Société anonyme au capital social de 1 462 093,26 €
Siège social : 74 rue du Faubourg Saint-Antoine, 75012 Paris
538 797 655 RCS Paris

# ANNUAL FINANCIAL REPORT

# 2019

## FINANCIAL INFORMATION REGARDING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

### HISTORICAL FINANCIAL INFORMATION

As a preliminary note, only the financial statements drawn up in accordance with French GAAP are legally binding. They are included as an annex to the French version of this Registration Document together with its correlation table.

The financial statements restated in accordance with IFRS presented below are provided on a voluntary basis by the Company.

The Company registered on November 16, 2017, the subsidiary Pixium Vision LLC, domiciled in the State of Delaware, United States. This subsidiary has no activity. AS of December 31, 2019, it was considered immaterial for the preparation of the annual accounts of Pixium Vision SA and did not justify the preparation of consolidated annual accounts for the Company.

PIXIUM VISION's statutory accounts for the year ended December 31, 2019 and 2018, drawn up in accordance with IFRS.

# BALANCE SHEET

| *(Amounts in euros)* | Note | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current Assets** | | | |
| Intangible assets | 4 | 2,361,384 | 2,623,337 |
| Property, plant and equipment | 5 | 484,378 | 706,107 |
| Right of use | 6 | 1,324,356 | – |
| Non-current financial assets | 7 | 336,625 | 336,356 |
| **Total non-current assets** | | **4,506,744** | **3,665,799** |
| **Current assets** | | | |
| Stocks and work in progress | 8 | – | – |
| Receivables | | 5 472 | – |
| Other current assets | 9 | 2,310,076 | 2,126,120 |
| Cash & cash equivalents | 10 | 6,791,500 | 15,629,424 |
| **Total current assets** | | **9,107,048** | **17,755,544** |
| **TOTAL ASSETS** | | **13,613,792** | **21,421,343** |
| **LIABILITIES** | | | |
| **Shareholders' equity** | 11 | | |
| Share capital | | 1,462,093 | 1,296,382 |
| Additional paid-in-capital | | 85,163,586 | 83,717,369 |
| Retained earnings | | (73,049,369) | (60,088,048) |
| Profit / (loss) | | (9,875,913) | (13,571,113) |
| **Total shareholders' equity** | | **3,700,398** | **11,354,591** |
| **Non-current liabilities** | | | |
| Refundable advances | 12 | 2,629,865 | 2,358,623 |
| Venture loan | 13 | 3,157,352 | 5,510,954 |
| Lease debt | 16 | 1,057,309 | – |
| Non-current provisions | 14 | 188,660 | 153,399 |
| **Total non-current liabilities** | | **7,033,185** | **8,022,976** |
| **Current liabilities** | | | |
| Current provisions | 15 | 260,000 | 43,715 |
| Trade account payables | 17 | 843,010 | 983,951 |
| Lease debt | 16 | 288,635 | – |
| Other current liabilities | 18 | 1,488,563 | 1,016,110 |
| **Total current liabilities** | | **2,880,209** | **2,043,776** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **13,613,792** | **21,421,343** |

## PROFIT AND LOSS Accounts

| *(Amounts in euros)* | Note | 2019 | 2018 Ajusted | 2018 Published |
|---|---|---|---|---|
| | | As at 31 december | | |
| **Revenues** | 20 | | | |
| Net sales | | – | – | – |
| Research Tax Credit | | 1,718,149 | 1,322,986 | 1,322,986 |
| Grants | | 6,037 | 236,338 | 236,338 |
| Other revenues | | 58,277 | 38,980 | 38,980 |
| **Total revenues** | | **1,782,463** | **1,598,304** | **1,598,304** |
| **Operating expenses** | 21 | | | |
| Costs of goods sold | | – | (41,172) | (41,172) |
| Research and Development | | (6,562,662) | (5,678,011) | (5,678,011) |
| Sales and Marketing | | (49,559) | (101,829) | (101,829) |
| General expenses | | (3,970,880) | (2,212,538) | (2,212,538) |
| **Total expenses** | | **(10,583,101)** | **(8,033,551)** | **(8,033,551)** |
| Exceptional Amortization | | – | (376,522) | (376,522) |
| Impairments | | (69,463) | (5,482,656) | (5,482,656) |
| **Total non-recurring expenses** | | **(69,463)** | **(5,482,656)** | **(5,482,656)** |
| **Operating income** | 23 | **(8,870,091)** | **(12,294,425)** | **(12,294,425)** |
| Financial income | | 6,670 | 15,008 | 15,008 |
| Financial expenses* | | (1,012,492) | (996,559) | (1,291,696) |
| **Financial profit / (loss)** | 24 | **(1,005,822)** | **(981,551)** | **(1,276,688)** |
| **Current profit / (loss)** | | **(9,875,913)** | **(13,275,976)** | **(13,571,113)** |
| Corporation tax | | – | – | – |
| **Net result** | | **(9,875,913)** | **(13,275,976)** | **(13,571,113)** |
| **Other non-transferable comprehensive income** | | | | |
| Actuarial gains / (losses) on pension plans | 14 | (6,116) | 48,528 | 48,528 |
| Fair value valuation* | | 258,494 | (295,137) | – |
| **Total profit / (loss) for the year** | | **(9,623,535)** | **(13,522,585)** | **(13,522,585)** |
| Weighted average number of shares | | 22,338,681 | 18,523,505 | 18,523,505 |
| **Net earnings per share** | 27 | **(0.44)** | **(0.73)** | **(0.73)** |
| **Diluted earnings per share** | 27 | **(0.44)** | **(0.73)** | **(0.73)** |

*Changes in fair value which were recognized in financial expenses are now recognized in Other non-transferable comprehensive income.

## Cash Flow Statement

| *(Amounts in euros)* | As at 31st December **2019** | 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the half year | (9,875,913) | (13,571,113) |
| **Reconciliation of net profit to cash flows used in operating activities** | | |
| Depreciation, amortization and impairment | 517,741 | 6,159,600 |
| Loss of value on disposals | – | 638,297 |
| Provisions | 218,213 | (143,616) |
| Government grants | (276,500) | (198,838) |
| Financial results | 392,171 | 538,682 |
| Lease contract | 352,618 | – |
| Non-cash charge for share-based compensation | 370,843 | (1,090,889) |
| Retirement benefit obligations | 27,216 | 33,492 |
| **Cash flows from operating activities** | **(8,273,611)** | **(7,634,385)** |
| Inventories | – | 59,813 |
| (Increase) / Decrease in trade receivables | (5,472) | – |
| Other current assets | 110,329 | 708,719 |
| (Increase) / Decrease in trade payables | (140,941) | (238,463) |
| Other current liabilities | 21,562 | (346,023) |
| **Net cash flows from operating activities** | **(8,288,132)** | **(7,450,339)** |
| Acquisitions of property, plant and equipment | (34,059) | (31,112) |
| Acquisitions of Intangible assets | – | – |
| Acquisitions of financial holdings | 5,801 | 40,157 |
| **Net cash flows from investing activities** | **(28,258)** | **9,045** |
| Increase / (Decrease) of refundable advances | – | 879,000 |
| Increase / (Decrease) of financial debt | (2,224,816) | (2,408,287) |
| Payment of Lease debt | (331,030) | – |
| Treasury stocks | 3,134 | 34,677 |
| Share capital Increases | 2,031,179 | 14,033,727 |
| **Net cash flows from financing activities** | **(521,533)** | **12,539,117** |
| Opening cash and cash equivalents | 15,629,424 | 10,531,602 |
| Closing cash and cash equivalents | 6,791,500 | 15,629,424 |
| **(Decrease) / Increase in cash position** | **(8,837,924)** | **5,097,822** |

## Statement of changes in shareholder's equity

| | Share capital | | | | | |
|---|---|---|---|---|---|---|
| *(Amounts in euros)* | Number of shares | Amount | Share Premiums | Reserves | Net profit / (loss) | Total Equity |
| **As at 01 January 2018** | **13,600,084** | **816,005** | **70,164,019** | **(45,601,973)** | **(13,541,934)** | **11,836,118** |
| Allocation of prior period loss | | | | (13,541,934) | 13,541,934 | – |
| Share capital increases | 8,006,279 | 480,377 | 10,274,528 | | | 10,754,905 |
| Profit / (loss) for the half year | | | | | (13,571,113) | (13,571,113) |
| Transaction cost | | | (1,126,183) | | | (1,126,183) |
| Elimination of treasury shares | | | | 98,219 | | 98,219 |
| Issue of BSA | | | 4,405,005 | | | 4,405,005 |
| Actuarial gains / (losses) | | | | 48,528 | | 48,528 |
| Share-based Payments | | | | (1,090,889) | | (1,090,889) |
| **As at 31 December 2018** | **21,606,363** | **1,296,382** | **83,717,369** | **(60,088,048)** | **(13,571,113)** | **11,354,591** |
| Allocation of prior period loss | | | | (13,571,113) | 13,571,113 | – |
| Share capital increases | 2,761,858 | 165,711 | | | | 165,711 |
| Profit / (loss) for the half year | | | | | (9,875,913) | (9,875,913) |
| Transaction cost | | | (293,189) | | | (293,189) |
| Elimination of treasury shares | | | | (13,430) | | (13,430) |
| Issue of BSA | | | 1,017,086 | | | 1,017,086 |
| ORNAN2019 | | | 722,320 | | | 722,320 |
| Fair value valuation | | | | 258,494 | | 258,494 |
| Actuarial gains / (losses) | | | | (6,116) | | (6,116) |
| Share-based Payments | | | | 370,843 | | 370,843 |
| **As at 31 December 2019** | **24,368,221** | **1,462,093** | **85,163,586** | **(73,045,322)** | **(9,875,913)** | **3,700,398** |

# NOTES TO THE CONSENSED FINANCIAL STATEMENTS

## NOTE 1: THE COMPANY

Pixium Vision, a bioelectronic 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 the French National Eye Hospital Quinze-Vingts (CHNO) in Paris and 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. These, retinal degenerative 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 analyzed 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 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

Pixium Vision’s BVS comprise three components: (i) a retinal implant that provides the artificial stimulation, via photovoltaic electrodes; (ii) a visual interface in the form of a pair of glasses comprising a mini-camera and a projection system and (iii) a pocket computer.

Pixium Vision’s BVS harness recent developments in microelectronics, optoelectronics, and intelligent software algorithms and 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.

Pixium Vision’s BVS are protected by 30 patent families, which cover the key components of the systems.

Pixium Vision is focusing its financial and human resources on the development of its Prima System.

The Prima System 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. Pixium Vision has completed the pre-clinical phases and 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 protocols in parallel to the Regulatory Authorities in the United States and Europe for the first feasibility studies in Human in atrophic dry AMD. On October 19, 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 the Prima System. On July 10, 2018 the Company announced completion of implantations in five patients in France, with the 6-month and 12-month follow-up positive results have been publicly announced on January 8 and July 18, 2019. In the course of the fourth quarter 2019, the patients of the feasibility trial in France were equipped with the new transparent glasses allowing the combination of peripheral residual vision and central prosthetic one. In parallel, the US FDA authorized in December 2017 a feasibility trial with PRIMA in five patients with advanced dry-AMD. A first patient has been implanted in January 2020 at UPMC (Pittsburgh). The recruitment of patients in this study in on-going at the University of Pittsburgh Medical Center (UPMC) and in Miami.

## Major events in 2019

During 2019, major developments include:

- On **January 8, 2019**, Pixium Vision announced its wireless Prima chip successfully met the interim study endpoints for dry age-related macular degeneration.
- On **February 8, 2019**, Pixium Vision announced Its 2018 Annual results and provided business update.
- On **March 7, 2019,** Pixium Vision highlighted conclusions of Its KOL meeting: Experts confirm Prima's promises and potential to treat Dry-AMD.
- On **April 19, 2019,** Pixium Vision reported cash position as of March 31, 2019
- On **April 25, 2019**, Pixium Vision announced change in governance
- On **May 2, 2019,** Lloyd Diamond served as chief executive officer of Pixium Vision
- On **May 29, 2019,** Pixium Vision highlighted Its latest progress and achievements in its annual general meeting 2019.
- On **July 18, 2019**, Pixium Vision announced sustained success of its PRIMA System after 12 months in dry age-related macular degeneration patients.
- On **July 25, 2019**, Pixium Vision announced H1 2019 financial results and provided business update.
- On **October 3, 2019**, Sofinnova Partners Re-joined Board of Directors
- On **October 4, 2019**, Pixium Vision provided clarification on Omnes Capital shareholding unchanged since end 2017
- On **October 24, 2019**, Pixium Vision reported cash position as September 30, 2019.
- On **October 29, 2019**, Proposed transfer of the listing of Pixium Vision's share to the Euronext Growth Paris market.
- On **November 6, 2019**, Pixium Vision announced a financing agreement for a maximum amount €10 million issuing a first tranche of €1,25 million, for the development of its PRIMA System.
- On **November 8, 2019**, Pixium Vision to present the 12 months data of its Dry-AMD PRIMA System at the 11$^{th}$ Eye and Chip World Research Congress on Artificial Vision.
- On **December 2, 2019**, Pixium Vision and partners publish paper on photovoltaic subretinal prosthesis PRIMA in Nature Biomedical Engineering.
- On **December 23, 2019**, Pixium Vision notified on threshold crossing following passive dilution

## NOTE 2: GUIDING PRINCIPLES AND COMPLIANCE

### Preliminary remarks:

The company's accounts are established and presented in euros, unless otherwise stated.

The Company registered on November 16, 2017, the subsidiary Pixium Vision LLC, domiciled in the State of Delaware, United States. This subsidiary has no activity. As of December 31, 2019, it was considered immaterial for the preparation of the annual accounts of Pixium Vision SA and did not justify the preparation of consolidated annual accounts for the Company.

Condensed full year accounts close on 31 December 2019.

Full year 2019 condensed financial statements accounts have been approved on February 12, 2020 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 2017 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 EU 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.

Full year 2019 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 2019 financial statements.

The texts adopted by the EC are available on its website:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.html

The full year 2019 financial statements are also compliant to IASB rules and norms as applicable at the same date.

## Note 3: Accounting policies

### 3.1 Basis of preparation

Changes in methods and new standards or amendments

| *News standards or amendments*<br>*Texts already adopted by Europe.* | | *Effective date* | *Impact on consolidated accounts* |
|---|---|---|---|
| **IFRS 16**<br>*Leases* | IFRS 16 aligns the accounting for operating leases with finance leases. | Applicable for fiscal years beginning on or after January 1, 2019 | The initial application of IFRS 16 impacted 2019 financial statements (see note 3.14 "Rental contracts"<br>The Company retained the simplified retrospective method without restatement of historical data. |

Standards, interpretations and amendments published but not yet in force

| *News standards or amendments Texts already adopted by Europe.* | | *Effective date* | *Impact on consolidated accounts* |
|---|---|---|---|
| **Amendments to IAS 19** *Employee Benefits* | This amendment to IAS 19 concerns the modification, reduction or liquidation of a defined benefit plan. | Applicable for fiscal years beginning on or after January 1, 2019 | These provisions are not expected to have a significant impact on the Company financial statements. |
| **Improvement of IFRS, 2015-2017 cycle.** | This cycle concerns IFRS 3, IFRS 11 IAS 12 et IAS 23. | Applicable for fiscal years beginning on or after January 1, 2019 | These provisions are not expected to have a significant impact on the Company financial statements. |
| **IFRIC 23** Uncertainty over Income tax Treatments | IFRIC 23 clarifies the application of the recognition and measurement provisions of IAS 12 when there is uncertainty about the treatment of income taxes. | Applicable for fiscal years beginning on or after January 1, 2018. | These provisions are not expected to have a significant impact on the Company financial statements. |

## Going concern

The going concern assumption was retained by the Company's management given the following elements:

- Positive Shareholder's Equity at 3.7 million euros as of 31 December 2019.
- Cash and Cash equivalent on 31 December 2019 stood at 6.8 million euros. The cash position has been strengthened in 2019 thanks to the drawdown of the 2018 Equity Line with Kepler Cheuvreux and a first drawdown of 1.25 million euros from the convertible notes contract (ORNAN 2019) signed with European Select Growth Opportunity Fund (ESGO) on November 5, 2019.
- According to the ORNAN 2019 contract, totaling 10 million euros, the Company holds rights to call for drawdown 1 million euros tranches up to 8.75 million euros for a 30-month period. The tranches are callable under conditions of which the listing of the Company being transferred to Euronext Growth Paris, the liquidity and a floor price of the stock. In parallel, ESGO also holds the right to call up to 3 tranches of 1 million euros each. The Company, given the actual conditions of liquidity, share price and favorable decision to transfer of listing, believes being able to drawdown one tranches or more in 2020 representing between 1.2 et 3.2 million euros.
- The Company can solicit Kreos Capital for a 6 to 12-month delay of the 1.6 million euros convertible note reimbursement. The discussion about the option is already engaged and the Company is confident to succeed.
- The Company may also receive a financing for about 1 million euros from the research program "Sight Again". This amount equals to the spending booked during the third key step (étape clé 3) of the project. Pixium Vision and its technological partners are discussing with Bpifrance to receive the payment despite the delayed contribution of one of its project partners.
- The Company is considering new cash inflows during the 2020 financial year through, in particular, a capital increase with or without preferential subscription rights with French and International investors. The resulting cash inflow has some uncertainty and depends on the interest of investors as well as market conditions at the time of the transaction. General meetings held on May 29 and December 12, 2019 adopted all resolutions allowing for these operations.

## 3.2 Intangible assets

In accordance with IAS 38, acquired intangible assets are recorded at cost on the asset side of the balance sheet.

In 2017, the Company halted the development of its IRIS® platform following the identification of a reduced implant lifespan. In 2018, Pixium Vision reassessed the impact of additional requests from health authorities and led discussions to identify alternative opportunities IRIS®. The results of these assessments, occurred during the second half of 2018, do not allow Pixium Vision to maintain the business plan assumptions which were underlying the valuation of its IRIS® assets and are sufficient indices of intangible asset value losses. As a result, in accordance with IAS 36 rule, the Company has recognized the depreciation of IRIS®-related patents in the amount of €3.012 million. The Company has also recognized a depreciation of non-maintained patents in the amount of €1.519 million. In 2019, the Company pursued its evaluation and recognized a loss of value of 69,463 euros related to non-maintained patents.

### Research and development costs

Research costs are systematically recognized as an expense.

In accordance with IAS 38, development costs are recorded as intangible assets only if all the following criteria are met:

(a) necessary technical feasibility of completing the development project,

(b) the Company's intention of completing the project and to implement it,

(c) the Company's ability to use the intangible asset,

(d) demonstration of how the asset will generate probable economic benefits,

(e) availability of technical, financial and other resources to complete the project, and

(f) reliable evaluation of development costs.

Because of the risks and uncertainties associated with regulatory clearance and the process of research and development, the Company considers that the six IAS 38 criteria are met only once CE Mark has been obtained.

### Patent

The costs of acquiring patents are recorded as assets based on the costs incurred in purchasing them.

They are amortized on a straight-line basis over a period of up to 20 years.

## 3.3 Property, Plant and Equipment

Items of property, plant and equipment are recorded at cost or, when applicable, at their production cost.

Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets. Improvements of leased assets are depreciated over the shorter of their useful life and the term of the lease.

Depreciation is computed over the following periods:

| | |
|---|---|
| Building fixtures and fittings | 5 to 10 years, |
| Research and development equipment | 3 to 5 years, |
| Office equipment and furniture | 5 years, |
| Computer equipment | 3 years. |

In 2018, Pixium Vision moved and reduced its premises. The Company no longer has the usefulness of the left premises and has given up part of her office furniture. As a result, tangible capital assets related to facilities recorded a loss of value of 594,504 euros. In addition, the Company found a loss of value of 102,106 euros on industrial equipment specific to the production of IRIS®. This equipment no longer has residual value at Pixium Vision’s balance sheet.

In 2019, no event led to potential value loss signal.

## 3.4 Financial assets

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement, beginning in 2018, and considers the three aspects of accounting for financial instruments; (a) classification and measurement, (b) impairment, (c) hedge accounting.

Loans and borrowings are initially measured and recognized at fair value and then recorded at amortized cost.

Changes in fair value of financial assets are booked in the Global result.

## 3.5 Recoverable value of Intangible assets and non-current tangible assets

Tangible and intangible assets with determined useful lives are subject to an impairment test when signs exist that put in doubt the recovery of their carrying amounts. An impairment loss is recognized as the difference between the asset's carrying amount and recoverable amount. An asset's recoverable amount is its fair value less its sale costs or value in use, if this is greater.

## 3.6 Inventories and work in progress

Inventories are carried at cost or net realizable value, whichever is lower. In the latter case, the loss of value is recorded in the result. Inventories are valued using the FIFO method.

## 3.7 Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. They are readily converted to a known amount of cash and subject to an insignificant risk of a change in value. Cash and cash equivalents comprise immediately available liquid assets, highly liquid investments with no penalties and transferable securities (short-term money market funds).

Transferable securities are readily converted to a known amount of cash and are subject to an insignificant risk of a change in value. They are measured at fair value and changes in value are recorded within net financial income/expense.

## 3.8 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or share options are recognized in equity as a deduction of the proceeds from the issue, net of tax.

## 3.9 Share-based payments

Since its creation, the Company has implemented several equity-settled compensations plans in the form of a "BSPCE share purchase warrant", granted free of charge to employees and / or officers, to " Share subscription warrant "- BSA awarded to scientific consultants or service providers and" free shares "- AGA allocated to employees.

In accordance with IFRS 2 - Share-based payment, these instruments are measured at fair value on the grant date. This fair value is determined based on the most appropriate valuation model in terms of the characteristics of each plan.

The fair value of the shares is spread on a straight-line basis over each milestone in the vesting period (period between grant date and plan maturity date) and recognized in the income statement for a corresponding increase in equity. This value is recorded as personnel expenses and is allocated by destination according to the analytical attachment of each beneficiary.

At each balance sheet date, the Group re-examines the number of rights that may be acquired, i.e. the number of potentially distributable shares. Where applicable, the impact of a revision of an estimate is recognized in the income statement in exchange for a corresponding adjustment in shareholders' equity.

The characteristics of the instruments are detailed in note 22.

## 3.10 Grants and Conditional advances

### Grants

The Company benefits from certain targeted strategic innovation focused government funding, in the form of grants.

Grants are recognized when there is reasonable assurance that:

- the Company will comply with the conditions attached to the grants and

- Grants will be received.

A grant receivable either as compensation for expenses or losses already incurred or as immediate financial support to the company without any future related costs is recognized in other income in the year in which the receivable becomes due.

### Conditional advances

The Company benefits from government funding, in the form of conditional advances which are fully repayable advances based on the donor's recognition of a technical or commercial success of the related project by the financing entity. The details of these funding are shown in Note 11: conditional advances.

The amount resulting from the deemed benefit due to the preferential interest rate obtained is a subsidy for accounting purposes. This deemed benefit is determined by applying a discount rate equal to the market rate[1] over the period that corresponds to the period of repayment of advances and additional payments.

In the event of a change in the timing of payment of the stipulated repayments of conditional advances, the Company shall recalculate the net book value of the debt resulting from the discounted future cash flows expected. The resulting adjustment is recognized in the income statement for the year in which the change is recognized.

A non-refundable grant under specific conditions, is like a public grant if there is a reasonable assurance that the company will fulfill the conditions related to the exemption of refunding. If not, it is recorded as debt.

## 3.11 Provisions

### Provisions for losses and contingencies

Provisions for contingencies and disputes comprise obligations resulting from various disputes and contingencies, the due date and amount of which are uncertain.

Provisions are recognized when the Company has a legal or constructive obligation towards a third party because of a past event for which it is probable that an outflow of economic resources in favor of that third party will be required, without at least equivalent compensation anticipated from the latter, and the amount of the obligation can be estimated reliably.

The provision recognized is the best estimate of the required expenditure to extinguish the obligation.

### Retirement benefit commitments

Company employees receive retirement benefits provided for by French law:

- a retirement benefit paid by the Company upon employees' retirement (defined benefit plan)
- pension paid by social security, funded by employer and employee contributions (state defined-contribution scheme).

For defined benefit plans, the cost of retirement benefits is estimated using the projected unit credit method. Under this method, the retirement cost is recognized in profit or loss to amortize it over the employee's service period. Retirement benefit commitments are measured at present value of estimated future payments using as the discount rate the interest rate on long-term bonds issued by

1 Market rate: The company signed a bond financing in 2016 at a rate of 11.5%, which has been retained as a market rate for Pixium Vision.

firms with the highest credit ratings, with maturities corresponding to those estimated for the payment of the benefits.

The Company uses external actuaries to review each year the valuation of these plans.

The difference between the provision at the beginning and end of a financial year is recognized in other comprehensive income. The Company's contributions to defined contribution schemes are charged to profit or loss for the period with which they are associated.

## 3.12 Revenue from ordinary activities

The Company records revenue when there is a transfer of goods or services to a customer for an amount that reflects what the Company expects to receive in consideration for those goods or services, in accordance with IFRS 15.

## 3.13 Other Revenue

### Grants

The Company receives, because of its innovative aspect, different state sponsored grant or a public grant, design to finance its current functioning.

A state grant receivable is recorded in “other income” of the financial year that recorded the corresponding charges and expenses when there is a reasonable assurance that the grants will be received.

### Research tax credit

The research tax credit is given to companies by the French tax authorities to encourage them to carry out technical or scientific research. Companies that justify the expense and meet the required criteria (research expenditure in France or, since 1 January 2005, within the European Community or another state that is party to the Agreement on the European Economic Area and having concluded with France a tax agreement including an administrative assistance provision) receive a tax credit that can be used to pay corporate income tax due in respect of the financial year in which the expenses were incurred and the following three financial years or, where applicable, are compensated for the difference. Only research expenditure is considered when calculating the research tax credit.

The company has received the research tax credit since its creation.

The Company received the 2018 research tax credit in 2019. The 2019 research tax credit is expected in 2020 in accordance with the Community SME scheme.

## 3.14 Lease contracts

Lease contracts, as defined by IFRS 16 "Leases", are recorded in the balance sheet, which leads to the recognition of:

– an asset representing a right of use of the asset leased during the lease term of the contract;

– a liability related to the payment obligation.

Assets or contract with the following features are not eligible to an accounting treatment according to IFRS 16:

– Contracts not exceeding twelve months, including economically incentive renewal option.

– Assets usable alone (or with readily available resources) neither dependent nor strongly related to other assets.

– Assets with a value equal to or less than US$5,000.

**Valuation of the right-of use asset**

At the starting date, the right-of-use asset Is measured at cost and comprises:

– The amount of the initial measurement of the lease liability, to which is added, if applicable, any lease payments made at or before the commencement date, less any lease incentives received.

– where relevant, any initial direct costs incurred by the lessee for the conclusion of the contract. These are incremental costs which would not have been incurred if the contract had not been executed.

– estimated costs for restoration and dismantling of the leased asset according to the term of the contract. At the date of the Initial recognition of the right-of-use asset, the lessee adds to Its costs, the discounted amount of the restoration and dismantling costs through a return obligation liability or provision.

The right of use Is amortized over the useful life of the underlying assets (term of the lease).

**Measurement of the lease liability**

At the starting date, the lease liability Is recognized for an amount equal to the present value of the lease payments over the lease term.

Amounts Involved In the measurement of the lease liability are:

– fixed payments (Including in substance fixed payments; meaning that even If they are variable in form, they are in substance unavoidable);

– variable lease payments that depend on an Index or a rate, initially measured using the Index or the rate in force at the lease commencement date;

– amounts expected to be payable by the lessee under residual value guarantees;

– payment of penalties for terminating or not renewing the lease, If the lease term reflects the lessee exercising this option.

The lease liability Is subsequently measured based on a process similar to the amortized cost method using the discount rate:

– the liability Is Increased by the accrued Interests resulting from the discounting of the lease liability, at the beginning of the lease period;

– less payments made.

The interest cost for the period as well as variable payments, not considered in the initial measurement of the lease liability and incurred over the relevant period are recognized as financial expenses.

In addition, the lease liability may be measured in the following situations:

– change in the lease term;

– modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option;

– update linked to the residual value guarantees;

– adjustment to the rates and Indices according to which the rents are calculated when rent adjustments occur.

At 31 December 2018, note 24 "Commitments" presented an estimated amount of €3.5 million of operating leases obligations, including €1.75 million for future rents. At opening on 1 January 2019, the amount was €1.6 million following first application of IFRS16. The difference mainly relates to changes in lease agreements during 2019.

**Types of capitalized lease contracts**

– **Real-estate lease contracts**

The Company has identified lease contracts according to the lease contracts on premises dedicated to the activity of research and development. The lease term corresponds to the non-terminable period.

The discount rate used to calculate the lease debt Is based on, for each asset, incremental borrowing rate at the signature debt. The incremental borrowing rate is the rate that the lessee would pay to borrow the required funds to purchase the asset over similar period, security level and economic environment. This rate was obtained from the bank of the Company and Is specific to the purpose of the financing, the amount of the credit, the nature of the credit, and the duration of the credit.

– **Other-assets lease contracts**

The main lease contracts Identified correspond to company cars and license lease. The lease term corresponds to the non-terminable period. These contracts do not provide renewal options.

The discount rate used to calculate the lease debt is based, for each asset, on incremental borrowing rate at the signature debt. (Refer to the paragraph above "Real-estate lease contracts" regarding the method to determine the Incremental borrowing rate).

**Types of non-capitalized lease contracts**

– **Short duration lease contracts**

These are contracts whose duration Is equal to or less than 12 months. Within the Company, they mainly relate to leases of:

– Storage areas with a notice period equal to or less than 12 months.

– **Low value lease contracts**

Low-value lease contracts relate to assets with a value equal to or less than US$5,000. Within the Company, these Include, notably, lease contracts on printers and mobile phones.

## 3.15 Income tax

Deferred taxes are recognized for all timing differences arising from the difference between the tax base and the accounting base for assets and liabilities appearing in the financial statements. The main timing differences are linked to tax losses carried forward. Because the tax rates were adopted by legislation on the reporting date, they have been used to determine the deferred taxes.

Deferred tax assets are recognized only if it is likely that there will be sufficient future results to absorb the losses carried forward. In view of its development stage and doubts concerning the date on which taxable income will be made, the Company has not recognized any deferred tax assets on the balance sheet.

## 3.16 Segment reporting

The Company has only one operating segment, which conducts research and development on retinal implants with a view to taking them to market. The assets, liabilities and operating losses are made in France.

## 3.17 Other comprehensive Income

Other comprehensive income items for the period that are not recognized in profit or loss as required by the applicable standards are presented, where applicable, under "Other comprehensive income".

## 3.18 Significant accounting estimates and judgements

The estimates and judgements, which the management makes in applying the accounting policies described above, are based on historical information and other factors, including expectations of future events considered reasonable in view of the circumstances. These estimates and judgements mainly concern:

- Valuation of the fair value of warrants for subscription of business creator shares allocated to employees and/or senior executives and warrants allocated to non-executive Board members, scientific consultants and service providers is undertaken using actuarial models, which require the Company to use certain assumptions, such as the instrument's expected volatility. See note 22
- Estimates of the repayment flows of the repayable advances obtained by the Company from public authorities. The expected repayments of advances are analyzed at the end of each financial year. See note 12
- Estimation of useful life, identification of signs of impairment loss and, if any, undertaking impairment tests on intangible assets. See note 3.2

## 3.19 Events occurring after the reporting date

The Company's balance sheet and income statement have been adjusted for the financial effects of events occurring after the reporting date. Adjustments are made until the date on which the Board of Directors approved the financial statements.

Other events occurring after the reporting date without not giving rise to adjustments are presented in Note 30.

## NOTE 4: INTANGIBLE ASSETS

Intangible assets break down as follows:

| *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Patents, licenses, trademarks | 10,499,989 | 10,499,989 |
| Software | 217,988 | 217,988 |
| **Total historical cost** | **10,717,977** | **10,717,977** |
| Accumulated amort. of patents, licenses, trademarks | 3,537,914 | 3,345,414 |
| Accumulated amort. of software | 217,988 | 217,988 |
| Impairments | 4,600,691 | 4,531,238 |
| **Accumulated amortization** | **8,356,593** | **8,094,640** |
| **Net total** | **2,361,384** | **2,623,337** |

Intangible assets mainly comprise the purchase of patents by the company in 2012 for the research and development of IRIS®. In 2018, in accordance with IAS 36, the Company recorded a 4.5 million euros loss of value for the patents directly related to IRIS®. (See Note 3.2). In 2019, the Company reviewed Its patents and decide not to maintain some leading to a value loss of 69,453 euros.

## NOTE 5: PROPERTY, PLANT & EQUIPMENT

Tangible assets break down as follows:

| *(Amounts in euros)* | **01/01/2019** | Increase | Decrease | **31/12/2019** |
|---|---|---|---|---|
| Industrial and laboratory equipment | 1,712,140 | 16,522 | – | 1,728,662 |
| Building fixtures and fittings | 471,352 | – | – | 471,352 |
| IT equipment | 193,140 | 16,389 | – | 209,528 |
| Office furniture | 309,476 | 1,953 | – | 311,430 |
| Tangible assets in progress | 805 | – | (805) | – |
| Other tangible assets | – | – | – | – |
| **Total brut** | **2,686,914** | **34,864** | **(805)** | **2,720,973** |
| Accumulated amort. of industrial and laboratory equipment | 1,209,402 | 132,871 | – | 1,342,273 |
| Accumulated amort. of building fixtures and fittings | 294,351 | 55,166 | – | 349,516 |
| Accumulated amort. of IT equipment | 175,455 | 11,312 | – | 186,767 |
| Accumulated amort. of office furniture | 199,493 | 56,439 | – | 255,932 |
| Accumulated amort. of other tangible assets | – | – | – | – |
| Impairments | 102,106 | – | – | 102,106 |
| **Total accumulated amortization** | **1,980,807** | **255,788** | – | **2,236,595** |
| **Net total** | **706,107** | **(220,924)** | **(805)** | **484,378** |

| *(Amounts in euros)* | **01/01/2018** | Increase | Decrease | **31/12/2018** |
|---|---|---|---|---|
| Industrial and laboratory equipment | 1,659,306 | 54,993 | (2,160) | 1,712,140 |
| Building fixtures and fittings | 1,027,376 | 38,480 | (594,504) | 471,352 |
| IT equipment | 193,140 | – | – | 193,140 |
| Office furniture | 391,899 | 350 | (82,772) | 309,476 |
| Tangible assets in progress | 24,537 | 805 | (24,537) | 805 |
| Other tangible assets | – | – | – | – |
| **Total brut** | **3,296,258** | **94,629** | **(703,973)** | **2,686,914** |
| Accumulated amort. of industrial and laboratory equipment | 987,921 | 222,715 | (1,235) | 1,209,402 |
| Accumulated amort. of building fixtures and fittings | 393,051 | 495,804 | (594,504) | 294,351 |
| Accumulated amort. of IT equipment | 160,476 | 14,979 | – | 175,455 |
| Accumulated amort. of office furniture | 187,468 | 60,961 | (48,935) | 199,493 |
| Accumulated amort. of other tangible assets | – | – | – | – |
| Impairments | – | 102,106 | – | 102,106 |
| **Total accumulated amortization** | **1,728,916** | **896,565** | **(644,674)** | **1,980,807** |
| **Net total** | **1,567,341** | **(801,936)** | **(59 299)** | **706,107** |

In 2019, the Company acquired tangible assets for 32,911 euros comprising IT and laboratory materials.

As at December 31, 2018, the Company recorded a loss of value for 102,106 euros in IRIS® equipment. The company also recorded a decrease of tangible assets primarily related to fit-up and landscaping work of its left premises of 594,504 euros. (See Note 3.3).

## NOTE 6: RIGHT OF USE

The table below shows the right of use by category:

| *(Amounts in euros)* | Real estate | Other assets | **Total** |
|---|---|---|---|
| ***At December 31, 2019*** | | | |
| Contracts [(1)] | 1,556,957 | 50,380 | 1,607,337 |
| Change in contracts | 14,888 | 5,950 | 20,838 |
| **Total brut** | **1,571,845** | **56,330** | **1,628,175** |
| Amortization | 279,073 | 24,745 | 303,819 |
| **Net total** | **1,292,772** | **31,585** | **1,324,356** |

*(1) See note 3.14 Lease Contracts*

The elements of lease debt are presented in note 16.

## NOTE 7: NON-CURRENT FINANCIAL ASSETS

| *(Amounts in euros)* | 01/01/2019 | Increase | Decrease | 31/12/2019 |
|---|---|---|---|---|
| Deposits and guarantee | 82,602 | 788 | (6,528) | 76,862 |
| Financing deposit | 253,754 | 6,070 | (61) | 259,824 |
| **Gross total** | **336,356** | **6,858** | **(6,589)** | **336,625** |
| *(Amounts in euros)* | 01/01/2019 | Allocation | Writeback | 31/12/2019 |
| Provision for deposit and guarantee | – | – | – | – |
| **Total provision** | **–** | **–** | **–** | **–** |
| **Net total** | **336,356** | **6,585** | **(6,589)** | **336,625** |

| *(Amounts in euros)* | 01/01/2018 | Increase | Decrease | 31/12/2018 |
|---|---|---|---|---|
| Deposits and guarantee | 122,759 | 38,323 | (78,480) | 82,602 |
| Financing deposit | 279,464 | – | (25,710) | 253,754 |
| **Gross total** | **402,223** | **38,223** | **(104,190)** | **336,356** |
| *(Amounts in euros)* | 01/01/2018 | Allocation | Decrease | 31/12/2018 |
| Provision for deposit and guarantee | – | – | – | – |
| **Total provision** | **–** | **–** | **–** | **–** |
| **Net total** | **402,223** | **38,224** | **(104,190)** | **336,356** |

Non-current financial assets comprise the deposit paid for the lease of the Company's premises.

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

## NOTE 8: INVENTORIES AND WORK IN PROGRESS

| *(Amounts in euros)* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Raw materials | 624,041 | 624,041 |
| Finished goods | 225,272 | 225,272 |
| **Total historical cost** | **849,313** | **849,313** |
| Depreciation of inventories and work in progress | 849,313 | 849,313 |
| **Total inventories and work in progress in net value** | – | – |

After the recording in 2018, in application of IAS 36, of an Impairment loss corresponding to the residual value of IRIS® in inventories, the Company, in the absence of commercial product, does not record inventories.

## NOTE 9: OTHER CURRENT ASSETS

Other current assets break down as follows:

| *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Deposits and advances | 72,181 | 76,537 |
| State, Research Tax Credit and CICE | 1,692,137 | 1,323,412 |
| VAT | 78,582 | 106,300 |
| Product receivables | 260,000 | – |
| Liquidity agreement | 52,231 | 95,847 |
| Differed charges | 148,733 | 470,709 |
| Other | 6,212 | 53,242 |
| **Net total** | **2,310,076** | **2,126,120** |

On December 31, 2019, other current assets consist mainly of a 2019 research tax credit receivable of 1,718,149 euros.

The product receivables of 260,000 euros corresponds to the grant part of the Sight Again project liked to the finalization of EC03 (see note 12).

In 2018, Prepaid expenses mainly correspond to expenses related to rents and insurance 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 2019, 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:

| **Change in research tax credit receivable** *(in euros)* | Amount |
|---|---|
| **Receivable on 01/01/2018** | **2,070,716** |
| Operating income | 1,322,986 |
| Payment received | (2,125,733) |
| **Receivable on 31/12/2018** | **1,267,969** |
| | |
| **Receivable on 01/01/2019** | **1,267,969** |
| Operating income | 1,718,149 |
| Payment received | (1,337,232) |
| **Receivable on 31/12/2019** | **1,648,886** |

## NOTE 10: CASH AND CASH EQUIVALENT

The item cash and cash equivalents break down as follows:

| *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Cash | 6,791,500 | 7,626,391 |
| Term deposits | – | 8,003,033 |
| Money market funds (SICAV) | – | – |
| **Net total** | **6,791,500** | **15,629,424** |

## NOTE 11: SHARE CAPITAL

### 11.1 Issued share capital

Share capital at December 31, 2019 amounted to €1,462,093.26 divided into 24,368,221 shares fully subscribed and paid-up with a nominal value of €0.06.

This number excludes SO (Stock-options), 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) authorized not issued.

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 covered period:

| Date | Nature of transactions | Share Capital | Issue Premium | Number of shares | Nominal value |
|---|---|---|---|---|---|
| | **Balance at December 31, 2017** | **€ 816,005** | **€ 70,164,019** | **13,600,084** | **€ 0.06** |
| 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) | | |
| 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 Kepler Cheuvreux) | € 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) | | |

| Date | Nature of transactions | Share Capital | Issue Premium | Number of shares | Nominal value |
|---|---|---|---|---|---|
| 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 | | |
| April 09, 2018 | Share capital increase from ordinary share issue (BSA Kepler Cheuvreux) | € 12,900 | € (12,900) | 215,000 | € 0.06 |
| April 09, 2018 | Share capital increase from ordinary share issue (BSA) | € 2,122 | € (2,122) | 35,372 | € 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 | 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 |
| September 6, 2018 | Exercise BSA Kepler Cheuvreux 16/10/17 | | € 1,143,100 | | |
| September 6, 2018 | Fees recorded in diminution of issuance premium | | € (28,578) | | |
| September 11, 2018 | Fees recorded in diminution of issuance premium | | € (1,834) | | |
| October 9, 2018 | Subscription of BSA 2018 KREOS | | € 1 | | |
| October 11, 2018 | Share capital increase from ordinary share issue (BSA Kepler Cheuvreux) | € 42,600 | € (42,600) | 710,000 | € 0.06 |
| December 28, 2018 | Subscription of BSA Kepler Cheuvreux (KC) | | € 500 | | |
| | **Balance at December 31, 2018** | **€ 1,296,382** | **€ 83,717,369** | **21,606,363** | **€ 0.06** |
| January 8, 2019 | Fees recorded in diminution of issuance premium | | (50,000) € | | |
| January 9, 2019 | Exercise BSA Kepler Cheuvreux 21/12/18 | | 336,000 € | | |
| January 9, 2019 | Fees recorded in diminution of issuance premium | | (6,720) € | | |
| January 15, 2019 | Exercise BSA Kepler Cheuvreux 21/12/18 | | 324,000 € | | |
| January 15, 2019 | Fees recorded in diminution of issuance premium | | (6,480) € | | |
| February 18, 2019 | Exercise BSA Kepler Cheuvreux 21/12/18 | | 75,000 € | | |
| February 18, 2019 | Fees recorded in diminution of issuance premium | | (1,500) € | | |
| March 5, 2019 | Exercise BSA Kepler Cheuvreux 21/12/18 | | 79,000 € | | |
| March 5, 2019 | Fees recorded in diminution of issuance premium | | (1,580) € | | |
| March 26, 2019 | Exercise BSA Kepler Cheuvreux 21/12/18 | | 75,000 € | | |
| March 26, 2019 | Fees recorded in diminution of issuance premium | | (1,500) € | | |
| April 4, 2019 | Share capital increase from ordinary share issue (BSA Kepler Cheuvreux) | 33,000 € | (33,000) € | 550,000 | 0,06 € |
| April 30, 2019 | Exercise BSA Kepler Cheuvreux 21/12/18 | | 32,000 € | | |

| Date | Nature of transactions | Share Capital | Issue Premium | Number of shares | Nominal value |
|---|---|---|---|---|---|
| April 30, 2019 | Fees recorded in diminution of issuance premium | | (640) € | | |
| May 6, 2019 | Exercise BSPCE 05/02/2014 | | 13,368 € | | |
| May 9, 2019 | Exercise BSA Kepler Cheuvreux 21/12/18 | | 77,500 € | | |
| May 9, 2019 | Fees recorded in diminution of issuance premium | | (1,550) € | | |
| May 29, 2019 | Share capital increase from ordinary share issue (BSPCE) | 13,368 € | (13,368) € | 222,797 | 0,06 € |
| May 29, 2019 | Share capital increase from ordinary share issue (BSA Kepler Cheuvreux) | 4,200 € | (4,200) € | 70,000 | 0,06 € |
| July 24, 2019 | Share capital increase from ordinary share issue (AGA2018) | 6,714 € | (6,714) € | 111,900 | |
| July 24, 2019 | Exercise BSA Kepler Cheuvreux 21/12/18 | | 37,500 € | | |
| July 24, 2019 | Fees recorded in diminution of issuance premium | | (750) € | | |
| August 01, 2019 | Exercise BSA Kepler Cheuvreux 21/12/18 | | 25,000 € | | |
| August 01, 2019 | Fees recorded in diminution of issuance premium | | (500) € | | |
| October 18, 2019 | Fees recorded in diminution of issuance premium | | (10,000) € | | |
| November 6, 2019 | Buy back of remaining BSA Kepler Cheuvreux | | (389) € | | |
| November 6, 2019 | ORNAN2019 first tranche draw (125 Notes) | | 1,250,000 € | | |
| November 6, 2019 | ORNAN2019 first tranche Subscription (2.5%) | | (31,250) € | | |
| November 6, 2019 | ORNAN2019 first tranche Commitment Fee (4%) | | (50,000) € | | |
| November 12, 2019 | Fees recorded in diminution of issuance premium | | (1,200) € | | |
| November 19, 2019 | Fees recorded in diminution of issuance premium | | (29,130) € | | |
| December 01, 2019 | Fees recorded in diminution of issuance premium | | (100,000) € | | |
| December 12, 2019 | Share capital increase from ordinary share issue (AGA2017) | 8,652 € | (8,652) € | 144,200 | |
| December 12, 2019 | Share capital increase from ordinary share issue (BSA Kepler Cheuvreux) | 2,700 € | (2,700) € | 45,000 | |
| December 12, 2019 | ORNAN2019 conversion of 05/11/2019 | 97,078 € | (97,078) € | 1,617,961 | |
| | **Balance at December 31, 2019** | **1,462,093 €** | **85,582,836 €** | **24,368,221** | **0,06 €** |

In 2019, the Board of Directors recorded:

- Exercise of 665.000 BSA Kepler Cheuvreux giving rise to the issue of 665.000 ordinary shares with a nominal value of € 0.06.
- Exercise of 1.297.848 BSPCE giving rise to the issue of 222.797 ordinary shares with a nominal value of € 0.06.
- Final allocation of 256.100 free shares
- Conversion of 82 ORNAN giving rise to the Issue of 1.617.961 ordinary shares with a nominal value of € 0.06.

The Board of Directors increased the share capital for a total amount of 165,711 euros, bringing the number of shares making up the share capital of the Company to 24,368,221.

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

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

| Type | Date | Nombre total d'instruments émis à l'origine | Nombre d'instruments exercés | Nombre d'instruments caducs | Nombre d'instruments en circulation | Nombre d'actions potentielles (*) |
|---|---|---|---|---|---|---|
| **BSA** | | | | | | |
| BSA 2013* | 18/03/2013 | 1,978,020 | (1,494,127) | 0 | 483,893 | 83,066** |
| BSA 2014 | 17/12/2014 | 40,000 | 0 | 0 | 40,000 | 41,200** |
| BSA 2015 | 23/06/2015 | 33,333 | 0 | 0 | 33,333 | 34,332** |
| New BSA 2016 KREOS | 27/06/2017 | 140,935 | 0 | 0 | 140,935 | 422,805*** |
| BSA 2018 KREOS | 25/07/2018 | 1 | 0 | 0 | 1 | 165,430 |
| **BSPCE** | | | | | | |
| BSPCE 2013* | 18/03/2013 | 2,000,517 | (1,143,092) | 0 | 857,425 | 147,191** |
| BSPCE 2013* | 02/10/2013 | 824,589 | (824,589) | 0 | 0 | 0 |
| BSPCE 2013* | 05/02/2014 | 2,809,933 | (1,707,848) | 0 | 1,102,085 | 189,189** |
| **AGA** | | | | | | |
| AGA 2019-01 | 24/07/2019 | 20,000 | 0 | 0 | 0 | 20,000 |
| AGA 2019-02 | 12/12/2019 | 375,000 | 0 | 0 | 0 | 375,000 |
| AGA 2019-03 | 12/12/2019 | 56,250 | 0 | 0 | 0 | 56,250 |
| **SO** | | | | | | |
| SO 2019-01 | 02/10/2019 | 1,107,818 | 0 | 0 | 0 | 1,107,818 |
| SO 2019-02 | 12/12/2019 | 50,000 | 0 | 0 | 0 | 50,000 |
| **Total** | | **40,032,161** | **(32,717,342)** | **(3,048,079)** | **4,266,740** | **2,692,281** |

(*) 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 on 7 May 2018 according to the adjustment clauses provided in the issue contract of BSA, BSPCE and adjustment clauses of Free Shares plan.

(***) 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. Following the capital increase on 7 May 2018, "the warrants" entitle the holder to subscribe 1.03 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. Following the capital increase on 7 May 2018, each BSA 2014 entitles the holder to subscribe 1.03 ordinary share of par value of 0.06 euro a subscription price of 0.06 euro. The capital would be increased by € 2,472 by issuing 41,200 shares with at a par value of € 0.06, with an issue premium of € 277,688 representing a total subscription amount of €280,160 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. Following the capital increase on 7 May 2018, each BSA 2015 entitles the holder to subscribe 1.03 ordinary share of par value of 0.06 euro a subscription price of 0.06 euro. The capital would be increased by € 2,059.92 by issuing 34,332 shares with a nominal value of € 0.06, with an issue premium of € 211,828.44, representing a total subscription amount of € 213,888.36 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 (BSPCE/BSA) 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 20.

*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 were 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 7, 2018.

The impact on net income from share-based payments is presented in note 20.

*AGA 2017*

The total number of shares allocated in this plan is 140,000 to a single beneficiary. Following the capital increase with subscription rights on 7 May 2018, the total number of shares allocated is adjusted, according to plan, to 144,200 free shares. Each AGA 2017 has a 2-year vesting period and a 1-year retention period. These shares are subject to the condition of presence but not to any performance conditions.

The Board of Directors held on 12 December 2019 has recorded that the condition of presence has been fulfilled and definitely granted 144,200 free shares with a 1-year holding period.

The impact on net income from share-based payments is presented in note 22.

*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 subscription of New BSA 2016 KREOS in agreement with 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 / [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. The total number of shares to be Issued should stand at 588,235 shares, higher than the cap of 422,805 shares. Applying the emission contract, at December 31, 2018, the maximum number of shares to be created was 422,805 for a capital Increase of € 25,368.30, based on a subscription price P equal to € 1.87, the subscription price of the capital increase completed on May 7, 2018.

*BSA 2018 KREOS*

Following the above-mentioned capital increase at a price of € 1.87, the 140,935 New BSA 2016 KREOS should have given rights to subscribe for 588,235 shares, above the cap of 422,805 shares. Consequently, the Board of Directors decided to issue one warrant "BSA 2018 KREOS" giving the right to subscribe to 165,430 ordinary shares with a par value of 0.06 €, equal to the difference between the number of shares to be issued (588,235) and the cap (422.805) of the New BSA 2016 KREOS. The subscription price per share is € 1.87 equal to the capital increase pricing. At December 31, 2019, the maximum number of shares to be created was 165,430 for a capital Increase of € 9,925.80.

*BSA Kepler Cheuvreux 2017*

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 December 31, 2018, 2,000,000 warrants were exercised carrying the balance of subscription warrants exercisable at zero.

*AGA 2018*

The total number of shares allocated to this plan is 251,800, including 25,700 shares allocated to Khalid Ishaque, CEO.

These shares are subject to the following Performance Conditions;

- PRIMA: Filing of the European pivotal study using useful information - confirm minimum power to elicit light perception - from 6-month French FIH study results
- PRIMA: Complete 5 implants in US FIH study

Being reminded that these conditions are cumulative.

Each AGA 2018 has a 1-year vesting period and a 1-year retention period

The Board of Directors held on 24 July 2019 has recorded that one condition of the two had been completed and has decided to definitely grant 50% of the initial plan as from July 25, 2019. As a consequence, the Board of Directors granted 111,900 shares as from July 25, 2019 with a 1-year holding period. The shares not granted have been cancelled.

*BSA Kepler Cheuvreux 2018*

On 21 December 2018, an Equity Line agreement 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 3,000,000 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 July 25, 2018 being implemented. In 2019, 665,000 warrants out of the 3,000,000 were exercised. The 2,335,000 warrants were cancelled on 6 November 2016 following the signing of a convertible notes contract (ORNAN 2019) (note 13).

*AGA 2019-1*

On 24 July 2019, the Board of Directors has granted a 20,000 free-shares plan to a single beneficiary. Each AGA 2019-1 has a two-year vesting period and a 1-year holding period without performance conditions.

*AGA 2019-2*

On 12 December 2019, the Board of Directors has granted a 375,000 free shares performance plan with the following conditions:

- All patients continuing to participate in the feasibility studies in France and the US must be equipped with Prima 2 glasses with 6-month data by end of 2020,
- All patients in PrimaVera must be implanted by end of 2021.

Conditions are mutually exclusive and give 50% each if realized.

Each AGA 2019-2 has a two-year vesting period and a 1-year holding period.

*AGA 2019-03*

On 12 December 2019, the Board of Directors has granted a 56,250 free-shares plan to a single beneficiary Each AGA 2019-3 has a two-year vesting period and a 1-year holding period and no performance conditions

*SO 2019-1*

On 2 October 2019, the Board of Directors has granted 1,107,818 stock-options to the Company's CEO.

A part of the stock-options be acquired (20%), without performance conditions, as from May 13, 2020.

For the rest, the 3-year acquisition period will start as from May 13, 2020 and 1/36th per month of presence. Among these stock-options, a fraction is conditional to various performance conditions to be fulfilled on May 13, 2023 at the latest.

All the options will be definitely acquired and exercisable on the fourth anniversary of the grant if all performance conditions are fulfilled.

*SO 2019-2*

On 12 December 2019, the Board of Directors has granted 50.000 stock-options to a single beneficiary.

The 3-year acquisition period will start on the first anniversary of the grant and 1/36th per month of presence. All the options will be definitely acquired and exercisable on the fourth anniversary of the grant.

## NOTE 12: 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 (paid in July 2018)
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. (See Note 22)

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

| *(Amounts in euros)* | First payment made at the signature | Milestone n°1 | Milestone n°2 | Milestone n°3 | Milestone n°4 | Total |
|---|---|---|---|---|---|---|
| **Opening balance sheet debt 01/01/2018** | **142,731** | **1,515,004** | **700,889** | **–** | **–** | **2,358,623** |
| (+) cashing | – | – | – | – | – | – |
| (-) reimbursement | – | – | – | – | – | – |
| Deferred income at cashing | – | – | – | – | – | – |
| Capitalized interest | 16,414 | 174,225 | 80,602 | – | – | 271,242 |
| (+) / (-) other movements | – | – | – | – | – | – |
| **Closing balance sheet debt 31/12/2018** | **159,145** | **1,689,229** | **781,491** | **–** | **–** | **2,629,865** |
| LT | | | | | | 2,629,865 |
| 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.

| *(Amounts in euros)* | First payment made at the signature | Milestone n°1 | Milestone n°2 | Milestone n°3 | Milestone n°4 | Total |
|---|---|---|---|---|---|---|
| **Opening balance sheet debt 01/01/2018** | **128,010** | **1,358,748** | **–** | **–** | **–** | **1,486,758** |
| (+) cashing | – | – | 879,000 | – | – | 879,000 |
| (-) reimbursement | – | – | – | – | – | – |
| Deferred income at cashing | – | – | (215,338) | – | – | (215,338) |
| Capitalized interest | 14,721 | 156,256 | 37,227 | – | – | 208,204 |
| (+) / (-) other movements | – | – | – | – | – | – |
| **Closing balance sheet debt 31/12/2018** | **142,731** | **1,515,004** | **700,889** | **–** | **–** | **2,358,623** |
| LT | | | | | | 2,358,623 |
| CT | | | | | | – |
| Deferred income considered as grants | – | – | 215,338 | – | – | 215,338 |
| 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 13: OTHER BOND FINANCING

### Main features of the 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 Company has drawdown € 8 million of the € 11 million agreed in the financing deal. The third tranche of € 3 million, optional and subject to the fulfilment of certain conditions, was to be drawn on October 31, 2017 at the latest and was not. The loan consists in 8 million bonds of €1 par value, divided in two tranches of €4 million each drawdown on March 27, 2017 and June 30, 2017.

Each of the amortized tranche carries 11.5% interest rate. Repayment terms of each tranche are respectively September 1, 2020 and June 1, 2020.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.

On July 25, 2018, Pixium Vision signed an amendment to the initial contract. This amendment led to an early reimbursement of € 1.6 million of the Tranche A of the bond financing with cancellation of 1.6 million bonds. The reimbursement was enabled by the issue of convertible bonds in the amount of €1.6 million ("Convertible bonds 2018"). Neither the reimbursement period nor the interest rate was amended.

### Main features of the Convertible bonds 2018

On July 25, 2018, the Company has issued to KREOS Capital 1.6 million convertible bonds with a €1 par value for a total of € 1.6 million. The annual coupon Is 11,5% payable monthly. The redemption date of the convertible bonds is September 1$^{st}$, 2020, with 2 optional extensions period of 6 months up to September 1$^{st}$, 2021.

In the event of conversion being exercised, the number of shares to be received by the holder of the convertible bonds is determined according to the following calculation: Number of shares to be received = CR * Number of bonds converted. The conversion ratio, CR = 1 / (P-D), where P is equal to 2.2767 euros and D corresponds to the total dividends paid by the Company between August 1, 2018, and the date of conversion (it being specified P will be increased by 5% in case of implementation of the extension of six months and 10% in case of use of the extension option of 12 months) and within a limit of 1,000,000. ordinary shares of nominal value 0.06 euro.

In the absence of payment of dividends over the conversion or extension period, the number of shares to be created would be 702,772 if all the convertible bonds are exercised. In the event of conversion, admission of ordinary shares to trading on the regulated market of Euronext in Paris will be required under the existing ISIN code of ordinary shares of Pixium Vision (FR0011950641). The new ordinary shares will be immediately assimilated to the existing ordinary shares of Pixium Vision and will bear current dividend rights.

For this bond, Pixium Vision incurred a transaction fee.

### Fair value of BSA Kreos

Pixium Vision has issued a total of 140,936 share purchase warrants to an affiliated entity of Kreos Capital (see note 10.2 "BSA KREOS 2018" and "New BSA Kreos 2016") giving the right to subscribe for a total of 588,235 new ordinary shares of the Company of nominal value of 0.06 euro at a price of 1.87 euros. The fair value of these warrants amounts to € 328,304, which is recognized as a liability in the financial position under "Other bonds". The fair value was estimated at December 31, 2018 by an appraiser using the "Black & Scholes" method. Changes in fair value are recognized in financial expenses in the income statement.

### Main features of the ORNAN 2019

On 5 November 2019, the Company has signed a financing contract with European Select Growth Opportunities Fund (ESGO) for a maximum of 10 million euro of convertible notes (ORNAN 2019) for 30 months. The Company also announced the drawdown of a first tranche of notes for 1.25 million euros, consisting of 125 ORNAN 2019 of 10,000 euros fair value each.

ORNAN 2019 are zero-coupon notes with a 1-year duration from 5 November 2019. At conversion, the issuer can redeem either (i) in new shares, and/or (ii) in cash for the full or partial amount of the conversion.

- Redeem in shares:

  **N = Vn / P**

  With :
  "N": equals to the number of shares to be issued to the benefit of the investor;

  "Vn": equals to the fair value of each note i.e. 10,000 euros;

  "P": equals to 92 % of the lowest VWAP of the trading days during which the Investor has not sold any Shares in the market among the ten (10) consecutive trading days immediately preceding the Conversion Date, which should be at least equal to the minimal price of newly Issued shares as defined by the General Meeting (at least equal to the 3-day VWAP of the share of the Company before the conversion price (i.e. the date of Conversion notice), discounted by up to 20%).

- Redeem in cash:

  **M = (Vn / P)*C**

  With:

  "M": equals to the cash amount to be paid;

  "Vn": »: equals to the fair value of each note i.e. 10,000 euros;

  "P": equals to 92 % of the lowest VWAP of the trading days during which the Investor has not sold any Shares in the market among the ten (10) consecutive trading days immediately preceding the Conversion Date, which should be at least equal to the minimal price of newly Issued shares as defined by the General Meeting (at least equal to the 3-day VWAP of the share of the Company before the conversion price (i.e. the date of Conversion notice), discounted by up to 20%).

  "C": equals to the VWAP of the trading day the Company received a conversion notice.

The call of new tranches Is conditional to the transfer of Pixium Vision on Euronext Growth Paris. Upcoming calls will be announced in due time.

## NOTE 14: NON-CURRENT PROVISIONS

Non-current provisions mainly consist of retirement obligations and social.

| *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Pension obligation | 186,732 | 153,399 |
| Various | 1,928 | – |
| **Total net** | **188,660** | **153,399** |

Retirement benefit commitment break down as follows:

| *(Amounts in euros)* | Amount |
|---|---|
| **As at 31/12/2017** | **(168,435)** |
| Cost of services rendered (operating expenses) | (31,302) |
| Interest charges (financial expenses) | (2,190) |
| Service paid | – |
| Actuarial gain / (loss) | 48,528 |
| **As at 31/12/2018** | **(153,399)** |
| Cost of services rendered (operating expenses) | (24,806) |
| Interest charges (financial expenses) | (2,410) |
| Service paid | – |
| Actuarial gain / (loss) | (6,116) |
| **As at 31/12/2019** | **(186,732)** |

Retirement benefit commitment estimates are based on the following hypothesis applied to all employees:

| | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Social charges rate | 45 % | 45 % |
| Salary increase | 3 % | 3 % |
| Discount rate | 0,8 % | 1,57 % |

– Legal retirement age: 67

– Leaving conditions : voluntary

– Mortality table : TGF05-TGH05

– Collective agreements: Convention collective nationale des ingénieurs et cadres de la métallurgie

– Age-degressive turnover rate

– Long-term defined benefit plan.

Discount rate is provided by Bloomberg F66710Y IND Euros composite Zero coupon yield AA.

No retirement recorded in 2019.

## NOTE 15: CURRENT PROVISIONS

In December 31, 2019, the Company established a current provision of 260,000 euros corresponding to the subsidiary part of EC03 of the Sight Again project recognized in "Receivables" (see note 9). This provision reflects the risk linked to the non-receipt of the grant. (see note 12)

In December 31, 2018, current provisions correspond exclusively to social charges to be paid in relation to the free shares AGA 2017 and 2018 plan. The amount was 43,715 euros.

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

## NOTE 16 : LEASE DEBT

| *(Amounts in euros)* | Non-current | Current | **Total** |
|---|---|---|---|
| ***As at December 31 2019*** | | | |
| Lease debt - Real estate | 1,046,884 | 267,189 | 1,314,073 |
| Lease debt - others | 10,426 | 21,446 | 31,872 |
| **Total - Lease debt [1]** | **1,057,309** | **288,635** | **1,345,944** |

*(1) See note 3.14 Lease Contracts*

The terms of the lease debt break down as follows:

| *(Amounts in euros)* | **2019** |
|---|---|
| N +1 | 328,522 |
| N +2 | 312,560 |
| N +3 | 311,005 |
| N +4 | 307,011 |
| N +5 | 129,570 |
| Beyond 5 years | 66,435 |
| **Total** | **1,455,103** |
| o/w : | |
| - principal | 1,345,945 |
| - interests | 109,158 |

## NOTE 17: 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:

| *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Trade payables | 843,010 | 983,951 |
| **Net total** | **843,010** | **983,951** |

## NOTE 18: 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".

| *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Social debt | 983,755 | 981,844 |
| Tax debt | 33,749 | 9,611 |
| Refundable advances | – | – |
| Deferred revenue | – | 16,500 |
| Borrowings and short-term financial debts | 468,737 | 1,188 |
| Other payables | 2,322 | 6,967 |
| **Net total** | **1,488,563** | **1,016,110** |

## NOTE 19: FINANCIAL INSTRUMENTS STATED IN THE BALANCE SHEET AND IMPACT ON PROFIT OR LOSS

Cash equivalents measured at fair value through profit or loss (UCITS) are valued at the level 1.
Other current financial assets and liabilities, given their payment term, have a fair value equivalent to their book value.

| | As at December 31, 2019 | | | | |
|---|---|---|---|---|---|
| *(Amounts in euros)* | Balance sheet value | Term deposits | Fair value through profit or loss | Loans and receivables | Debt amortized cost |
| **FINANCIAL ASSETS** | | | | | |
| Non-current financial assets | 336,625 | | | 336,625 | |
| Other current assets | 2,310,076 | | | 2,310,076 | |
| Cash equivalents | 6,791,500 | | 6,791,500 | | |
| **Total financial assets** | **9,438,201** | **–** | **6,791,500** | **2,646,701** | **–** |
| **FINANCIAL LIABILITIES** | | | | | |
| Refundable advances | 2,629,865 | | | | 2,629,865 |
| Other bond financing | 3,157,352 | | | | 3,157,352 |
| Trade payables | 843,010 | | | | 843,010 |
| Lease debt | 1,345,944 | | | | 1,345,944 |
| Other current liabilities | 1,488,563 | | | | 1,488,563 |
| **Total financial liabilities** | **9,464,735** | **–** | **–** | **–** | **9,464,735** |

| | As at December 31, 2018 | | | | |
|---|---|---|---|---|---|
| *(Amounts in euros)* | Balance sheet value | Dépôts à terme | Balance sheet value | Prêts et créances | Balance sheet value |
| **FINANCIAL ASSETS** | | | | | |
| Non-current financial assets | 336,356 | | | 336,356 | |
| Other current assets | 2,126,120 | | | 2,126,120 | |
| Cash equivalents | 15,629,424 | 8,003,033 | 7,626,391 | | |
| **Total financial assets** | **18,091,899** | **8,003,033** | **7,626,391** | **2,462,475** | **–** |
| **FINANCIAL LIABILITIES** | | | | | |
| Refundable advances | 2,358,623 | | | | 2,358,623 |
| Other bond financing | 5,510,954 | | | | 5,510,954 |
| Trade payables | 923,951 | | | | 923,951 |
| Other current liabilities | 1,016,110 | | | | 1,016,110 |
| **Total financial liabilities** | **9,809,639** | **–** | **–** | **–** | **9,809,639** |

## NOTE 20: REVENUES

Revenues break down as follows:

| *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Net sales | – | – |
| Research tax credit | 1,718,149 | 1,322,986 |
| Grants | 6,037 | 236,338 |
| Other revenues | 58,277 | 38,980 |
| **Net total** | **1,782,463** | **1,598,304** |

## NOTE 21: OPERATING EXPENSES

The expenses incurred in cost of goods sold are broken down as follows:

| **Cost of goods sold** *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Purchase of raw materials, supplies and other consumables | – | 4,430 |
| Change in inventory | – | 32,081 |
| **Net total** | – | **36,511** |

Following the discontinuation of IRIS®II program in 2018, no more costs of manufacturing were Incurred in 2019.

Research and development expenses break down as follows:

| **R&D expenses** *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Staff costs | 2,716,411 | 2,217,019 |
| Subcontractors, collaboration and consultants | 1,752,147 | 1,531,793 |
| Research supplies | 1,072,336 | 608,530 |
| Lease (1) | 11,679 | 606,192 |
| Amortization of right of use (2) | 236,180 | – |
| Conferences, travel expenses | 129,020 | 109,374 |
| License fees | 82,435 | 160,391 |
| Amortization, depreciation and provisions | 243,017 | 381,334 |
| Various - Service delivery (3) | 298,824 | – |
| Other | 20,613 | 63,377 |
| **Net total** | **6,562,662** | **5,678,011** |

*(1) In 2019, lease expenses correspond to unfunded leases*
*(2) See Note 3.14 Lease Contracts*
*(3) Service delivery linked to leases*

In 2019, personnel expenses include a charge related to share-based payments of € 29,075 compared with a reversal of the provision for calculated expenses of € 0.5 million in 2018.

General and administrative expenses break down as follows:

| **General and administrative** *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Staff costs | 2,373,808 | 337,865 |
| Fees | 564,505 | 579,057 |
| Lease [(1)] | 15,709 | 120,044 |
| Amortization of right of use [(2)] | 67,639 | – |
| Insurance | 47,913 | 49,088 |
| Communication, travel and entertainment expenses | 434,468 | 390,583 |
| Postal and telecommunication costs | 57,734 | 50,632 |
| Administrative supplies and equipment leases | 21,597 | 22,634 |
| Amortization, depreciation and provisions | 243,412 | 561,811 |
| Various - Service delivery [(3)] | 60,015 | – |
| Other | 84,079 | 100,824 |
| **Net total** | **3,970,880** | **2,212,538** |

*(1) In 2019, lease expenses correspond to unfunded leases*
*(2) See Note 3.14 Lease Contracts*
*(3) Service delivery linked to leases*

In 2019, personnel expenses include a charge related to share-based payments of € 341,768 compared with a reversal of the provision for calculated expenses of € 0.6 million in 2018. Furthermore, in 2018, the Company received a reimbursement of 248 k€ related to overpaid social charges on the Free-share plan 2014. Lastly, in 2019, the Company booked an exceptional charge of 562 k€ related to leaving costs of its former CEO.

Amortizations and provisions dropped in 2019 following the impairment related to some IRIS® patents booked in 2018.

Selling and marketing expenses break down as follows:

| **Selling and marketing** *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Staff costs | – | 30,890 |
| Fees | 42,809 | 22,785 |
| Communication, travel and entertainment expenses | 2,541 | 43,439 |
| Others | 4,209 | 4,715 |
| **Net total** | **49,559** | **101,829** |

## Staff costs

As in 2018, the Company employed 29 people in 2019.

Staff expenses break down as follows:

| **Staff costs** *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Wage and salaries | 3,192,374 | 2,694,019 |
| Social contributions | 1,353,954 | 739,545 |
| Pension liabilitiy expenses | 24,806 | 31,302 |
| Share-based payments | 370,843 | (1,090,889) |
| **Net total** | **4,941,977** | **2,373,977** |

In 2019, the Company booked an exceptional charge of 562 k€ related to leaving costs of its former CEO accounted as "Wages and salaries" and "Social charges".

In 2018, the Company received a reimbursement of 309 k€ related to overpaid social charges on Free-share plans. This amount offset the social charges paid in 2018.

In 2019, the share-based payments include the valuation of stock-options plan granted, of which to the CEO, as well as the free-share plans (cf. note 22). On 31 December 2018, the Company booked a reversal of provision of 1,09 million euros following the decision of the Board of Directors on 7 February 2018 to grant only 50% of the AGA ALL 2016 plan.

## NOTE 22: SHARE-BASED PAYMENTS

Share-based payments relate to all warrants (BSA/BSPCE/AGA/SO) allocated to employees, members of the Board of Directors and scientific advisors. 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 cost representing the granted benefit is recorded linearly in Personnel costs over the vesting period. The final vesting of 50% of the AGA 2016 as agreed by the Board of Directors decision on July 25, 2018 led to account for a reverse provision of € 1.463 million.

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

| | **As at december 31, 2019** | | | AS at december 31, 2018 | | |
|---|---|---|---|---|---|---|
| *En euros* | R&D | G&A | **Total** | R&D | G&A | **Total** |
| **BSA** | **0** | **0** | **0** | **0** | **930** | **930** |
| BSA – 18/03/2013 | 0 | 0 | **0** | 0 | 0 | **0** |
| BSA – 05/02/2014 | 0 | 0 | **0** | 0 | 0 | **0** |
| BSA – 17/12/2014 | 0 | 0 | **0** | 0 | 0 | **0** |
| BSA – 23/06/2015 | 0 | 0 | **0** | 0 | 930 | **930** |
| **BSPCE** | **0** | **0** | **0** | **0** | **0** | **0** |
| BSPCE – 18/03/2013 | 0 | 0 | **0** | 0 | 0 | **0** |
| BSPCE – 02/10/2013 | 0 | 0 | **0** | 0 | 0 | **0** |
| BSPCE – 05/02/2014 | 0 | 0 | **0** | 0 | 0 | **0** |
| **AGA** | **28,255** | **182,971** | **211,227** | **(505,546)** | **(586,273)** | **(1,091,819)** |
| AGA – 17/12/2014 | 0 | 0 | **0** | 0 | 0 | **0** |
| AGA – 28/01/2016 | 0 | 0 | **0** | (633,270) | (829,315) | **(1,462,585)** |
| AGA - 11/12/2017 | 0 | 176,659 | **176,659** | 0 | 186,900 | **186,900** |
| AGA - 25/07/2018 | 13,875 | 3,296 | **17,171** | 127,724 | 56,142 | **183,866** |
| AGA-01 - 24/07/2019 | 6,566 | 0 | **6,566** | 0 | 0 | **0** |
| AGA-02 - 12/12/2019 | 7,814 | 1,588 | **9,402** | 0 | 0 | **0** |
| AGA-03 - 12/12/2019 | 0 | 1,428 | **1,428** | 0 | 0 | **0** |
| **SO** | **819** | **158,797** | **159,617** | **0** | **0** | **0** |
| SO - 02/10/2019 | 0 | 158,797 | **158,797** | 0 | 0 | **0** |
| SO - 12/12/2019 | 819 | 0 | **819** | 0 | 0 | **0** |
| **Total** | **29,075** | **341,768** | **370,843** | **(505,546)** | **(585,343)** | **(1,090,889)** |

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** | **25/07/2018** |
| Vesting period | 4 years | 4 years | 3 years | 3 years | 4 years | 4 years | 4 years | 2 years | 2 years | 2 years | 1 year |
| Contractual life | 10 years | 10 years | 7 years | 7 years | 10 years | 10 years | 10 years | – | – | – | – |
| Average expected life of instrument | 6 years | 6 years | 4,5 years | 4,5 years | 6 years | 6 years | 6 years | – | – | – | – |
| Total number of instruments originally issued (*) | 329 668 | 136 666 | 40 000 | 33 333 | 333 419 | 137 432 | 468 319 | 215 646 | 773 200 | 140 000 | 251 800 |
| Parity Instrument / Share (*) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Strike price (*) | € 0.06 | € 0.06 | 6,80 € | 6,23 € | € 0.06 | € 0.06 | € 0.06 | N/A | N/A | N/A | N/A |
| **Evaluation model used** | | | | | **Black and Scholes** | | | | | | |
| Fair value of share at grant date (*) | € 0.06 | € 0.06 | 6,10 € | 6,02 € | € 0.06 | € 0.06 | € 0.06 | 6,10 € | 5,25 € | 2,67 € | 1,79 € |
| Expected volatility (1) | 45,0 % | 45,0 % | 45,0 % | 45,0 % | 45,0 % | 45,0 % | 45,0 % | – | – | – | – |
| Expected Dividends | – | – | – | – | – | – | – | – | – | – | – |
| Performance conditions | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | YES | N/A | 1,79 € |
| **Fair value of option (*)** | **0,03 €** | **0,02 €** | **1,64 €** | **1,91 €** | **0,03 €** | **0,03 €** | **0,02 €** | **6,04 €** | **5,25 €** | **2,67 €** | **1,79 €** |

| | AGA 2019 | | | SO 2019 | |
|---|---|---|---|---|---|
| **Date of assignment (CA)** | **24/07 2019** | **12/12 2019** | **12/12 2019** | **02/10 2019** | **12/12 2019** |
| Vesting period | 2 years | 2 years | 2 years | 4 years | 4 years |
| Contractual life | – | – | – | 7 years | 7 years |
| Average expected life of instrument | – | – | – | 6 years | 6 years |
| Total number of instruments originally issued (*) | 20.000 | 375.000 | 56.250 | 1.107.818 | 50.000 |
| Parity Instrument / Share (*) | 1 | 1 | 1 | 1 | 1 |
| Strike price (*) | N/A | N/A | N/A | 1,10 € | 0,63 € |
| **Evaluation model used** | | | **Black and Scholes** | | |
| Fair value of share at grant date (*) | 1,50 € | 0,98 € | 0,98 € | 1,01 € | 0,63 € |
| Expected volatility (1) | – | – | – | 52,11 % | 56,95 % |
| Expected Dividends | – | – | – | – | – |
| Performance conditions | N/A | OUI | N/A | YES | N/A |
| **Fair value of option (*)** | **1,50 €** | **0,98 €** | **0,98 €** | **0,42 €** | **0,28 €** |

* 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 10.2.

## NOTE 23: CURRENT OPERATING INCOME

In 2019, the operating result of the Company Is a loss of 8.88 million euros reduced compared to 2018 (EUR 12.29 million).

In order to make the reality of the transactions easier to understand, the Company has chosen to publish a current operating income. This balance Is adjusted for non-recurring Items with no cash Impact on the business such as charges calculated on share payments, exceptional allocations and Impairment losses.

The table below summarizes the adjustments and comparability with the 2019 and 2018 results.

| | As at December | |
|---|---|---|
| *(Amounts in euros)* | **2019** | 2018 |
| **Operating income** | **(8,870,091)** | **(12,294,425)** |
| Calculated Charges related to share payments | 370,843 | (1,090,889) |
| Exceptional income linked to share-based payment (social charges) | – | (247,830) |
| Exceptional depreciation allowances | – | 376,522 |
| CEO severance payment | 561,802 | – |
| Impairments | 69,453 | 5,482,656 |
| **Current operating income *** | **(7,867,992)** | **(7,773,966)** |

## NOTE 24: FINANCIAL INCOME AND EXPENSES

Financial Income and expenses break down as follows:

| **Financial income and expenses** *(Amounts in euros)* | **31/12/2019** | 31/12/2018 Adjusted | 31/12/2018 Published |
|---|---|---|---|
| Financial income | 6,670 | 15,008 | 15,008 |
| Financial expenses | (1,012,492) | (996,559) | (1,291,696) |
| *Interest, loans and debts* | *(882,963)* | *(920,534)* | *(920,534)* |
| *Valuation of KREOS Warrants* | – | – | *(295,137)* |
| *Lease Contracts* (1) | *(48,799)* | – | – |
| *Other financial expenses* | *(80,730)* | *(76,025)* | *(76,025)* |
| **Net total** | **(1,005,822)** | **(981,551)** | **(1,276,688)** |

*(1) See note 3.14 Lease Contracts*

As at December 31, 2019, financial income consisted of interest related to the remuneration of term deposits. The change in fair value of KREOS BSA Is now Included in recognized in Other non-transferable comprehensive income.

In 2019, The financial charges consist of interest on the Kreos debt for € 611,721 and interest calculated on the refundable advance "Sight Again" for € 271,242, interests calculated on lease contracts for € 48,799 as well as the recognition of a valuation difference ("one day loss") of 48,141 euros corresponding to the difference noted between the fair value of 2019 ORNAN not convert at December 31, 2019 and there issue price.

## NOTE 25: TAX EXPENSES

In accordance with French law, the Company has tax losses that can be indefinitely carried forward in France for a total amount of 101,501,787 euros as at 31 December 2019 (90,290,481 euros as at 31 December 2018).

Moreover, the Company estimated that its retirement benefit commitments based on the assumptions specified in Note 14 for an amount of 188,660 euros at 31 December 2019 are not material in light of deferred tax.

The deferred tax net of timing differences was not activated by prudence in accordance with the principles described in Note 3.15.

The tax rate applying to the Company is the rate in force in France, i.e. 28% up to € 500,000 of pre-tax earnings and then 31% above € 500,000 of pre-tax earnings. The tax rate will be further reduced to 28% in 2020 and 26.5% in 2021 to all pre-tax earnings.

## NOTE 26: 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** *(Amounts in euros)* | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Wages and salaries | 709,989 | 311,611 |
| Directors' attendance fee | 65,000 | 154,000 |
| Benefits in kind | 85,854 | 38,806 |
| Pension liability expenses | 3,386 | 8,499 |
| Share-based payment | 161,759 | (706,202) |
| **Net total** | **1,025,988** | **(193,286)** |

On 31 December 2018, the Company booked a reversal of provision of 0.7 million euros following the decision of the Board of Directors on 7 February 2018 to grant only 50% of the AGA ALL 2016 plan.

Wages and salaries include €562k paid to Mr. Khalid Ishaque following the termination of his working contract and the termination of his term of office as Chief Executive Officer (see Note 21).

In 2019, the Company sold ATIS chip to Prophesee for 26,400 euros. As Mr. Bernard Gilly is Chairman of the Board of Directors of Pixium Vision and Prophesee, the latter is considered as a related party.

## NOTE 27: EARNINGS PER SHARE

Net earnings per share is calculated by dividing the net income attributable to Company shareholders by the weighted average number of ordinary and preference shares outstanding during the period. The weighted average number of shares was 22,338,681 in 2018 and 18,523,505 in 2017.

| **Net earnings per share** | **31/12/2019** | **31/12/2018** |
|---|---|---|
| Net Result (in euros) | (9,875,913) | (13,571,113) |
| Weighted average number of shares | 22,338,681 | 18,523,505 |
| **Net earnings per share (in euros)** | **(0.44)** | **(0.73)** |

Instruments (BSA, BCE) giving deferred access to the Company's capital are deemed anti-dilutive because they give rise to an increase in earnings per share. These instruments are detailed in Note 11.2. Thus, diluted earnings per share is identical to basic earnings per share.

## NOTE 28: FINANCIAL RISK MANAGEMENT

The Company's main financial instruments are financial, cash and equity investment assets. The management objective for these instruments is to enable the Company to finance its activities. The Company's policy is not to subscribe financial instruments for speculation purposes. The Company does not use derivatives.

## NOTE 29: FEES PAID TO THE STATUTORY AUDITORS

The Statutory Auditors' fees recognized as an expense during the 2019 financial year amounts to €77,994.

| **Fees paid to the statutory auditors** *(Amounts in euros)* | **31/12/2019** | **31/12/2018** |
|---|---:|---:|
| Statutory auditor | 62 457 | 55,862 |
| Special reports | 15 537 | 12,875 |
| Verification of social, environmental and societal information | – | 4,757 |
| **Total** | **77 994** | **73,493** |

## NOTE 30: MAJOR DEVELOPMENTS THAT OCCURED AFTER THE REPORTING DATE

- On **January 13, 2020**, Pixium Vision announced successful implantation of first patient in the US with the Prima System.