

BECOUBE
45, rue Boissière
75116 PARIS

DELOITTE & ASSOCIES
Immeuble Higashi
106, cours Charlemagne
69002 LYON

S.A. GENSIGHT BIOLOGICS

FOR THE YEAR ENDED DECEMBER 31st, 2016

**STATUTORY AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS**

The English version is a free translation into English of the statutory auditor's report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditor's report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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S.A. GENSIGHT BIOLOGICS
Head Office : 74, rue du Faubourg Saint-Antoine
75012 PARIS

Statutory Auditors' report on the financial statements for the year ended December 31st, 2016

To the shareholders,

In compliance with the assignment entrusted to us by your shareholders' Meeting, we hereby report to you, for the year ended December 31st, 2016, on:

- The audit of the accompanying financial statements of S.A. GENSIGHT BIOLOGICS,
- The justification of our assessments,
- The specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 - OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to verify the evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities of the financial position of the company as of December 31st, 2016 and of the results of its operations for the year then ended, in accordance with French accounting principles.

2 - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matter:

- Research Tax Credit

Your company books a Research Tax Credit, as detailed in Note 15 of the Appendix to the financial statements. We assessed the reasonableness of the information given in the context of this evaluation.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

3 - SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matter to report regarding the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the documents addressed to shareholders with respect to the financial position and the financial statements.


Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (Code de commerce) relating to remuneration and benefits received by the Directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. On the basis of this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

PARIS and LYON, March 15th, 2017

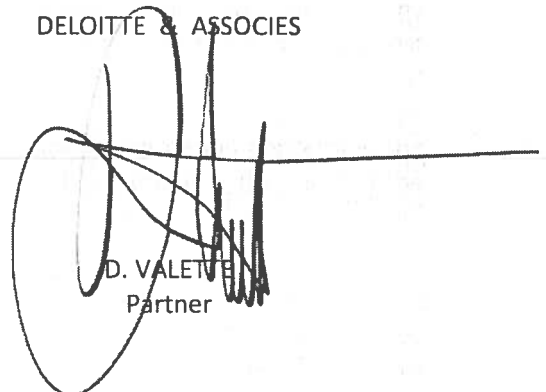
The Statutory Auditors

BECOUBE



F. BROVEDANI
Partner

DELOITTE & ASSOCIES



D. VALETTE
Partner

1. BALANCE SHEET

ASSETS

<i>(in euros)</i>	Note	12/31/16		12/31/15	
		Gross	Deprec. Prov.	Net	Net
Non-current assets					
<i>Intangible assets</i>					
Software	1	10 212	10 038	175	3 426
<i>Tangible assets</i>					
Property, plant and equipment	2	829 967	175 496	654 471	617 651
Other tangible assets		357 896	154 169	203 727	243 310
Assets under construction		-	-	-	-
<i>Financial assets</i>	3	406 270	6 709	399 561	110 933
Total non-current assets		1 604 344	346 411	1 257 933	975 320
Current assets					
<i>Receivables</i>					
Down payments	4	132 079	-	132 079	419 633
Accounts receivable		30 419	-	30 419	27 499
Other receivables		3 327 777	-	3 327 777	3 831 299
<i>Cash</i>					
Short-term investments	5	-	-	-	29 009 249
Cash and cash equivalents		53 982 212	-	53 982 212	1 050 204
Prepaid expenses		441 534	-	441 534	774 345
Total current assets		57 914 021	-	57 914 021	35 112 229
Regularisation accounts:					
Foreign exchange differences - assets		376	-	376	1 852
TOTAL ASSETS		59 518 741	346 411	59 172 330	36 089 400

The attached note forms an integral part of the financial statements.

LIABILITIES

<i>(in euros)</i>	Note	12/31/16	12/31/15
Share holders' equity	6		
Share capital		485 243	340 228
Premiums related to the share capital		91 230 210	49 795 709
Legal reserve		-	-
Restricted reserves		174 161	174 161
Retained earnings		(21 138 967)	(9 065 350)
Net loss		(17 397 676)	(12 073 618)
Total Shareholders' equity		53 352 971	29 171 131
Provisions for liabilities and charges:			
Provisions for liabilities		376	1 852
Total provisions for liabilities and charges		376	1 852
Liabilities:	7		
Refundable advances		2 956 914	678 000
Trade payables		1 733 546	5 191 767
Tax and social liabilities		1 119 960	984 558
Other liabilities		7 499	29 932
Deferred income	10	-	31 222
Total liabilities		5 817 919	6 915 479
Regularisation accounts:			
Foreign exchange differences - liabilities		1 064	939
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		59 172 330	36 089 400

The attached note forms an integral part of the financial statements

2. STATEMENTS OF INCOME (LOSS)

<i>(in euros)</i>	Note	12/31/16	12/31/15
Sales of services		-	1 234
Income		-	1 234
Operating revenues:			
Grants	10	48 750	676 627
Transferred expenses		7 766	22 926
Other revenues		202	152
Total operating revenues (I)		56 718	700 938
Operating expenses:			
Purchases of raw material		-	-
Other purchases and external expenses		14 840 762	11 866 586
Tax expenses		74 253	60 219
Payroll expenses		3 084 253	2 629 499
Social charges		1 117 188	915 713
Depreciation and amortization		184 383	120 339
Other expenses		1 043 691	68 947
Total operating expenses (II)		20 344 530	15 661 304
OPERATING LOSS (I-II)		(20 287 812)	(14 960 365)
Financial income			
Foreign exchange gains		19 136	13 270
Marketable securities disposal gains		1 333	4 549
Other financial income		3 106	24 335
Total financial income (III)		23 575	42 153
Financial expenses			
Foreign exchange losses		58 225	22 391
Depreciation and amortization		5 233	1 833
Total Financial expenses (IV)		63 458	24 224
FINANCIAL INCOME (EXPENSES) (III-IV)		(39 883)	17 929
EARNING BEFORE TAX (I-II+III-IV)		(20 327 694)	(14 942 437)
Extraordinary income			
Extraordinary income from operations		11 000	-
Total extraordinary income (V)		11 000	-
Extraordinary expenses			
Extraordinary charges from operations		10 856	5 250
Extraordinary charges - depreciation and amortization		-	-
Total extraordinary expenses (VI)		10 856	5 250
EXTRAORDINARY INCOME (EXPENSES) (V-VI)		144	(5 250)
Income taxes	15	(2 929 874)	(2 874 069)
NET INCOME (LOSS)		(17 397 676)	(12 073 618)

The attached note forms an integral part of the financial statements.

3. NOTES TO THE FINANCIAL STATEMENTS

The annual financial statements for the year ended December 31, 2016 have been prepared in accordance with French accounting rules in compliance with the principle of prudence and independence of exercises, and assuming the going concern.

The financial statements have been prepared in accordance with the provisions of the Commercial Code, the Accounting Decree of November 9, 1983 and the CRC99-03 Regulation of April 29, 1999 relating to the revised chart of accounts.

MAIN EVENTS OF THE FISCAL YEAR

On **February 29, 2016**, GenSight Biologics started patient enrollment in RESCUE and REVERSE, pivotal studies of Phase III clinical trial of GS010, principal drug candidate, in the treatment of Leber's Hereditary Optic Neuropathy (LHON).

On **June 8, 2016**, GenSight Biologics reported additional promising results of its Phase I/II study, designed to demonstrate the safety and tolerability of GS010 in 15 patients with Leber's Hereditary Optic Neuropathy (LHON).

Each cohort of three patients was administered an escalating dose of GS010 through a single intravitreal injection in the eye most severely affected by the disease. Recruitment was completed in April 2015. These patients had an average onset of disease of 6 years.

At 48 weeks post-injection, in patients with an onset of disease of less than 2 years, a gain of +30 letters (-0.59 LogMAR) was observed in the treated eye and +13 letters (-0.25 LogMAR) in the untreated eye, a difference of 17 letters in favor of the treated eye. No significant difference was observed in patients with an onset of disease of more than two years.

On **July 12, 2016**, GenSight Biologics announced the success of its initial public offering on compartment B of the Euronext regulated market in Paris ("Euronext Paris"), raising €40.0m by means of a capital increase, which may be increased to c. €45.9m if the over-allotment option is fully exercised.

On **September 1, 2016**, GS030 received orphan drug designation (ODD) and Advanced Therapy Medicinal Product classification (ATMP) from the European Medicines Agency (EMA) for the treatment of Retinitis Pigmentosa (RP) in the European Union.

On **September 8, 2016**, GenSight Biologics received approval from regulatory agencies and ethics committees in the United States, France and the United Kingdom to include teenage patients (between 15 and 18 years of age) in RESCUE and REVERSE Phase III trials with GS010 for the treatment of LHON.

On **December 20, 2016**, GenSight Biologics reported additional promising results after 78 weeks of follow-up in its Phase I/II clinical trial. These results confirm the favorable safety and tolerability profile of GS010, while demonstrating sustainable visual acuity improvement in patients with Leber's Hereditary Optic Neuropathy (LHON).

EVENTS AFTER THE CLOSE OF THE FISCAL YEAR

On **January 31, 2017**, GenSight Biologics announced that the U.S. Food and Drug Administration (FDA) has granted orphan drug designation (ODD) to the Company's product candidate GS030 for the treatment of retinitis pigmentosa.

On **February 21, 2017**, GenSight Biologics announced that enrollment in REVERSE, a Phase III clinical trial of GS010 in the treatment of Leber's Hereditary Optic Neuropathy (LHON), has been successfully completed.

ACCOUNTING PRINCIPLES

Non-current assets

Tangible and intangible assets are recorded at the contribution value or at their original purchase price.

Depreciation of tangible assets is calculated using the straight-line method to take into account the economic depreciation of fixed assets.

At the closing of the accounts, whenever events or market developments suggest the need for impairment of intangible and tangible assets, expected future revenues of the activity are compared to the net value of its assets. If applicable, the corresponding assets are written down to bring them to their fair value.

- **Intangible assets**

Research costs are recorded in the financial statements as expenses.

Development costs are recognized in the financial statements as intangible assets only if all the following criteria are met:

- a) It is technically feasible to complete the development of the project;
- b) Intention of the Company to complete the project and to utilize it;
- c) Capacity to utilize the intangible asset;
- d) Proof of the probability of future economic benefits associated with the asset;
- e) Availability of the technical, financial and other resources for completing the project and
- f) Reliable evaluation of the development expenses.

Because of the risks and uncertainties related to regulatory authorizations and to the research and development process, the Company considers that the six criteria would be deemed fulfilled as from the grant of market authorization.

Intangible assets consist of patents, costs related to the acquisition of software licenses. They are depreciated using the straight-line method over their expected period of use.

items	Depreciation period
Patents	20 years
Software	1 year

- **Tangible assets**

Tangible assets are recorded at their acquisition cost or, if applicable, at their production cost.

Tangible assets are depreciated using the straight-line method over the estimated useful period of the property. Rented fixtures are depreciated over the term of their lifetime or over the term of the rental agreement, whichever is shorter.

The depreciation periods used are the following:

items	Depreciation period
Research and development equipments	3 to 5 years
Fixtures and improvement in structures	5 to 10 years
Computer equipment	3 years
Office equipment and furniture	5 years

Financial assets

Financial assets include deposits and are recorded at their original value.

Loans and receivable

Loans and receivables are measured at their nominal value and are depreciated as a provision in order to take into account potential losses due to recovery difficulties.

Receivables and payables in foreign currencies are converted into euros based on exchange rate at the closing of year-end, the gap being carried over in an adjustment account for the asset or a liability depending on whether a loss or profit potential. In the case of a potential loss, a provision for foreign exchange loss is recognized.

Short-term investments

Marketable securities are held in order to meet short- term cash commitments rather than an investment objective or for other purposes. They are immediately convertible into a known amount of cash and subject to insignificant risk of changes in value. Short-term investments are stated at acquisition cost and consist of immediately mobilized term investments without penalty.

Provisions for risks and expenses

The Company establishes provisions for risks and expenses in accordance with the definition given in the notice CRC 00-06 on liabilities, namely:

- A provision for risk and expenses corresponds to the commitments whose due dates and amounts are uncertain;
- A provision is recognized in the financial statement when the company has a legal or implicit obligation to a third party resulting from a past event, which is likely or certain to cause an outflow of resources to that third party, and provided that the future outflows of liquid assets can be estimated reliably.

Conditional advances

The company has benefited from a financial assistance in the form of non-refundable subsidies and conditional advances.

Subsidies are recognized in the financial statements where there exists reasonable assurance that:

- The company will comply with the conditions attached to the subsidies and,
- The subsidies will be received.

A public subsidy that is to be received either as a compensation for expenses or for losses already incurred or for immediate financial support of the company without associated future costs, is



recognized in the financial statements as other income for the period in which the grant is classified as a receivable.

Funds received in the form of conditional advances are recognized as financial liabilities, as the company has to reimburse the funder. The obligation to repay totally or partially the advance is based on the technical and commercial success of the funded program.

Details related to the conditional advances are provided in Note 7.

NOTE 1 – INTANGIBLE ASSETS

Other Intangible assets break down as follows:

<i>(in euros)</i>	01/01/16	Increase	Decrease	12/31/16
Gross	9 165	1 047	-	10 212
Software	9 165	1 047	-	10 212
Depreciation	5 739	4 299	-	10 038
Software	5 739	4 299	-	10 038
NET	3 426	(3 252)	-	175

NOTE 2 – TANGIBLE ASSETS

Tangibles assets break down as follows:

<i>(in euros)</i>	01/01/16	Increase	Decrease	12/31/16
Gross	1 018 874	188 177	19 188	1 187 862
Technical equipment and installations	585 174	102 279	-	687 453
Leasehold improvement	102 432	40 082	-	142 513
Office and computer equipment	77 490	24 606	-	102 096
Furniture	253 778	21 210	19 188	255 800
Depreciation	157 913	180 084	8 332	329 665
Technical equipment and installations	63 583	44 891	-	108 474
Leasehold improvement	6 372	60 650	-	67 022
Office and computer equipment	36 791	24 835	-	61 627
Furniture	51 167	49 708	8 332	92 542
NET	860 961	8 093	10 856	858 198

Purchase of technical equipment and installations primarily consist of research equipment.

NOTE 3 – FINANCIAL ASSETS

Financial assets break down as follows:

<i>Gross (in euros)</i>	01/01/16	Increase	Decrease	12/31/16
Gross	110 933	303 629	8 293	406 270
Security deposits	110 933	523	8 293	103 164
Long-term deposits	-	151 170	-	151 170
Own shares	-	151 936	-	151 936
Depreciation	-	6 709	-	6 709
Security deposits	-	-	-	-
Long-term deposits	-	-	-	-
Own shares	-	6 709	-	6 709
TOTAL	110 933	296 921	8 293	399 561

In the context of its initial public offering, GenSight Biologics implemented a liquidity agreement. As of December 31, 2016, long-term deposits consisted of free cash available within this this liquidity agreement.

NOTE 4 – RECEIVABLES

Breakdown of receivables is summarized in the following table:

<i>(in euros)</i>	Less than one year	More than one year	Total gross
Prepayments	132 079	-	132 079
Accounts receivable and related receivables	30 419	-	30 419
Research tax credit, "CICE"	2 933 882	-	2 933 882
VAT	393 895	-	393 895
Prepaid expenses	441 534	-	441 534
NET	3 931 809	-	3 931 809

As of December 31, 2016, the Company has receivables due to rents re-billed amounting to €30,419. The Company also has a research tax credit amounting to € 2,929,874 and a tax credit for competitiveness and employment of €4,008. In accordance with the legislation in force, the Company is eligible for immediate reimbursement of these tax claims.

Prepayments are made of advances to suppliers.

Prepaid expenses correspond mainly to advances on rents, research contracts, insurance premiums and travel expenses.

NOTE 5 – SHORT-TERM INVESTMENTS

As of December 31, 2016, the Company had no short-term investments compared to €29,009,249 as of December 31, 2015.

NOTE 6 – SHAREHOLDERS' EQUITY

6.1 – Capital social

As of December 31, 2016, share capital amounts to €485,242.53 and consists of 19,409,701 ordinary shares with a nominal value of €0.025.

Each ordinary share shall carry to holders a proportional part to the benefits and the net assets of the Company.

Share classe and number of shares	01/01/16	Conversion of Series A and B shares into ordinary shares	Capital Increase	12/31/16	Share capital in Euro
Ordinary shares	2 017 798	11 591 324	5 800 579	19 409 701	485 243
Series A shares	6 966 454	(6 966 454)	-	-	-
Series B shares	4 624 870	(4 624 870)	-	-	-
TOTAL	13 609 122	-	5 800 579	19 409 701	485 243

- **Capital increase resulting from the issuance of ordinary shares**

On **July 13, 2016**, the Company completed its Initial Public Offering (IPO) on Euronext Paris, raising €40.0 million, and the Company issued 5,000,000 ordinary shares with a nominal value of €0.025 and a share premium of €7.975 per share.

On **August 10, 2016**, the Company partly exercised its overallotment option as part of its IPO on Euronext Paris, raising an additional €5.2 million, and the Company issued 655,859 ordinary shares with a nominal value of €0.025 and a share premium of €7.975 per share.

- **Capital increase resulting from the exercise of warrants (BCE)**

On September 3, 2016, a holder of BCE 2013-02 exercised 112,000 BCE 2013-02 and proceed to the payment of the corresponding subscription.

On October 6, 2016, a holder of BCE exercised 31,720 BCE 2013-02 and 1,000 BCE 2015-07 and proceed to the payment of the corresponding subscription.

6.2 – Non-employee share warrants (BSA)

The following table relates to warrants (BSA) to purchase ordinary shares as of December 31, 2016:

Type of warrants	BSA 2013-02	BSA 2013-02	BSA 2015-06	BSA 2016
Number of warrants issued	260 040	33 000	121 000	205 000
Subscription price per warrant (euros)	0,0008	0,0008	0,1000	0,6500
Number of shares to be issued	260 040	33 000	121 000	205 000
Exercise price per share (euros)	0,025	0,025	0,025	8,080
Expiration date	07/08/23	04/09/24	07/07/25	07/25/26

6.3 – Employee share warrants (BCE)

The following table relates to warrants (BCE) to purchase ordinary shares as of December 31, 2016 :

Type of warrants	BCE 2013-02	BCE 2013-02	BCE 2014-06	BCE 2015-06
Number of warrants issued	586 678	193 800	60 000	732 298
Subscription price per warrant (euros)	-	-	-	-
Number of shares to be issued	586 678	193 800	60 000	732 298
Exercise price per share (euros)	0,025	0,025	0,025	0,025
Expiration date	07/08/23	04/09/24	12/03/24	07/07/25

6.4 – Performance shares (AGA)

The following table relates to performance shares (AGA) as of December 31, 2016 :

Performance shares	AGA 2016
Number of granted shares	766 000
Share value at grant	8,800
Acquisition date	07/08/2017

6.5 – Statement of changes in shareholders' equity

<i>(in euros)</i>	Share capital	Premiums related to the share capital	Restricted reserves	Reserves	Net income (loss)	Total Shareholders' equity
As of 1/1/2016	340 228	49 795 708	174 161	(9 065 349)	(12 073 618)	29 171 131
Capital increase	145 015	45 108 726	-	-	-	45 253 741
Capital increase related costs	-	(3 807 474)	-	-	-	(3 807 474)
Allocation of prior period income (loss)	-	-	-	(12 073 618)	12 073 618	-
Issue of share warrants	-	133 250	-	-	-	133 250
Net income (loss)	-	-	-	-	(17 397 677)	(17 397 677)
As of 12/31/16	485 243	91 230 210	174 161	(21 138 967)	(17 397 677)	53 352 971

NOTE 7 – LIABILITIES

The breakdown of liabilities is provided by the following table :

<i>(in euros)</i>	Less than one year	Between one and five years	More than five years	Total
Accounts payable and related parties	1 733 546	-	-	1 733 546
Conditional advances	-	-	2 956 914	2 956 914
Due to employees	654 518	-	-	654 518
Social security and payroll contribution	448 286	-	-	448 286
VAT	12 593	-	-	12 593
Other taxes	4 563	-	-	4 563
Other debts	7 499	-	-	7 499
Deferred revenues from subsidies	-	-	-	-
TOTAL	2 861 005	-	2 956 914	5 817 919

With respect to accounts payable and related payables, no discounting effect has been recognized to the extent that amounts did not represent payables on terms longer than one year at the end of each period presented.

In 2014, the Company received a grant from Bpifrance Financement of both subsidies and conditional advances in relation to the development of its technology platform. The program will be funded according to a specified schedule set forth in the contract, subject to completion of milestones. As the program advances, the Company will provide Bpifrance Financement with interim progress reports and a final report when the funded project ends. Based on these reports, the Company is entitled to conditional advances from Bpifrance Financement. Each award of an advance is made to help fund a specific development milestone. The total amount of the conditional advances granted was €5,685,975, of which €678,000 was received in December 2014, and €2,278,914 in July 2016, both

recognized as non-current liabilities in the statement of financial position, as this conditional advance is repayable by the Company according to a repayment schedule.

The contract with Bpifrance Financement sets forth a repayment schedule that totals €6,490,000. Following the repayment of all of the conditional advances, the Company may be required to make additional payments over a period of two years of up to €2.72 million, depending on whether the Company reaches cumulative revenues, excluding taxes, of €80 million by 2029.

The obligation to repay these amounts is based on the technical and commercial success of the funded program, as determined by the revenues forecast or revenues deriving from direct or indirect exploitation of those products and results of its optogenetics technology platform. In the event Bpifrance Financement determines that the program is not successful, Bpifrance Financement will meet with the Company to assess the impact on the repayments and the repayment schedule.

This program will be funded according to the following schedule, subject to completion of milestones:

- €678,000 received in December 2014;
- €2,278,914 received in July 2016 (1);
- €494,000 to be received in November 2017;
- €852,975 to be received in November 2018; and
- €986,000 to be received in November 2019.

(1) The estimated amount from the initial payment schedule was €2,675,000. The costs occurred by Company amounted to a lower amount than expected, therefore the amount of this milestone was reduced accordingly.

The advances bear interest depending on the level of success of the funded program. The repayment schedule for a total amount of €6,490,000 (including interest at an annual rate of 1.44%) is as follows:

- €550,000 on or before June 30, 2022;
- €1,000,000 on or before June 30, 2023;
- €1,500,000 on or before June 30, 2024;
- €1,700,000 on or before June 30, 2025; and
- €1,740,000 on or before June 30, 2026.

Deferred revenues relate to subsidies (see note 10).

NOTE 8 – RESEARCH AND DEVELOPMENT EXPENSES

As indicated in the accounting policies, R&D expenses are not capitalized but recorded as operating expenses. For fiscal year 2016, R&D expenses amounted to €16,636,226.

NOTE 9 – ACCRUED EXPENSES

The amount of accrued expenses is as follows:

<i>(en euros)</i>	Less than one year	More than one year	Total
Accounts payable, accrued expenses	1 057 563	-	1 057 563
Employees, accrued expenses	550 007	-	550 007
Employees, paid vacation	104 511	-	104 511
Social organizations, accrued expenses	193 602	-	193 602
Social organizations, paid vacation	36 788	-	36 788
Government, accrued expenses	300	-	300
Payable interests	2 840	-	2 840
TOTAL	1 945 611	-	1 945 611

NOTE 10 – DEFERRED REVENUES AND GRANTS

As mentioned in Note 7, in addition to the conditional advance, the Company has received one non-refundable subsidy from Bpifrance Financement in connection with its development of product candidates using its optogenetics technology platform as follows :

- €865,000 received in December 2014;
- €172,471 to be received in November 2018; and
- €110,000 to be received in November 2019.

The total amounts to €1,147,471.

As a result, an amount of €642,960 and €190,818 was recorded in other income in the statement of income (loss) for the year ended December 31, 2015 and 2014, respectively.

Gensight Biologics recorded deferred revenue in the balance sheet for €31,222 as of December 31, 2015. This revenue was completely reversed in 2016.

NOTE 11 – FINANCIAL INCOME (LOSS)

Financial income (loss) as of December 31, 2016 is as follows:

<i>(in euros)</i>	12/31/16
Financial revenues	23 575
Foreign exchange gains	19 136
Marketable securities disposal gains	1 333
Other financial income	3 106
Financial expenses	63 458
Foreign exchange losses	58 225
Financial depreciation and amortization	5 233
Financial Income(loss)	(39 883)

Other financial income represents interest on term deposits.

NOTE 12 – EXTRAORDINARY INCOME (LOSS)

The Extraordinary income corresponds to an income from a disposal of assets, for which the related net gain amounts to €144.

NOTE 13 – HEADCOUNT

	As of 12/31/16	As of 12/31/15
Managers	27	25
NET	27	25

NOTE 14 – INCREASE AND REDUCTIONS NOT RECOGNIZED IN FUTURE TAX DEBT (IN BASE)

At the close of fiscal year 2016, the amount of deficit being indefinitely carried forward is as follows:

<i>(in euros)</i>	Basis	Potential corporate tax savings
Net Operating Losses	51 264 135	17 088 045

NOTE 15 – RESEARCH TAX CREDIT

The Company benefits from the provisions in Articles 244 quater B and 49 septies F of the French Tax Code related to the Research Tax Credit.

Changes in the Research Tax Credit over the last two periods are presented as follows:

- 2015: €2,874,069, reimbursed in 2016
- 2016: €2,929,874.

NOTE 16 – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

Tax Credit for Competitiveness and Employment (CICE) is calculated at the end of the year on the basis of eligible pay.

Revenue is recognized as a reduction of personnel expenses in accordance with the recommendation of the Authority Accounting Standards.

The Company recorded income in the amount of €4,008 in tax credit.

NOTE 17 – COMPENSATION PAID TO CORPORATE OFFICERS

The compensation granted to the Directors of the Company amounted to €634,911 for fiscal year 2016.

NOTE 18 – FEES PAID TO THE AUDITORS

The fees of the auditors recognized in fiscal year 2016 amounted to €313,500.

NOTE 19 – COMMITMENTS

19.1 – Commitments under operating leases

The company has signed various ordinary rental agreements for office equipment and long-term car rental. The amount of the future rents under those agreements is broken down as follows as of December 31, 2016:

<i>(in euros)</i>	12/31/16
2017	751 825
2018	745 765
2019	736 584
2020	734 197
2021	734 197
2022	734 197
2023	734 197
TOTAL NET	5 170 962

19.2 – Commitments related to R&D operations

The Company has signed various licensing and collaboration agreements:

- In 2012, the Company entered into a license agreement with a French public scientific and technological institute. The Company paid a license fee of €40,000 in 2013 upon the execution of the agreement. Upon completion of development milestones, the Company will pay non-refundable fees up to €2,750,000 in the aggregate. Upon commercialization of any product covered by the licensed patents, the Company will be obligated to pay a percentage of net sales as a royalty. The royalty rate varies depending on the amount of net sales.
- In 2013, the Company entered into a license agreement with a non-profit association. The Company paid a license fee of €10,000 upon the execution of the agreement. Upon completion of development milestones, the Company will pay non-refundable fees up to €687,500. Upon commercialization of any product covered by the license patents, the Company will be obligated to pay an annual royalty of 1% of net sales.
- In 2013, the Company entered into a research collaboration agreement with a French university. The Company has the exclusive right to use the developed shared patents and committed to pay a total amount of €2,275,920. As of December 31, 2016, the remaining payments under the agreement, representing an amount of €1,105,932 are to be paid over years 2017 and 2018.

- In 2013, the Company entered into a license agreement with Novartis. Upon commercialization of any product covered by the licenses, the Company will be obligated to pay a royalty of 5% of net sales.
- In 2014, the Company entered into a non-exclusive license, development and commercialization agreement with a biotechnology company. The annual license fee payable by the Company is U.S.\$30,000. Upon completion of development milestones, the Company will pay specified non-refundable fees of up to U.S.\$5,900,000. Upon commercialization of any product covered by the license patents, the Company will be obligated to pay a percentage of net sales as a royalty. The royalty rate varies depending on the amount of net sales.
- In 2014, the Company entered into a research collaboration agreement with a biomedical research institute. Under the terms of this research collaboration agreement, the Company agreed to pay €18,540 in 2017.
- In 2016, the Company entered into a license agreement with a US academic research institute. Under the terms of this license agreement, the Company agreed to pay a license issue fee of \$45,000, license maintenance fees up to \$100,000 per year and variable payments up to \$7,300,000 depending on the achievement of milestone events. The Company will also pay running mid-single-digit royalties on future net sales.

19.3 – Retirement commitments

The employee retirement commitment is not recorded in the accounts in accordance with the option offered by the French accounting regulations. This commitment amounted to €72,967 as of December 31, 2016.

As part of the estimate of the retirement commitments, the following assumptions were used for all categories of employees:

- Social security contribution: 45% in 2015 and 2016;
- Salary increase: 3% in 2015 and 2016;
- Discount rate: 2.08% and 1.31% in 2015 and 2016, respectively;
- Retirement age: 67;
- Terms of retirement: voluntary retirement;
- Life table: INSEE 2011-2013;
- Collective agreement: *Convention Collective Nationale de l'Industrie Pharmaceutique* (National Collective Agreement in the Pharmaceutical Industry); and
- Turn-over of personnel: 10% (20-49), 0% above 50.