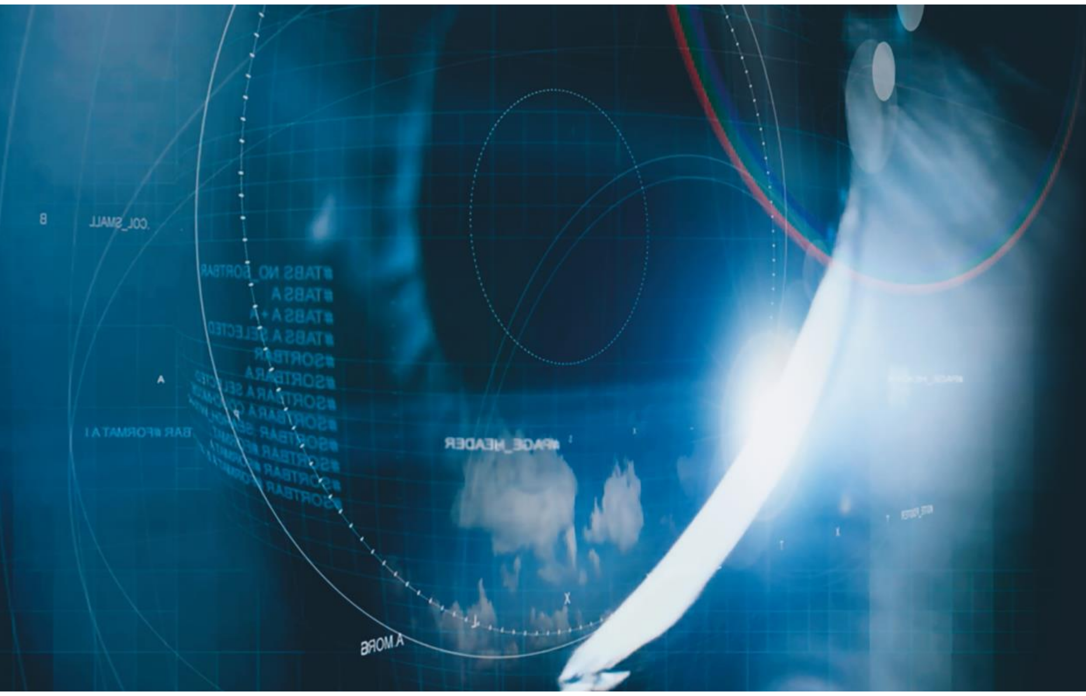

Interim Financial Report 2015

Pixium vision

Regaining vision, regaining life

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I – PRESENTATION OF THE COMPANY

Pixium Vision, a company that specialises in sensorial neuromodulation, was created in December 2011 upon the collaborative work of several prestigious scientists and technology institutions in France, including l'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 commercialise Vision Restoration Systems (VRS) – namely active implantable medical devices to treat blindness caused by degeneration of photoreceptor cells in the retina.

Pixium Vision's Vision Restoration Systems (VRS) are intended to significantly improve the independence, mobility and quality of life of patients who have lost their sight as a result 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 VRS 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 VRS 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 VRS 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.

The Company is developing and aims to commercialise two VRS:

- **IRIS®**: this first VRS developed by the company uses an implant positioned on the surface of the retina (an epi-retinal implant), and is currently undergoing clinical studies at a number of clinical centres in Europe. The Company intends to file IRIS's CE mark dossier before the end of 2015 and launch the product as soon as it is approved. Pixium Vision intends to continue to improve the visual benefits that IRIS® can provide to blind patients by developing new algorithms and software for its most advanced VRS.

- **PRIMA** is a second VRS technology developed by Pixium Vision. It uses implants positioned within the retina (sub-retinal implants) at the level of the degenerated photoreceptors. PRIMA is in preclinical development and the Company expects to begin clinical trials in Europe in 2016.

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

IRIS® is a trademark of Pixium-Vision SA.

II – RISK FACTORS

The risk factors affecting the Company have been presented in Chapter 4 of the Registration document filed on 12 May 2014 by the French Financial Markets Authority (AMF) under number I.14-030 and Chapter 2 "Risk factors relating to the Offering" of the offering notice.
To the best of the Company's knowledge, the assessment of risks has not changed since it filed its registration document.
The registration document is available on the company's website:
http://www.pixium-vision.com/fr/rapports-financiers-et-documents-de-reference

III – FIRST HALF 2015 CONDENSED FINANCIAL STATEMENTS

BALANCE SHEET

(Amounts in EUR)	Note	30/06/2015	31/12/2014
ASSETS			
Non-current assets			
Intangible assets	3	9 094 895	9 259 093
Property, plant & equipment	4	1 584 744	627 307
Non-current financial assets	5	238 846	45 780
Total non-current assets		**10 918 485**	**9 932 180**
Current assets			
Other current assets	6	4 530 690	2 734 591
Cash and cash equivalents	7	31 081 173	42 131 728
Total current assets		**35 611 863**	**44 866 319**
TOTAL ASSETS		**46 530 348**	**54 798 498**

(Amounts in EUR)	Note	30/06/2015	31/12/2014
LIABILITIES			
Shareholders' equity			
Share capital	8	763 788	763 788
Additional paid-in capital	8	69 733 830	69 720 230
Retained earnings		(19 946 251)	(8 369 557)
Profit/Loss		(7 953 780)	(11 611 283)
Total shareholders' equity		**42 597 586**	**50 503 176**
Non-current liabilities			
Conditional advances	9	167 778	166 943
Non-current provisions	9	97 169	77 778
Total non-current liabilities		**264 947**	**244 721**
Current liabilities			
Trade accounts payable	10	2 629 476	1 729 190
Other current liabilities	10	1 038 340	2 321 411
Total current liabilities		**3 667 816**	**4 050 601**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**46 530 348**	**54 798 498**

INCOME STATEMENT

(Amounts in EUR)	Note	At 30 June 2015	2014
Operating income			
Other income	11	1 737 691	1 104 121
Total income		**1 737 691**	**1 104 121**
Operating expenses			
Research and Development	12	7 999 105	4 510 565
General Expenses	12	1 766 526	930 094
Total expenses		**9 765 631**	**5 440 659**
Operating income		**(8 027 939)**	**(4 336 538)**
Financial income	14	120 074	19 232
Financial expenses	14	(45 915)	(8 420)
Financial profit (/loss)		**74 159**	**10 812**
Current profit (/loss) before tax		**(7 953 780)**	**(4 325 726)**
Corporation tax		-	-
		(7 953 780)	**(4 325 726)**
Other non-transferable comprehensive income			
Actuarial gains (/losses) on pension plans		-	(2 316)
Total profit (/loss) for the year		**(7 953 780)**	**(4 328 042)**
Weighted average number of shares		12 703 835	6 969 461
Net earnings per share		**(0,63)**	**(0,62)**

CASH FLOW STATEMENT

(Amounts in EUR)	Note	At 30 June 2015	At 30 June 2014
Cash flows from operating activities			
Profit (/loss) for the financial year		(7 953 780)	(4 325 726)
Reconciliation of net profit to cash flows used in operating activities:			
Depreciation, amortisation and impairment		587 886	382 825
Non-cash charge for share-based compensation	**13**	21 213	22 406
Retirement benefit obligations		19 391	7 863
Cash flows from operating activities before financial income/expense and tax		**(7 325 291)**	**(3 912 632)**
Other receivables		(1 796 099)	(1 403 860)
Trade payables		900 286	1 063 282
Short-term borrowings and financial debts		-	-
Other current liabilities		(1 283 071)	(276 851)
Net cash flows from operating activities		**(9 504 175)**	**(4 530 061)**
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(1 267 357)	(126 980)
Acquisitions of intangible assets		(111 187)	(1 502 096)
Acquisitions of financial holdings		(193 067)	-
Net cash flows from investing activities		**(1 571 611)**	**(1 629 076)**
Cash flow from financing activities:			
Increase (decrease) of conditional advances		835	-
Treasury shares		10 796	-
Issuance of share warrants		13 600	-
Share capital increases		-	38 542 565
Net cash flow from financing activities:		**25 231**	**38 542 565**
Opening cash and cash equivalents		42 131 728	9 420 190
Closing cash and cash equivalents		31 081 173	41 803 619
(Decrease) / Increase in cash position		**(11 050 554)**	**32 383 429**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in EUR)	Share capital: Number of shares	Share capital: Amount	Share premiums	Reserves	Net Profit (loss)	Total shareholders ' equity
At 1 January 2014	39 220 431	392 204	27 204 908	(3 225 836)	(6 145 814)	18 225 463
Allocation of prior period loss				(6 145 814)	6 145 814	-
Share capital increases	13 332 134	371 583	45 852 459		-	46 224 042
Transaction costs			(3 337 794)			(3 337 794)
Reverse share split	(39 822 770)					-
Elimination of treasury shares				(173 209)		(173 209)
Issue of BSA (share subscription warrants)			656	-		656
Profit (loss) for the year					(11 611 283)	(11 611 283)
Actuarial gain (loss)				(26 075)		(26 075)
Share capital increases				1 201 376	-	1 201 376
At 30 December 2014	**12 729 795**	**763 788**	**69 720 230**	**(8 369 557)**	**(11 611 283)**	**50 503 176**
Allocation of prior period loss				(11 611 283)	11 611 283	-
Profit (loss) for the year					(7 953 780)	(7 953 780)
Elimination of treasury shares				13 378		13 378
Issue of BSA (share subscription warrants)			13 600	-	-	13 600
Share-based payments				21 213		21 213
At 30 June 2015	**12 729 795**	**763 788**	**69 733 830**	**(19 946 251)**	**(7 953 780)**	**42 597 586**

NOTES TO THE CONSENSED FINANCIAL STATEMENTS

Note 1: The Company

The company is presented in chapter 1 of this document (page 3).
Major developments that occurred during the first half of 2015 and those that occurred after June 30, 2015 are presented in chapter VI of this document (page 24).

Note 2: Guiding principles and compliance

Preliminary remarks:

The company's accounts are established and presented in euros, unless otherwise stated. Condensed Half year accounts close on 30 June 2015. Condensed Half Year accounts have been approved on 28 July 2015 by the Board of Directors.

General principles and statement of compliance

In compliance with EC regulation n°1606 / 2002 adopted on 19 July 2002 by the European Parliament and European Counsel the financial statements were prepared in compliance with the IFRS standards as adopted by the European Union in effect as of 31 December 2011, 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.

Half Year 2015 condensed financial statements have been prepared according to IAS 34 – Interim Financial Information, as adopted by the European Union, that allows for selected notes explaining the statements.

Notes do not include the full information required for full year financial statements and must therefore be read jointly with the full year 2014 financial statements.

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

Note 3: Intangible assets

Intangible assets break down as follows:

INTANGIBLE ASSETS

(Amounts in EUR)	30/06/2015	31/12/2014
Patents, licences, trademarks	10 499 989	10 499 989
Software	183 052	71 865
Total historical cost	**10 683 041**	**10 571 854**
Accumulated amort. of patents, licences, trademarks	1 507 916	1 245 416
Accumulated amortisation of software	80 230	67 344
Accumulated amortisation	**1 588 146**	**1 312 760**
Net total	**9 094 895**	**9 259 093**

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

No impairment of assets was recognised in the financial years presented in accordance with IAS 36.

Note 4: Property, plant & equipment

PROPERTY, PLANT AND EQUIPMENT

(Amounts in EUR)

	01/01/2014	Increase	Decrease	30/06/2014
Industrial and laboratory equipment	644 099	152 207	-	796 307
Building fixtures and fittings	217 251	1 108	-	218 359
IT equipment	66 539	65 905	-	132 444
Office furniture	62 014	36 449	-	98 463
Other property, plant and equipment	-	9 000	-	9 000
Gross total	**989 903**	**264 669**	**-**	**1 254 572**
Accumulated depreciation of industrial and laboratory equipment	291 420	210 176	-	501 596
Accumulated depreciation of building fixtures and fittings	25 018	21 599	-	46 618
Accumulated depreciation of IT equipment	17 329	33 132	-	50 461
Accumulated depreciation of office furniture	15 154	13 437	-	28 591
Accumulated depreciation of other property, plant and equipment	-	-	-	-
Total accumulated depreciation	**348 922**	**278 344**	**-**	**627 266**
Net total	**640 981**			**627 307**

(Amounts in EUR)

	01/01/2015	Increase	Decrease	30/06/2015
Industrial and laboratory equipment	796 307	174 251	-	970 558
Building fixtures and fittings	218 359	139 652	(216 056)	141 955
IT equipment	132 444	10 872	-	143 316
Office furniture	98 463	172 183	-	270 646
Other property, plant and equipment	9 000	770 398	-	779 398
Gross total	**1 254 572**	**1 267 357**	**(216 056)**	**2 305 873**
Accumulated depreciation of industrial and laboratory equipment	501 596	91 898	-	593 493
Accumulated depreciation of building fixtures and fittings	46 618	175 558	(216 056)	6 119
Accumulated depreciation of IT equipment	50 461	22 759	-	73 220
Accumulated depreciation of office furniture	28 591	19 704	-	48 296
Accumulated depreciation of other property, plant and equipment	-	-	-	-
Total accumulated depreciation	**627 266**	**309 919**	**(216 056)**	**721 129**
Net total	**627 307**			**1 584 744**

During the first half of 2015, property, plant and equipment is composed of laboratory and technical equipment in addition to building fixtures and fittings used to fit out the company's new premises.

At June 30, 2015, the Company recorded an exceptional write off on building arrangements of its old premises.

Note 5: Non-current financial assets

Non-current financial assets solely comprise the deposit paid for the lease of the Company's premises. These amounts are not discounted in accordance with IAS 17.

Note 6: Other current assets

Other current assets break down as follows:

OTHER CURRENT ASSETS
(Amounts in EUR)

	30/06/2015	31/12/2014
Advances and prepayments	278 555	38 930
State, Research Tax Credit, CICE	3 281 250	2 010 423
State, VAT	744 355	373 158
Liquidity contract	113 629	109 232
Other	-	6 357
Prepaid expenses	112 902	196 490
Net total	**4 530 690**	**2 734 591**

On 30 June 2015, advances and prepayments correspond mainly to costs relating to building fixtures for the company's new premises.

On 31 December 2014, prepaid expenses correspond mainly to travel expenses, seminars and rent expenses.

On 30 June 2015, prepaid expenses correspond mainly to insurance expenses, research and collaborations.

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 2014, the research tax credit is recognised 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:

CHANGE IN
RESEARCH TAX CREDIT RECEIVABLE

(Amounts in EUR)

	Amount
Receivable on 01/01/2014	**1 478 219**
Operating income	2 004 974
Payment received	(1 478 219)
Receivable on 31/12/2014	**2 004 974**

	Amount
Receivable on 01/01/14	**2 004 974**
Operating income	1 266 098
Payment received	-
Receivable on 30/06/2014	**3 271 072**

Note 7: Cash and cash equivalents

The item cash and cash equivalents breaks down as follows:

CASH AND CASH EQUIVALENTS
(Amounts in EUR)

	30/06/2015	31/12/2014
Cash	190 722	1 053 965
Term deposits	30 890 451	-
Marketable securities	-	41 077 762
Net total	**31 081 173**	**42 131 728**

Note 8: Share capital

8.1 Issued share capital

Share capital at 30 June 2015 amounted to €763,787.70, divided into 12,729,795 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
	Balance at 1 January 2014	**€392 204**	**€27 203 326**	**€39 220 431**	€0,01
17 June 2014	Share capital increase from exercise of BSA T2 (tranche 2 share subscription warrants)	€66 682	€5 201 176	€668 174	€0,01
17 June 2014	Share capital increase from exercise of BSA IMI n°2 (IMI n°2 share subscription warrants)	€18 987	€1 481 002	€1 898 719	€0,01
17 June 2014	Share capital increase from ordinary share issue	€250 000	€34 249 995	€4 166 666	€0,06
17 June 2014	1-for-6 stock consolidation of A shares and IMI shares into ordinary shares			-€39 822 770	
22 July 2014	Share capital increase from ordinary share issue	€35 915	€4 920 287	€598 575	€0,06
	Subtotal at 31 December 2014	**€763 788**	**€73 055 785**	**€12 729 795**	€0,06
	Expenses recognised as a deduction of issue premium		-€3 337 794		
	Balance at 31 December 2014	**€763 788**	**€69 717 991**	**€12 729 795**	€0,06
	Balance at 30 June 2015	**€763 788**	**€69 717 991**	**€12 729 795**	€0,06

The costs of capital increases have been recognised as a reduction of issue premium.

8.2 Share subscription warrants, share warrants for founders of companies

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

Type	Date	Subscription price per share	Number of warrants issued	Number of warrants exercised	1-for-6 stock consolidation	Number of outstanding warrants	Number of potential shares
BSA IMI n°2	27/04/2012	0,79 €	11 392 405	(11 392 405)	-	-	-
BSA Tranche 2$_{\text{NEW INV}}$	13/11/2013	0,79 €	12 002 713	(12 002 713)	-	-	-
BCE 2013-03	18/03/2013	0,01 €	2 000 517	-	(1 667 100)	333 417	333 417
BSA 2013-03	18/03/2013	0,01 €	1 978 020	-	(1 648 351)	329 669	329 669
BCE 2013-03	02/10/2013	0,01 €	824 589	-	(687 159)	137 430	137 430
BCE 2013-03	05/02/2014	0,01 €	2 809 933	-	(2 341 614)	468 319	468 319
BSA 2013-03	05/02/2014	0,01 €	820 000	-	(683 334)	136 666	136 666
AGA 2014	17/12/2014	- €	215 646	-	-	215 646	215 646
BSA 2014	17/12/2014	6,80 €	40 000	-	-	40 000	40 000
	Total at 30/06/2015		**32 083 823**	**(23 395 118)**	**(7 027 558)**	**1 661 147**	**1 661 147**

Note : does not add with round ups

Moreover, on 23 June 2015, the Company's Board of Directors granted 33,333 BSAs 2015 (share subscription warrants) to its new independent director, James Reinstein. These warrants do not show on the table above as they were not subscribed to on 30 June 2015.

General conditions of the financial year:

BCE 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 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 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.

The warrants have been allocated to individuals with the following characteristics:

- senior executives who are Company employees and subject to tax treatment of salaried employees;
- members of the research committee or non-voting board members or independent directors within the Company;
- individuals who make a significant contribution to the scientific or economic development of the Company at the time of the allocation;
- consultants, senior executives or partners of companies which provide services to the Company.

AGA (Free shares) 2014

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. These shares are not subject to performance conditions.

The impact on the net income of share-based payments is shown in Note 13.

Note 9: Non current liabilities

9.1 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 euros breaks down as follow:

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

The repayment by Pixium Vision of this conditional advance uses an annual discount rate 1.44% and will take place as follows :

- 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 euros.

Following the total repayment of the conditional advance Pixium Vision may make additional payments over a period of two years up to 2.49 million euros depending on reaching cumulative sales of 100.000.000 euros

Conditional advances to be reimbursed in more than a year are recorded as non-current liabilities, while the rest is recorded as current liabilities.

9.2 Non current provisions

Non-current provisions break down as follows:

NON-CURRENT PROVISIONS
(Amounts in EUR)

	30/06/2015	31/12/2014
Pension obligation	97 169	77 778
Various	-	-
Net total	**97 169**	**77 778**

Note 10: Trade accounts payables and other current liabilities

10.1. Trade accounts payables and related accounts

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

Trade accounts payables and related accounts break down as follows:

TRADE ACCOUNTS PAYABLES AND RELATED ACCOUNTS
(Amounts in EUR)

	30/06/2015	31/12/2014
Trade payables	2 629 476	1 729 190
Net total	**2 629 476**	**1 729 190**

The increase of accounts payables on 30 June 2015 is related to the increase of R&D expenses during the first half of 2015.

10.2. Other current liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES
(Amounts in EUR)

	30/06/2015	31/12/2014
Social debt	519 011	1 403 932
Tax debt	83 725	52 326
Conditional advances	11 196	12 056
Deferred revenue	424 156	839 449
Other payables	252	13 648
Net total	**1 038 340**	**2 321 411**

Note 11: Operating income

Operating income breaks down as follows:

OTHER INCOME
(Amounts in EUR)

	30/06/2015	30/06/2014
Research tax credit	1 266 098	1 104 121
Grants	471 593	-
Net total	**1 737 691**	**1 104 121**

Note 12: Operating expenses

Research and development expenses break down as follows:

R&D EXPENSES

(Amounts in EUR)	**30/06/2015**	**30/06/2014**
Personnel costs	1 234 017	1 132 299
Subcontractors, collaboration and consultants	2 766 051	1 881 778
Research supplies	2 379 443	772 810
Lease of real property	677 827	83 263
Conferences, travel expenses	159 755	97 077
Licence fees	162 124	85 838
Amortisation, depreciation and provisions	480 757	367 300
Other	139 132	90 199
Net total	**7 999 105**	**4 510 565**

General and Administrative expenses break down as follows:

General and Administrative

(Amounts in EUR)	**30/06/2015**	**30/06/2014**
Personnel costs	663 014	451 771
Fees	240 455	207 839
Lease of real property	168 745	44 236
Insurance	9 483	6 664
Communication, travel and entertainment expenses	441 607	132 109
Postal and telecommunication costs	55 577	41 035
Administrative supplies and equipment leases	27 928	13 099
Other	159 713	33 342
Net total	**1 766 526**	**930 094**

Personnel expenses

The Company employed 32 people on 30 June 2015, compared with 27 on 30 June 2014.

Personnel expenses break down as follows:

PERSONNEL EXPENSES

(Amounts in EUR)

	30/06/2015	**30/06/2014**
Salaries and other compensation	1 447 062	1 202 940
Social contributions	409 856	350 982
Pension liability expenses	18 900	7 742
Share-based payments	21 213	22 406
Net total	**1 897 031**	**1 584 070**

Note 13: Share-based payments

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

The warrants (BSA/BCE) allocated are exercisable at any time by their holders after a vesting period as follows (unless specified):

- 25% a year after allocation,
- The remaining 75% exercisable at a ratio of 1/36 per month as from the first anniversary.

The right to the Warrant shall lapse after a period of 10 years (7 years for the warrants allocated from 2014) from the grant date. The acquisition of the warrants by the beneficiaries is not subject to market conditions. The cost representing the granted benefit is recorded linearly in Personnel costs over the vesting period.

The amount of the expense recognised during the period breaks down as follows for each plan:

Type	Grant Date	Number	Likely cost of plan	Accumulated expense at 01/01/2015	Expense 2015	Accumulated expense at 30/06/2015
BCE 2013	18/03/2013	333 417	€ 8 482	€ 6 788	€ 615	€ 7 403
BSA 2013	18/03/2013	329 669	€ 8 387	€ 6 711	€ 608	€ 7 319
BCE 2013	02/10/2013	137 430	€ 3 483	€ 2 331	€ 371	€ 2 702
BSA 2013	05/02/2014	136 666	€ 3 193	€ 3 193	€ -	€ 3 193
BCE 2013	05/02/2014	468 319	€ 10 942	€ 10 942	€ -	€ 10 942
BSA 2014	17/12/2014	40 000	€ 60 720	€ 3 145	€ 19 620	€ 22 765
AGA 2014	17/12/2014	215 646	€ 1 175 271	€ 1 175 271	€ -	€ 1 175 271
Total		**1 661 147**	**€ 1 270 478**	**€ 1 208 381**	**€ 21 213**	**€ 1 229 594**

The main assumptions used when calculating the expense resulting from share-based payments in accordance with the Black-Scholes warrant valuation method are as follows:

- Risk-free interest rate: government borrowing rate for the corresponding average maturity of the GFRN index (source: Bloomberg);
- Dividend: none;
- Volatility: 45%, corresponding to the historic volatility average of a selection of comparable listed companies;
- Turnover: 5% per year;
- Maturity: 5.50 to 7 years.

Detailed information on the number of options by category and exercise prices for the financial year is shown in Note 8.2.

Note 14: Financial income and expenses

Financial income and expenses break down as follows:

FINANCIAL INCOME AND EXPENSES

(Amounts in EUR)

	30/06/2015	30/06/2014
Financial income	120 074	19 232
Financial expenses	(45 915)	(8 420)
Net total	**74 159**	**10 812**

At June 30, 2015, financial income corresponds to interest related to the remuneration of time deposits and marketable securities. The Financial expenses are composed primarily of foreign exchange losses on US dollar purchases.

Note 15: Related party transactions

Information regarding related parties is shown in chapter V of this document (page 23).

Note 16: Major developments that occurred after the reporting date

Highlights in the first half of 2015 and events after the reporting date are shown in chapter VI of this document (page 25).

IV – ACTIVITY REPORT

Breakdown of income statement

Over the two presented periods, the Company has been in a research and development (R&D) phase and has not generated sales.

For the first half of 2015, the Company has recorded €1,737,691 in **other operating income** compared to €1,104,121 a year earlier.

As no R&D expense are activated, the research tax credit (RTC) is fully accounted for in **other operating income**. For the first half of 2015, the Company recorded a net income related to RTC of €1,266,098 compared to a sum of €1,104,121 in the first half of 2014. This increase is due to the continued R&D investment to develop Pixium Vision, the only company in the world developing in parallel two retinal Vision Restoration Systems. IRIS® is currently in clinical trial and PRIMA is in pre-clinical stage.

Additionally, in December 2014, the Company received 1.261 million euros as first payment for the grant provided by Bpifrance under SIGHT AGAIN project of which €471,593 were recognized in Other Operating Income during the first half of 2015. The remaining balance is recorded in deferred revenue on the balance sheet.

In the first half of 2015, **research and development** (R&D) expenses increased to €7,999,105 compared to €4,510,565 one year earlier. This trend is mainly related to increased sub-contracting, collaboration, consultants and the research equipment expenses for the development of both IRIS® and PRIMA.

Research and Development costs break down as follows:

Research and Development		
In EUR	**30/06/2015**	**30/06/2014**
Personnel costs	1 234 017	1 132 299
Subcontractors, collaboration and consultants	2 766 051	1 881 778
Research supplies	2 379 443	772 810
Lease of real property	677 827	83 263
Conferences, travel expenses	159 755	97 077
Licence fees	162 124	85 838
Depreciation allowance and provisions	480 757	367 300
Other	139 132	90 199
Net total	**799 105**	**4 510 565**

General and administrative expenses mainly comprise costs for administrative personnel, external expenses such as legal, audit and consultancy fees as well as communication, travel and representation expenses. In the first half of 2015, G&A amounted to €1,766,526 compared to €930,094 a year earlier.

General and administrative expenses break down as follows:

General and Administrative		
In EUR	**30/06/2015**	**30/06/2014**
Personnel costs	663 014	451 771
Fees	240 455	207 839
Lease of real property	168 745	44 236
Insurance	9 483	6 664
Communication, travel and entertainment exper	441 607	132 109
Postal and telecommunication costs	55 577	41 035
Administrative supplies and equipment leases	27 928	13 099
Other	159 719	33 342
	1 766 526	**930 094**

The increase in G&A during the period is mainly explained by:

- Increased personnel expenses, in particular due an unfavourable 2014 baseline as both CEO and CFO arrived during the first half of 2014;
- Increased communication, travel, entertainment expenses related to the increased cost of being a listed company.

Net **financial profit** for the first half of 2015 amounted to €74,159 compared to a net loss of €10,812 for the same period in 2014.

Financial income mainly comprises the payment of term deposit accounts and investment income, increasing year-on-year as a results from IPO proceeds over the period.

Over the first half of 2015, financial expenses are solely comprised of exchange rate losses on US dollar R&D purchases.

Company has not recorded any **corporation tax** expense.

Net loss for the period amounted to €7,953,780 compared with a loss of €4,325,726 on 30 June 2014. The **Earnings per share** (average weighted number of shares in circulation during the period) amounted to (€0.63) and (€0.62) respectively at 30 June 2015 and 30 June 2014.

Break down of balance sheet

Non-current assets comprise tangible, intangible and non-current financial assets. Net non-current assets amounted to €10,918,485 and €9,932,180 respectively at 30 June 2015 and 31 December 2014.

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

The increase of tangible assets is mainly due to the purchase of laboratory and technical equipment in addition to building fixtures and fittings for the company’s new premises.

At June 30, 2015, the Company recorded an exceptional write off on building arrangements of its old premises.

Net **current assets** amounted to €35,611,863 and €44,866,319 respectively at 30 June 2015 and 31 December 2014. Over the period, the increase of the “other current assets” (related to the increase in research tax credit) was more than offset by the increased use of cash during the first half of 2015.

Shareholders’ equity decreased to €42,597,586 reflecting the loss of the Company during the first half of 2015.

Breakdown of cash flow statement

Simplified cash flow statement		
In EUR	S1 2015	S1 2014
Cash and cash equivalent at opening	42 132	9 420
Cash increase (decrease)	(11 051)	32 383
Net cash flow from operating activities	(9 504)	(4 530)
Net cash flow from investing activities	(1 572)	(1 629)
Net cash flow from financing activities	25	38 543
Cash and cash equivalent at closing	31 081	41 804

Use of **cash flow from operating activities** at 30 June 2015 and 2014 amounted to €9,504,175 and €4,530,061 respectively. Since its IPO, the Company has invested in the development of two Vision Restauration Systems, IRIS® and PRIMA. Furthermore, and to accommodate its growing business, the Company has recently moved to premises.

During the first half of 2015, use of **cash flow from investing activities** has mainly concerned the purchase of laboratory and technical equipment in addition to building fixtures and fittings for the company’s new premises.

During the first half of 2015, use of **cash flow from financing activities** amounted to €25,231. During the first half of 2014, the Company had received the net sum of €33 million raised in the Company’s IPO on Euronext, and from exercising of BSA Tranche 2 share subscription warrants from the second round of financing in November 2013.

Therefore, at June 30, 2015, the company had a positive net cash position of €31,081,173.

V – INFORMATION ON RELATED PARTIES TRANSACTIONS

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

RELATED PARTY TRANSACTIONS
(Amounts in EUR)

	30/06/2015	30/06/2014
Salaries and other compensation	396 540	331 670
Benefits in kind	23 058	19 054
Pension liability expenses	2 528	3 373
Share-based payment	263	9 200
Net total	**422 389**	**363 297**

VI – MAJOR DEVELOPEMENTS

- On **7 January 2015,** Pixium Vision announced the development of its governance with the split of responsibilities of Chairman of the Board and Chief Executive Officer in accordance with the Board of Directors' decision on 6 January 2015. Bernard Gilly continues to act as the Chairman of the Board while Khalid Ishaque becomes Chief Executive Officer of Pixium Vision.

- On **7 January 2015**, Pixium Vision, Gensight Biologics and the Fondation Voir et Entendre announced that their common project "SIGHT AGAIN" would receive funding of €18,5 million over a period of five years under the Programme d'Investissements d'Avenir (PIA). Within the framework of this project Pixium Vision will obtain up to €6,9 million of new funding.

- **On 10 February 2015,** Pixium Vision announced it will present its Vision Restoration Systems at the Congrès Vision Innovation 2015, co-organised by the Fondation Voir et Entendre, in collaboration with the Institut de la Vision.

- On **13 April 2015,** Pixium Vision announced that it had strenghtened the patent protection of IRIS®, its first Vision Restoration System, following the decision of the European Patent Office and the United States Patent and Trademark Office.

- On **22 April 2015,** Pixium Vision announced that the University of Stanford, its research partner, had presented convincing results at the IEEE/EMBS explaining that PRIMA had restored half of the visual acuity of rats suffering from retinal degeneration.

- On **22 April 2015,** Pixium Vision welcomed French Health Minister, Marisol Touraine in its premises.

- On **27 April 2015, Pixium Vision** announced the publication of PRIMA's results in Nature Medicine.

- On **4 May 2015, Pixium Vision** announced that its research partner had presented three scientific posters on PRIMA at the annual congress of the Association for Research in Vision and Ophtalmology (ARVO):
    - Interaction between normal and prosthetic vision in a model of local retinal degeneration ;
    - Mechanisms mediating subretinal photovoltaic activation of ganglion cells ;
    - Contrast sensitivity in photovoltaic prosthesis-activated degenerate retina.

- On **24 June 2015**, Pixium Vision announced the nomination of James A. Reinstein to its Board of Directors. M. Reinstein is joining the Company as an Independent Director. He was the Chief Executive Officer of Aptus Endosystems until the recent sale of the company to Medtronic.

After 30 June 2015 major developments were:

- On **8 July 2015**, Pixium Vision announced the arrival of Karine Chevrie as Regulatory Affairs and Quality Director. Karine will lead the teams in charge of Regulatory Affairs and Quality to conduct the regulatory process prior to the commercial launches of the company's products.