
Change in inventory	32,081	(466,749)
Amortization, depreciation and provisions	–	51,782
Others	–	29,048
<b>Net total</b>	<b>36,511</b>	<b>497,481</b>

Research and development expenses break down as follows:

<b>R&amp;D expenses</b> <i>(Amounts in euros)</i>	30/06/2018	30/06/2017
Staff costs	1,201,789	998,378
Subcontractors, collaboration and consultants	826,031	1,241,158
Research supplies	296,178	604,105
Lease of real property	322,479	523,373
Conferences, travel expenses	63,571	99,793
License fees	97,706	17,542
Amortization, depreciation and provisions	197,971	145,705
Other	43,723	27,317
<b>Net total</b>	<b>3,049,449</b>	<b>3,657,371</b>

The lines "Personnel costs & Research Supplies" increased due to the refocusing of R&D activities on PRIMA. In fact, a portion of these costs was recorded in Cost of Goods sold as of June 30, 2017. The change in accounting allocation results from the suspension of commercial activities on IRIS®II.

Selling and marketing expenses break down as follows:

<b>Selling and marketing</b> <i>(Amounts in euros)</i>	<b>30/06/2018</b>	<b>30/06/2017</b>
Staff costs	30,583	123,194
Fees	15,506	67,628
Communication, travel and entertainment expenses	23,148	28,874
Others	3,097	19,032
<b>Net total</b>	<b>72,334</b>	<b>238,728</b>

General and administrative expenses break down as follows:

<b>General and administrative</b> <i>(Amounts in euros)</i>	<b>30/06/2018</b>	<b>30/06/2017</b>
Staff costs	446,512	865,556
Fees	216,695	350,276
Lease of real property	63,365	127,847
Insurance	25,078	25,157
Communication, travel and entertainment expenses	201,100	356,968
Postal and telecommunication costs	26,735	30,915
Administrative supplies and equipment leases	10,378	19,881
Amortization, depreciation and provisions	282,372	284,068
Other	53,871	70,750
<b>Net total</b>	<b>1,326,106</b>	<b>2,131,418</b>

### Staff costs

The Company employed 30 people on June 30, 2018, compared with 40 on June 30, 2017.

Staff expenses break down as follows:

<b>Staff costs</b> <i>(Amounts in euros)</i>	<b>30/06/2018</b>	<b>30/06/2017</b>
Wage and salaries	1,400,717	1,751,330
Social contributions	159,611	530,730
Pension liability expenses	16,185	16,485
Share-based payments	(1,368,973)	793,202
<b>Net total</b>	<b>207,540</b>	<b>3,091,747</b>

The Company has received a reimbursement of € 309k linked to social charges on free shares plans. This profit has been booked and partly offset social contributions as of June 30, 2018.

The profit of € 1,369k booked on June 30, 2018 as share-based payments relates to the partial reversal of amortization of free share plan "AGA ALL 2016" following the decision of the Board of Directors to allocate half of the initial plan (see note 9).

## NOTE 18: SHARE-BASED PAYMENTS

Share-based payments relate to all warrants (BSA/BSPCE/AGA) allocated to employees, 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 period breaks down as follows for each plan:

In euros	June 30, 2018					June 30, 2017				
	COGS	R&D	S&M	G&A	Total	COGS	R&D	S&M	G&A	Total
<b>BSA</b>	0	0	0	0	0	0	3,388	0	5,531	8,919
BSA – 03/18/2013	0	0	0	0	0	0	0	0	0	0
BSA – 02/05/2014	0	0	0	0	0	0	0	0	0	0
BSA – 12/17/2014	0	0	0	0	0	0	3,388	0	0	3,388
BSA – 06/23/2015	0	0	0	930	930	0	0		5,531	5,531
<b>BSPCE</b>	0	0	0	0	0	0	0	0	0	0
BSPCE – 03/08/2013	0	0	0	0	0	0	0	0	0	0
BSPCE – 10/02/2013	0	0	0	0	0	0	0	0	0	0
BSPCE – 02/05/2014	0	0	0	0	0	0	0	0	0	0
<b>Free Shares (AGA)</b>	0	(735,171)	0	(634,732)	(1,369,903)	64,104	330,070	0	390,109	784,283
AGA – 12/17/2014	0	0	0	0	0	0	0	0	0	0
AGA – 01/28/2016	0	(735,171)	0	(727,414)	(1,462,585)	61,104	330,070	0	390,109	784,283
AGA - 12/11/2017	0	0	0	92,682	92,682	0	0	0	0	0
<b>Total</b>	0	(735,171)	0	(633,802)	(1,368,973)	64,104	333,458	0	395,641	793,202

\* BSA (warrants) issued to the benefit of Kreos are not accounted through the IFRS 2 rule. They are accounted for their « Fair value » in the Balance Sheet as a part of the Venture Loan (Note 11)

The mains characteristics of the different plans are shown in the following table:

	BSA				BCE			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	11/12/17
Vesting period (in years)	4 years	4 years	3 years	3 years	4 years	4 years	4 years	2 years	2 years	2 years
Contractual life (in years)	10 years	10 years	7 years	7 years	10 years	10 years	10 years	–	–	–
Average expected life of instrument (in years)	6 years	6 years	4,5 years	4,5 years	6 years	6 years	6 years	–	–	–
Total number of instruments originally issued <sup>(*)</sup>	329 668	136 666	40 000	33 333	323 425	137 432	468 319	215 646	773 200	140 000
Parity Instrument / Share <sup>(*)</sup>	1	1	1	1	1	1	1	1	1	1
Strike price <sup>(*)</sup>	€ 0.06	€ 0.06	6,80 €	6,23 €	€ 0.06	€ 0.06	€ 0.06	N/A	N/A	N/A
<b>Evaluation model used</b>	<b>Black and Scholes</b>									
Fair value of share at grant date <sup>(*)</sup>	€ 0.06	€ 0.06	6,10 €	6,02 €	€ 0.06	€ 0.06	€ 0.06	6,10 €	5,25 €	2,67 €
Expected volatility <sup>(1)</sup>	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	N/A
<b>Fair value of option <sup>(*)</sup></b>	<b>0,03 €</b>	<b>0,02 €</b>	<b>1,64 €</b>	<b>1,91 €</b>	<b>0,03 €</b>	<b>0,03 €</b>	<b>0,02 €</b>	<b>6,04 €</b>	<b>5,25 €</b>	<b>2,67 €</b>

\* In order to ensure better comparability between the instruments and the same conversion parity, instruments issued before 17/06/2014 (the date of the consolidation by 6 of the shares of my Company) were adjusted accordingly (number, Exercise, value of the action ...).

(1) based on the historical volatility of a panel of comparable companies

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

## NOTE 19: FINANCIAL INCOME AND EXPENSES

Financial Income and expenses break down as follows:

Financial income and expenses ( <i>Amounts in euros</i> )	30/06/2018	30/06/2017
Financial income	90,620	40,929
Financial expenses	(877,019)	(420,092)
<i>Interest, loans and debts</i>	<i>(511,023)</i>	<i>(217,652)</i>
<i>Valuation of KREOS Warrants</i>	<i>(276,738)</i>	<i>(181,649)</i>
<i>Other financial expenses</i>	<i>(89,258)</i>	<i>(20,791)</i>
<b>Net total</b>	<b>(786,399)</b>	<b>(379,164)</b>

As at June 30, 2018, financial income consisted of interest related to the remuneration of term deposits, a write-back on the liquidity contract.

The financial charges consist of interest on the Kreos debt for € 425,535 and interest calculated on the refundable advance "Sight Again" for € 85,489. The variation of the fair value (FV) of the BSA KREOS at June 30, 2018 is € 276,738 against € 181,649 at its initial valuation on June 27, 2017 (see Note 11). Other financial charges mainly represent the capital loss on the liquidity contract held by the Company.

## NOTE 20: RELATED PARTY TRANSACTIONS

The remuneration presented below, granted to the members of the Board of Directors of the Company, was expensed in the years presented:

Related party transactions ( <i>Amounts in euros</i> )	30/06/2018	30/06/2017
Wages and salaries	196,306	272,786
Directors' attendance fee	67,000	77,000
Benefits in kind	19,403	19,403
Pension liability expenses	4,250	4,331
Share-based payment	(726,242)	395,511
<b>Net total</b>	<b>(439,284)</b>	<b>769,030</b>

The line "Salaries and wages" decreased due to the proposal made to the Board of Directors on February 7, 2018 by Mr. Bernard Gilly, Chairman of the Board of Directors, to waive his compensation for his compensation for 2018, as of January 1, 2018. This proposal, approved by the Board of Directors, was presented to the General Shareholders' Meeting of June 27, 2018 in the context of the twelfth resolution and approved by the shareholders present or represented.

## NOTE 21: MAJOR DEVELOPMENTS THAT OCCURED AFTER THE REPORTING DATE

- On **July 10, 2018**, Pixium Vision completed implantation of PRIMA in five patients with atrophic dry-AMD as expected for the feasibility clinical trial In France.

## IV – ACTIVITY REPORT

### P&L ANALYSIS

#### *Income Statement summary <sup>(\*)</sup>*

<i>In thousand Euros</i>	<b>H1 2018</b>	<b>H1 2017 Adjusted <sup>(**)</sup></b>	<b>H1 2017 Reported</b>
<b>Revenues <sup>(***)</sup></b>	<b>913.3</b>	<b>1,255.2</b>	<b>1,255.2</b>
<b>Operating expenses</b>	<b>(4,484.4)</b>	<b>(6,525.0)</b>	<b>(7,318.2)</b>
Cost of goods sold	(36.5)	(497.5)	(561.6)
Research and development	(3,049.4)	(3,657.4)	(3,990.8)
Selling and marketing	(72.8)	(238.7)	(238.7)
General and administrative	(1,326.1)	(2,131.4)	(2,527.1)
<b>Adjusted Operating Result</b>	<b>(3,571.1)</b>	<b>(5,269.8)</b>	<b>(6,063.0)</b>
Share-based payment	1,369.0	(793.2)	-
<b>Operating Result</b>	<b>(2,202.2)</b>	<b>(6,063.0)</b>	<b>(6,063.0)</b>
Financial Result	(786.4)	(379.2)	(379.2)
<b>Net result</b>	<b>(2,988.6)</b>	<b>(6,442.2)</b>	<b>(6,442.2)</b>
Earnings per share (€)	(0.20)	(0.50)	(0.50)

(\*) The financial statements for the first half of 2018 were subject to a limited review by the Statutory Auditors; (\*\*) operating expenses 2017 were adjusted from the share-based payment – refer to the Interim Financial Report 2018; (\*\*\*) of which Research Tax Credit

**Revenues** totalled €0.91 million, including €0.86 million from a Research Tax Credit (CIR). CIR is almost stable compared with the 2017 reference period and corresponds to the Company's ongoing R&D efforts, both on technology and on clinical development of PRIMA. The lower revenue is explained by lower accounted refundable advances for €0.28 million related to the "Sight Again" project.

**Research & Development (R&D)** spending amounted to €3.05 million compared with €3.66 million in H1 2017. The lower facilities rental and lower consulting expenses driving the reduction in R&D expenses. Pixium Vision continues to invest in R&D to further improve the technology comprising its PRIMA bionic vision system, as well as create and strengthen the intellectual property and know-how across electronics, optics, mechanics, and intelligent signal processing. The R&D expenses also reflect the first impact of the clinical development of PRIMA with two on-going feasibility studies, one in France and the other in the US.

**General and administrative expenses** amounted to €1.32 million compared to €2.13 million a year earlier. This 40% drop in G&A results from: the drop in rental cost following facilities optimisation, the decision by the Chairman of the Board to forego his cash compensation and, more globally, the strict control of operating expenses and the goal of the management to reduce the operating cash consumption while preserving the R&D and clinical investment.

**Costs of goods sold** is not significant following the strategic decision to halt IRIS<sup>®</sup>II system implantation and further development. This strategic decision also impacted the **Selling and Marketing** costs which were significantly reduced. The field engineers recruited in 2017 for the commercial launch of IRIS<sup>®</sup>II left the company early 2018.

**Current Operating result** narrowed the loss to €3.57 million (compared with a loss of €5.27 million in the first half of 2017). It reflects the restructuring of the Company as well as the continuous efforts to strictly control the spending since the beginning of the year.

The **share-based payment** resulted from the accounting of the IFRS 2 rule. The volatility of such non-cash items requires to list as separate line from the Current Operating result to increase the readability of the underlying operational activity. In the first half 2018, Pixium Vision booked a gain of €1.37 million compared to a charge of €0.79 million in the first half 2017.

**Net financial result** showed a loss of €0.79 million (vs. a loss of €0.38 million in H1 2017), mainly related to the execution of the bond financing with Kreos Capital.

**Net result** reported a loss of €6.44 million, significantly narrowed as compared with the loss of € 6.44 million booked in the first half of 2017. **Net earnings per share** amounted to € (0.20) and € (0.50), respectively, at June 30, 2018 and June 30, 2017.

## CASH FLOW ANALYSIS

### **Cash flow statement summary**

<i>In thousand Euros</i>	<b>H1 2018</b>	<b>H1 2017 adjusted*</b>	<b>H1 2017</b>
Opening cash and cash equivalents	10,531.6	14,244.2	14,244.2
(Decrease) / Increase in cash position	6,203.6	671.9	671.9
<i>O/W net cash flows from operating activities</i>	(5,486.7)	(6,960.0)	(7,116.7)
<i>O/W net cash flows from investing activities</i>	77.8	(330.1)	(330.1)
<i>O/W net cash flows from financing activities</i>	11,612.5	7,962.0	8,118.7
Closing cash, and cash equivalents	16,735.2	14,916.1	14,916.1

\* 2017 adjusted: Cash flow statement has been adjusted from non-cash items related to IFRS treatment of refundable advance as well as BSA linked to Kreos Venture Loan contract. Excluding IFRS treatment accounting refundable advance as a subsidy (cf. Reference Document chapter 20.1 note 3.11 & note 12), the cash received from refundable advance was €1.9 million in 2016.

**Net cash outflow from operating activities** amounted to €5.49 million and €7.12 million, respectively, as of June 30, 2018 and June 30, 2017. This reduced cash consumption reflects the sustained control of operating charges, especially the G&A spending, and the continuous improvement in the management of suppliers' balance.

During the first half of 2018, **cash flows from investing activities** is a gain of €0.08 million, explained by a deposit cash-in following the reduction of the premises used by the Company.

On June 30, 2018, **net cash flows from financing activities** amounted to €11.61 million. During H1 2018, Pixium Vision cash flow benefited from the Equity Line signed back in October 2017 for net total proceeds of €3.24 million. Moreover, on May 7, 2018, Pixium Vision has finalized a right issue for a net proceed of €9.64 million. These cash inflows were partly offset by the planned reimbursement of the venture loan for €1.00 million.

On June 30, 2018, the Company had a positive net cash position of €16.74 million.

Net cash outflow **from operating activities** amounted to €5.49 million and €7.12 million, respectively, as of June 30, 2018 and June 30, 2017. This reduced cash consumption reflects the sustained control of operating expenses, especially the G&A spending, and the continuous improvement in the management of suppliers' balance.

During the first half of 2018, **cash flows from investing activities** resulted in a gain of €0.08 million, explained by a deposit cash-in following the reduction of the premises used by the Company.

On June 30, 2018, **net cash flows from financing activities** amounted to €11.61 million. During H1 2018, Pixium Vision cash flow benefited from the Equity Line signed back in October 2017, with net total proceeds of €3.24 million. Moreover, on May 7, 2018, Pixium Vision finalized a right issue with net proceeds of €9.64 million. These cash inflows were partly offset by the planned reimbursement of the venture loan for €1.00 million.

On June 30, 2018, the Company had a **positive net cash position** of €16.74 million.

## V – AUDITOR'S REPORT ON 2018 INTERIM FINANCIAL REPORT

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### **PIXIUM VISION**

Société Anonyme  
74 rue du Faubourg Saint Antoine  
75012 PARIS

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#### **Statutory auditor's report on interim financial report for the first half 2018**

Aux actionnaires,

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

- l'examen limité des comptes semestriels condensés de la société PIXIUM VISION, relatifs à la période du 1er janvier au 30 juin 2018, tels qu'ils sont joints au présent rapport ;
- la vérification des informations données dans le rapport semestriel d'activité.

Ces comptes semestriels condensés ont été établis sous la responsabilité de votre conseil d'administration. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

#### **I- Conclusion sur les comptes**

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

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

## **II- Vérification spécifique**

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

Lyon, July 26, 2018

Le Commissaire aux Comptes

Deloitte & Associés

Dominique VALETTE

## VI – STATEMENT OF THE PERSON RESPONSIBLE FOR THE 2018 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 2018 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.

Khalid Ishaque  
Chief Executive Officer  
July 25, 2018