2018
HALF-YEAR FINANCIAL REPORT

GenSight BIOLOGICS

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HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – JUNE 30, 2018

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STATEMENTS OF FINANCIAL POSITION

In thousands of euros	Notes	As of December 31 2017	As of June 30 2018
ASSETS			
Non-current assets			
Intangible assets	4	185	176
Property, plant and equipment	5	889	1,420
Other non-current financial assets	6	327	343
Total non-current assets		1,401	1,939
Current assets			
Trade accounts receivable		12	2
Other current assets	7	5,351	9,183
Cash and cash equivalents	8	55,448	41,675
Total current assets		60,811	50,861
TOTAL ASSETS		**62,212**	**52,800**

In thousands of euros	Notes	As of December 31 2017	As of June 30 2018
LIABILITIES			
Shareholders' equity			
Share capital	9	606	606
Premiums related to the share capital		112,140	112,140
Reserves		(33,638)	(56,449)
of which cumulative translation adjustment		9	(17)
Net income (loss)		(24,112)	(11,658)
Total shareholders' equity		54,996	44,639
Non-current liabilities			
Conditional advances - non-current portion	10	3,033	3,407
Non-current provisions	11	88	82
Total non-current liabilities		3,121	3,489
Current liabilities			
Conditional advances - current portion	10	–	–
Trade accounts payable	10.2	2,225	3,017
Other current liabilities	12	1,870	1,654
Total current liabilities		4,095	4,671
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**62,212**	**52,800**

STATEMENTS OF CONDENSED INCOME (LOSS)

In thousands of euros	Notes	For the six-month period ended June 30 2017	2018
Operating income			
Revenues		–	–
Other income	14	1,988	2,027
Total Operating Income		1,988	2,027
Operating expenses			
Research and development	15	7,699	9,553
General and administration	15	4,377	2,992
Sales and marketing	15	–	785
Total Operating expenses		12,076	13,330
Operating income (loss)		(10,088)	(11,303)
Financial income	17	14	51
Financial expenses	17	(39)	(406)
Financial income (loss)		(25)	(355)
Income tax		–	–
Net income (loss)		(10,113)	(11,658)
Basic/Diluted earnings (loss) per share (in euro)	**20**	**(0.51)**	**(0.48)**

STATEMENTS OF CONDENSED COMPREHENSIVE INCOME (LOSS)

In thousands of euros	For the six-month period ended June 30 2017	2018
Net income (loss)	(10,113)	(11,658)
Actuarial gains and losses on employee benefits, net of income tax	24	20
Foreign currency translation differences, net of income tax	2	(26)
Total comprehensive income (loss)	**(10,086)**	**(11,664)**

STATEMENTS OF CONDENSED CASH FLOWS

In thousands of euros	Note	For the six-month period ended June 30 2017	2018
Cash flows from operating activities			
Net profit (loss)		(10,113)	(11,658)
Operating activities			
Amortization and depreciation		107	140
Retirement pension obligations		13	14
Expenses related to share-based payments	16	2,175	1,592
Other financials items		20	374
Operating cash flows before change in working capital		**(7,799)**	**(9,539)**
Accounts receivable		30	9
Accounts payable, net of prepayments		(1,191)	622
Other receivables		(1,949)	(1,885)
Other current liabilities		(303)	(2,277)
Change in working capital		(3,412)	(3,532)
Net cash flows from operating activities		**(11,211)**	**(13,070)**
Cash flows from investment activities			
Acquisitions of property, plant, and equipment	5	(139)	(643)
Acquisitions/reimbursement of non-current financial assets		24	285
Acquisitions/reimbursement of current financial assets		120	(8)
Net cash flows from investment activities		**5**	**(366)**
Cash flows from financing activities			
Treasury shares		(120)	(285)
Warrants issuance		216	–
Capital increases, net of transaction costs	9	20,745	–
Other financial liabilities		–	–
Net cash flows from financing activities		20,840	(285)
Increase/(decrease) in cash and cash equivalents		**9,634**	**(13,721)**
Cash and cash equivalents at the beginning of the period		53,982	55,448
Effect of changes in exchange rates on Cash and cash equivalents		1	(52)
Cash and cash equivalents at the close of the period		**63,618**	**41,675**

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros, except for number of shares	Share Capital: Number of shares	Share Capital: Amount	Premiums related to the share capital	Reserves	Net income (loss)	Total Shareholders' Equity
At January 1, 2017	**19,409 701**	**485**	**91,230**	**(16,293)**	**(22,082)**	**53,340**
Net income (loss)	–	–	–	–	(10,113)	(10,113)
Other comprehensive income	–	–	–	27	–	27
Total comprehensive income (loss)				**27**	**(10,113)**	**(10,086)**
Allocation of prior period net income (loss)	–	–	–	(22,082)	22,082	–
Allocation to reserves	–	–	–	–	–	–
Capital increase by issuance of ordinary shares	3,750 000	94	22,406	–	–	22,500
Capital increase transaction costs	–	–	(1,755)	–	–	(1,755)
Capital increase by issuance of share warrants	374,552	9	206	–	–	216
Treasury shares	–	–	–	(120)	–	(120)
Share-based payments	–	–	–	2,175	–	2,175
At June 30, 2017	23,534 253	588	112,088	(36,294)	(10,113)	66,269
At January 1, 2018	**24,234 223**	**606**	**112,140**	**(33,638)**	**(24,112)**	**54,996**
Net income (loss)	–	–	–	–	(11,658)	(11,658)
Cumulative translation adjustment	–	–	–	(26)	–	(26)
Other comprehensive income	–	–	–	20	–	20
Total comprehensive income (loss)	**–**	**–**	**–**	**(6)**	**(11,658)**	**(11,664)**
Allocation of prior period income (loss)	–	–	–	(24,112)	24,112	–
Allocation to reserves	–	–	–	–	–	–
Capital increase by issuance of Ordinary shares	–	–	–	–	–	–
Capital increase transaction costs	–	–	–	–	–	–
Issue of share warrants	–	–	–	–	–	–
Treasury shares	–	–	–	(285)	–	(285)
Share-based payments	–	–	–	1,592	–	1,592
At June 30, 2018	24,234 223	606	112,140	(56,449)	(11,658)	44,639

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1: General information about the Company

Founded in 2012, GenSight Biologics S.A. (hereinafter referred to as "**GenSight Biologics**" or the "**Company**" and together with its subsidiary as the "**Group**") is a clinical-stage biotechnology group discovering and developing novel therapies for neurodegenerative retinal diseases and diseases of the central nervous system. GenSight Biologics' pipeline leverages two core technology platforms, the Mitochondrial Targeting Sequence (MTS) and optogenetics, to help preserve or restore vision in patients suffering from severe degenerative retinal diseases. The Group focus is in ophthalmology where it develops product candidates to restore eyesight to patients suffering from retinal diseases that would otherwise lead to blindness.

The Company has incurred losses and negative cash flows from operations since its inception and shareholders' equity amounts to €44,639 K as of June 30, 2018 as a result of several financing rounds (see Note 9). The Group anticipates incurring additional losses until such time, if ever, that it can generate significant revenue from its product candidates in development. Substantial additional financing will be needed by the Company to fund its operations and to commercially develop its product candidates.

The Group's future operations are highly dependent on a combination of factors, including: (i) the success of its research and development; (ii) regulatory approval and market acceptance of the Group's proposed future products; (iii) the timely and successful completion of additional financing; and (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies.

Note 2: Significant events during the period

On January 10, 2018, Gensight Biologics announced UK Medicines and Healthcare Regulatory Agency (MHRA) acceptance of the Company's Clinical Trial Application (CTA) to initiate the PIONEER Phase I/II study of GS030 in patients with Retinitis Pigmentosa (RP). PIONEER is a first-in-man, multi-center, open label dose-escalation study to evaluate the safety and tolerability of GS030 in subjects with Retinitis Pigmentosa. GS030 is the combination of a gene therapy (GS030-DP) administered via a single intravitreal injection and a wearable optronic visual stimulation device (GS030-MD).

On April 3, 2018, Gensight Biologics announced topline results from Reverse Phase III clinical trial of GS010 in patients with Leber Hereditary Optic Neuropathy (LHON). Topline results further highlight the favorable safety and tolerability profile of GS010, and demonstrate a clinically meaningful improvement of +11 ETDRS letters (-0.218 LogMAR) in treated eyes at 48 weeks as compared to baseline in all 37 patients. Unexpectedly, untreated contralateral eyes (treated with a sham injection) show a similar improvement of +11 ETDRS letters (-0.211 LogMAR). Due to this improvement in untreated eyes, the trial did not meet its primary endpoint, defined as a difference of improvement in visual acuity in GS010-treated eyes compared to sham-treated eyes at 48 weeks.

On June 12, 2018, GenSight Biologics reports positive additional data from REVERSE Phase III clinical trial of GS010 for treatment of Leber Hereditary Optic Neuropathy (LHON).

Note 3: Accounting principles and compliance

3.1. Preliminary remarks

The condensed half-year consolidated financial statements (the "Financial Statements") present the operations of GenSight Biologics as of June 30, 2018. GenSight Biologics S.A. is a public limited company whose head office is located at 74 rue du Faubourg St. Antoine, 75012 Paris.

The condensed semi-annual consolidated financial statements for the six months ended June 30, 2018 have been prepared under the responsibility of the management of GenSight Biologics, they have been approved on July 24, 2018 by the Board of Directors.

The presented condensed financial statements are expressed in thousands of euros, unless stated otherwise.

The Reporting date for the condensed consolidated accounting statements is June 30, and covers a six- month period. The individual statements of the consolidated subsidiary is prepared at the same Reporting date, i.e. June 30, and covers the same period.

3.2. Accounting principles and Statement of compliance

International accounting standards include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), as well as the interpretations issued by the Standing Interpretations Committee (SIC), and the International Financial Reporting Interpretations Committee (IFRIC).

The IFRS as adopted by the European Union differ in certain aspects with the IFRS published by the IASB. Nevertheless, the Group ensured that the financial information for the periods presented would not have been substantially different if it had applied IFRS as published by the IASB.

The notes to the condensed consolidated financial statements at June 30, 2018 were prepared in accordance with IAS 34 - Interim Financial Reporting, as endorsed by the European Union, which requires the disclosure of selected notes only. The condensed financial statements do not include all disclosures required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements for year ended December 31, 2017.

All the texts adopted by the European Union are available on the European Commission's website: https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en

The condensed consolidated financial statements were prepared in accordance with the accounting principles and methods used by the Group for the 2017 financial statements and described in note 3 to consolidated financial statements for the year ended December 31, 2017. Furthermore, the condensed consolidated financial statements were prepared in compliance with other standards and interpretations in force as of January 1, 2018, with the exception of the application of the new standards and interpretations described below.

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Clarifications and amendments related to IAS 7, IAS 12, IAS 28 et IFRS 10, IAS 40, IFRS 2, IFRS 4 and IFRS 15
- Annual improvements to IFRS norms – 2014-2016 cycle

The application by the Group of these new standards and amendments has no material impact on the Group's interim financial statements.
In addition, the Group has not decided to early adopt the new standards, amendments to standards and interpretations published by IASB, adopted by the European Union but not yet applicable as of June 2018, and in particular, IFRS 16 Leases, issued on January 13, 2016 by the IASB. IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The Groupe do not expect that this new standard will have material impact on its future consolidated financial statements.

3.3. Consolidation scope and methods

On April 28, 2017 the Group incorporated GenSight Biologics Inc. in the United States. As 100% of the voting rights and ownership interests are held by the Group, GenSight Biologics Inc. is fully consolidated.

3.4. Going-concern

The historical deficit position of the Group is explained by the innovative character of the products developed, which thus involved a research and development phase of several years preceding the marketing thereof.

The available cash and cash equivalents as of June 30, 2018 in the amount of €41.7 million and the reimbursement of the 2017 Research Tax Credit in the amount of €3.7 million expected during the second half year of 2018 should enable the Group to cover its cash requirements through the next 12 months.

3.5. Use of estimates

In the course of preparing its interim financial statements, GenSight Biologics' management made estimates, judgments and assumptions impacting the application of accounting principles and methods as well as the carrying value of assets and liabilities and income and expense items. The main sources of uncertainty with respect to key estimates and judgments made were identical to those applied in the consolidated financial statements for the year ended December 31, 2017.

Note 4: Intangible assets

The intangible assets are broken down as follows:

In thousands of euros	As of December 31 2017	As of June 30 2018
Patents, licenses, trademarks	275	275
Software	10	10
Total historical cost	**285**	**285**
Accumulated amort. of patents, licenses, and trademarks	90	99
Accumulated depreciation of softwage packages	10	10
Accumulated amortization and depreciation	**100**	**109**
Net total	**185**	**176**

An intangible asset was recognized at December 31, 2013 as a result of the license agreement signed with Novartis. The initial recognition cost amounted to €275 K and was determined by reference to the fair value of the 670,588 ordinary shares, €0.41 per ordinary share, issued as consideration for the license.

There has been no recognition of impairment losses in application of IAS 36 Impairment of Assets over the periods presented.

Note 5: Property, plant and equipment

Changes in PPE gross book values and accumulated depreciation for the full year 2017 are presented in the following table:

In thousands of Euros	As of January 1, 2017		Increase	Decrease	Currency translation adjustment	As of December 31, 2017
	As published	*Restated*(1)				
Technical equipment and installations	687	277	95	–	–	372
Leasehold improvement	143	553	51	–	–	604
Office and computer equipment	102	102	41	–	–	144
Furniture	256	256	47	–	–	303
Fixed assests in progress	–	–	1	–	–	1
Total gross property, plant and equipment	**1,188**	**1,188**	**236**	**–**	**–**	**1,424**
Accumulated depreciation of technical equipment and installations	108	83	56	–	–	138
Accumulated depreciation of leasehold improvement	67	93	64	–	–	157
Accumulated depreciation of office and computer equipment	62	62	29	–	–	91
Accumulated depreciation of furniture	93	93	56	–	–	149
Accumulated depreciation of fixed assets in progress	–	–	–	–	–	–
Total accumulated depreciation	**330**	**330**	**205**	**–**	**–**	**535**
Total net property, plant and equipment	**858**	**858**	**31**	**–**	**–**	**889**

(1) In order to improve the readability of the Financial Statements, some technical equipment are presented together with Leasehold improvement.

Changes in PPE gross book values and accumulated depreciation as of June 2018 are presented in the following table:

In thousands of euros	As of January 1, 2018	Increase	Decrease	As of June 30, 2018
Technical equipment and installations	372	202	–	574
Leasehold improvement	604	291	–	896
Office and computer equipment	144	21	–	165
Furniture	303	144	–	446
Fixed assets in progress	1	3	–	5
Total gross property, plant and equipment	**1,424**	**662**	**–**	**2,086**
Accumulated depreciation of technical equipment and installations	138	38	–	176
Accumulated depreciation of leasehold improvement	157	39	–	197
Accumulated depreciation of office and computer equipment	91	17	–	108
Accumulated depreciation of furniture	149	37	–	186
Accumulated depreciation of fixed assets in progress	–	–	–	–
Total accumulated depreciation	**535**	**131**	**–**	**666**
Total net property, plant and equipment	**889**	**531**	**–**	**1,420**

The increase in property, plant and equipment as at June 30, 2018 is explained by the costs deriving from the new premises of the US subsidiary GenSight Biologics Inc. in its new facility located at 3 East 28th Street - New York, NY 10016, April 18, 2018.

Note 6: Non-current financial assets

The non-current financial assets correspond to the deposit paid to the lessor for both registered offices of the Company, in Paris and New York.

In thousands of Euros	As of December 31 2017	As of June 30 2018
Guarantee deposits	327	343
Total non-current financial assets	**327**	**343**

The increase in the Group's guarantee deposits as of June 30, 2018 is mainly due to the temporary premises contract concluded in January 2018 for the US subsidiary. The amount of the related deposit is $11 K (€9 K).

Note 7: Other current assets

The other current assets are broken down as follows:

In thousands of Euros	As of December 31 2017	As of June 30 2018
Prepayments	240	417
Research tax credit	3,692	5,719
Other taxes receivable	538	569
Liquidity contract	367	82
Prepaid expenses	514	2,397
Total	**5,351**	**9,183**

- The following table shows the changes in the Research Tax Credit receivable during the six-month period ended June 30, 2018:

	Amounts in kEuros
Opening balance sheet receivable as of January 1, 2018	3,692
Other operating income	2,027
Payment received	–
Closing balance sheet receivable as of June 30, 2018	5,719

- Other taxes receivable essentially refers to VAT receivables.
- As of June 30, 2018, prepaid expenses were primarily rental, scientific collaborations, consulting fees and travel expenses.

Note 8: Cash and cash equivalents

Cash, cash equivalents and short-term investments items are broken down as follows:

In thousands of Euros	As of December 31 2017	As of June 30 2018
Cash	55,448	41,675
Cash equivalents	–	–
Total cash and cash equivalent as reported in the statements of financial position	55,448	41,675
Bank overdrafts	–	–
Total net cash and cash equivalents as reported in the statements of cash flows	55,448	41,675

Note 9: Capital

9.1. Share capital issued

The share capital has not changed during the first half of 2018. It amounts to €605,855.58 and is divided into 24,234,223 fully authorized, subscribed and paid-up ordinary shares with a nominal value of €0.025.

Note 10: Financial liabilities

10.1. Conditional advances

The following table shows the changes in conditional advances that occurred during the presented periods:

In thousands of Euros	
Balance as of January 1, 2017	2,922
Receipts	–
Repayments	–
Accrued interest	76
Other	34
Balance as of December 31, 2017	3,033
Non-current portion	3,033
Current portion	–

In thousands of Euros	
Balance as of January 1, 2018	3,033
Receipts	–
Repayments	–
Accrued interest	374
Other	–
Balance as of June 30, 2018	3,407
Non-current portion	3,407
Current portion	–

Accrued interest was calculated on the basis of an Effective Interest Rate (EIR) of 6.26%.

10.2. Maturity dates

Maturity dates of financial liabilities as of December 31, 2017, are as follows:

In thousands of Euros	Gross amount	Less than one year	One to Five years	More than Five years
Non-current conditional advances	3,033	–	550	2,483
Total financial liabilities	**3,033**	**–**	**550**	**2,483**

Maturity dates of financial liabilities as of June 30, 2018, are as follows:

In thousands of Euros	Gross amount	Less than one year	One to Five years	More than Five years
Non-current conditional advances	3,407	–	1,550	1,857
Total financial liabilities	**3,407**	**–**	**1,550**	**1,857**

Note 11: Non-current provisions

Non-current provisions are exclusively composed of employee benefits relating to a compensation payable to French employees upon their retirement – Indémnités de Fin de Carrière (IFC).

The following table shows the changes in the provision during the two presented periods:

In thousands of Euros	
As of December 31, 2016	73
Costs of services rendered (operating expense)	26
Interest expense	1
Benefits paid	–
Actuarial (gains) losses	(12)
As of December 31, 2017	88
As of January 1, 2018	88
Costs of services rendered (operating expense)	15
Interest expense	–
Benefits paid	–
Actuarial (gains) losses	(20)
As of June 30, 2017	**82**

The underlying actuarial assumptions are similar to the one used at end of December 2017, with the exception of the discount rate: 1,45% corresponding to the iBoxx Corporates AA 10+ index as of June 30, 2018.

Note 12: Other current liabilities

The following table provides the detail of other current liabilities for the presented periods:

In thousands of Euros	As of December 31 2017	As of June 30 2018
Employee-related payable	1,842	1,550
Other taxes liabilities	28	29
Deferred revenues from subsidies	–	71
Other current liabilities	–	4
Total other current liabilities	**1,870**	**1,654**

Note 13: Financial instruments recognized in the statements of financial position and related effect on the statement of income (loss)

The nature of the financial instruments as at December 31, 2017 and June 30, 2018 is as follows:

In thousands of euros	Book value on the statement of financial position	Fair value through profit and loss(1)	Loans and receivables(2)	At amortized cost(3)	Fair Value
As of December 31, 2017					
Non-current financial assets	327	–	–	327	327
Current financial assets	367	367	–	–	367
Accounts receivable and related receivables	12	–	12	–	12
Cash and cash equivalent	55,448	55,448	–	–	55,448
Total financial assets	**56,154**	**55,814**	**12**	**327**	**56,154**
Financial liabilities					
Conditional advances (non-current portion)	3,033	–	–	3,033	3,033
Accounts payable and related payables	2,225	–	–	2,225	2,225
Total financial liabilities	**5,258**	**–**	**–**	**5,258**	**5,258**

In thousands of euros	Book value on the statement of financial position	Fair value through profit and loss(1)	Loans and receivables(2)	At amortized cost(3)	Fair Value
As of June 30, 2018					
Non-current financial assets	343	–	–	343	343
Cash and cash equivalent	41,675	41,675	–	–	41,675
Total financial assets	**42,018**	**41,675**	**–**	**343**	**42,018**
Financial liabilities					
Conditional advances (non-current portion)	3,407	–	–	3,407	3,407
Accounts payable and related payables	3,017	–	–	3,017	3,017
Total financial liabilities	**6,424**	**–**	**–**	**6,424**	**6,424**

(1) The fair value of financial assets classified as fair value through profit and loss corresponds to the market value of the assets.
(2) The fair value of loans and receivables corresponds to the value reported in the statement of financial position meaning the value at the transaction date and then tested for impairment on each reporting date.
(3) The book amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.

Note 14: Other income

In thousands of Euros	As of June 30 2017	As of June 30 2018
Research tax credit (see note 7)	1,968	2,027
Subsidies	20	–
Total Operating Income	**1,988**	**2,027**

Note 15: Operating expenses

15.1. Research and development expenses

The table below shows the breakdown of research and development expenses by cost nature for the periods presented:

In thousands of Euros	As of June 30 2017	As of June 30 2018
Personnel expenses(1)	1,672	2,373
Sub-contracting, collaboration and consultants	4,848	6,021
Licensing and intellectual property	114	135
Offices cost	271	331
Travel and entertainment expenses	551	348
Depreciation and amortisation expense	88	122
Other	154	224
Total R&D expenses	**7,699**	**9,553**

(1) Includes €306 K and €591 K related to share-based compensation expense as of June 30, 2017 and 2018 respectively.

15.2. General and administrative expenses

The table below shows the breakdown of research and development expenses by cost nature for the periods presented:

In thousands of Euros	As of June 30 2017	As of June 30 2018
Personnel expenses(1)	2,944	1,731
Professional Fees	573	424
Communication and travel expenses	520	430
Offices cost	116	132
Equipment rental	8	1
Office furniture and small equipment	30	68
Postal and telecommunication expenses	19	13
Depreciation and amortisation expense	19	15
Attendance fees	65	75
Insurances	35	24
Others	47	81
Total G&A expenses	**4,377**	**2,992**

(1) Includes €1,869 K and €824 K related to share-based compensation expense as of June 30, 2017 and 2018 respectively.

15.3. Sales and Marketing expenses

The table below shows the breakdown of research and development expenses by cost nature for the periods presented:

In thousands of Euros	Au 30 juin 2017	Au 30 juin 2018
Personnel expenses(1)	–	338
Professional Fees	–	70
Communication and travel expenses	–	319
Offices cost	–	40
Depreciation and amortisation expense		3
Others	–	15
Total S&M expenses	**–**	**785**

(1) Includes €176 K related to share-based compensation expense as of June 30, 2018.

15.4. Personnel expenses

The Group was employing 37 permanent people as of June 30, 2018 to compare with 29 as of June 30, 2017.

The following table shows the nature of costs included in personnel expenses:

	As of June 30, 2017				As of June 30, 2018			
In thousands of Euros	R&D	G&A	S&M	TOTAL	R&D	G&A	S&M	TOTAL
Wages and salaries	1,087	786	–	1,874	1,513	800	101	2,414
Social contributions	267	287	–	555	134	31	50	216
Service cost (employee benefit)	12	1	–	13	123	73	10	206
Share-based payments	306	1,869	–	2,175	592	824	176	1,592
Total	**1,672**	**2,944**	**–**	**4,616**	**2,361**	**1,729**	**337**	**4,428**

Note 16: Share-based payments

The Board of Directors has been authorized by the general meeting of the shareholders to grant employee warrants (Bons de Souscription de Parts de Créateur d'Entreprise or "BCE"), non-employee warrants (Bons de Souscription d'Actions or "BSA") and performance shares (Attributions Gratuites d'Actions or "AGA").

Details regarding the main characteristics of employee warrants (BCE), non-employee warrants (BSA), performance shares (AGA), and stock options (SO) granted before January 1, 2018 are presented in Note 16 of the 2017 Consolidated Financial Statements.

16.1. Employee warrants (BCE)

Changes in the balances of employee warrants (BCE) are as follows during the period:

	BCE 2013-02	BCE 2014-06	BCE 2015-06	Total
Balance outstanding at January 1, 2018	**123,720**	**60,000**	**519,583**	**703,303**
Granted during the period	–	–	–	–
Exercised during the period	–	–	–	–
Forfeited during the period	–	–	(5,667)	–
Balance outstanding at June 30, 2018	**123,720**	**60,000**	**513,916**	**697,636**
Of which exercisable	123,720	60,000	392,312	576,032

16.2. Non-employee warrants (BSA)

Changes in the balances of the non-employee warrants (BSA) are as follows during the period:

	BSA 2013-02	BSA 2015-06	BSA 2016	BSA 2017	Total
Balance outstanding at January 1, 2018	**293,040**	**121,000**	**158,000**	**165,000**	**737,040**
Granted during the period	–	–	–	–	–
Exercised during the period	–	–	–	–	–
Forfeited during the period	–	–	–	–	–
Balance outstanding at June 30, 2018	**293,040**	**121,000**	**158,000**	**165,000**	**737,040**
Of which exercisable	293,040	88,229	158,000	79,063	618,332

16.3. Performance shares (AGA 2016)

Changes in the balance of free shares (AGA) is as follows during the period:

	AGA 2016
Balance outstanding at January 1, 2018	**957,000**
Granted during the period	–
Vested during the period	–
Forfeited during the period	(88,500)
Balance outstanding at June 30, 2018	**868,500**

16.4. Stock-options

Vesting schedule

With the authorization of the General Meeting of Shareholders on May 31, 2017, the Board of Directors issued 175,000 SO 2017, with an exercise price of €6.98 per share on March 14, 2018.

The SO 2017 may be exercised by the beneficiary on the basis of the following vesting schedule:

- up to 1/4 of the SO 2017 on the first anniversary of the date of grant;
- the remaining 75% becoming exercisable up to 1/36 per month from the first anniversary of the date of grant; and
- at the latest within 7 years from the date of grant

Details and main characteristics of the free shares granted during the first half of 2018

	SO 2017
Date of grant	March 14. 2018
Plan expiration date	March 14. 2025
Number of warrants initially granted	175,000
Exercise price	€6.98
Share entitlement per warrant	1
Valuation method	Black - Scholes
Expected volatility	48.75%
Expected dividend	0.00%
Fair value per option	€ 2.63

Changes in the balances of stock options during the period is as follows

	SO 2017
Balance outstanding at January 1, 2018	**364,166**
Granted during the period	175,000
Exercised during the period	–
Forfeited during the period	(64,166)
Balance outstanding at June 30, 2018	**475,000**
Of which exercisable	112,500

16.5. Reconciliation with P&L share-based expense

	2017-06-30				2018-06-30			
In thousands of Euros	R&D	G&A	S&M	TOTAL	R&D	G&A	S&M	TOTAL
Non-Employee Warrants (BSA)	266	85	–	351	44	53	–	97
Employee Warrants (BCE)	(148)	267	–	120	9	89	–	98
Performance Shares (AGA)	(11)	1,493	–	1,482	174	645	176	995
Free Shares (AGA)	198	24	–	222	76	34	–	110
Stock-options (SO)	–	–	–	–	289	2	–	291
Share-based payments expense	**306**	**1,869**	**–**	**2,175**	**592**	**824**	**176**	**1,592**

Note 17: Note 17: Financial income and expenses

The financial income and expenses are broken down as follows:

In thousands of Euros	As of June 30 2017	2018
Income from cash equivalents	–	–
Foreign exchange gains	14	51
Financial income	**14**	**51**
Foreign exchange losses	(20)	(31)
Accrued interests	(19)	(374)
Finance cost on employee benefits	(0)	(1)
Financial expenses	**(39)**	**(406)**
Total	**(25)**	**(355)**

Foreign exchange gains and losses primarily arise from the purchase of services labelled in U.S. dollars.

As mentioned in the Note 10.1, the accrued interests charged on conditional advances have been calculated using an Effective Interest Rate (EIR) of 6.26%.

Note 18: Commitments

Commitments existing as of December 31, 2017 have not changed significantly at the end of the reporting period, with the exception of the office lease contract entered on January 2015 with Passage de l'Innovation relating to its headquarters in Paris, France, which has been further amended.

Pursuant to the last amendment dated from January 8, 2018, we will have to pay €578 K excluding taxes, on an annual basis, comprised of €324 K for rent, €21 K for rental charges and up to €233 K for other services provided by the lessor through the end of 2024.

This amendment consisted especially in a increased rent as the Group is using more office space in the basement. The associated services (e.g., reception, printers and information technology and access to meeting rooms) have also been revised accordingly.

Note 19: Relationships with related parties

The Group did not conclude any new significant transactions with related parties during the period.

Note 20: Earnings per share

The basic earnings per share is calculated by dividing the net income for the period attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the period. All outstanding ordinary shares have been taken into consideration for purposes of calculating basic earnings per share. The weighted average number of shares was 19,738,721 and 24,234,223 in June 2017 and June 2018 respectively.

The diluted earnings per share is calculated by dividing the net income for the period attributable to shareholders of the Company by the weighted average number of shares outstanding plus any potentially dilutive shares not yet issued from share-based compensation plans (see Note 16).

Dilution is defined as a reduction of earnings per share or an increase of loss per share. When the exercise of outstanding share options and warrants decreases loss per share, they are considered to be anti-dilutive and excluded from the calculation of loss per share. Thus, basic and diluted earnings (loss) per share are equal as all equity instruments issued, representing 2,778,176 potential additional ordinary shares, have been considered anti-dilutive.

In thousands of Euros, except for earning per share	As of June 30 2017	2018
Net income (loss) of the reporting period (in kEuros)	(10,113)	(11,658)
Adjusted weighted average number of outstanding shares	19,738 721	24,234 223
Basic and diluted earnings (loss) per share (in Euros)	**(0.51)**	**(0.48)**

Note 21: Management of financial risks

The assessment of risks has not substantially changed since the Company filed its 2017 registration document. The registration document is available on the company's website:
https://www.gensight-biologics.com/wp-content/uploads/2018/05/GENSIGHT_DDR2017_Visa-R18.036.pdf

Note 22: Note 22: Subsequent events

No significant events, that would have a material impact on the half-year consolidated financial statements occurred subsequent to June 30, 2018.

ACTIVITY REPORT

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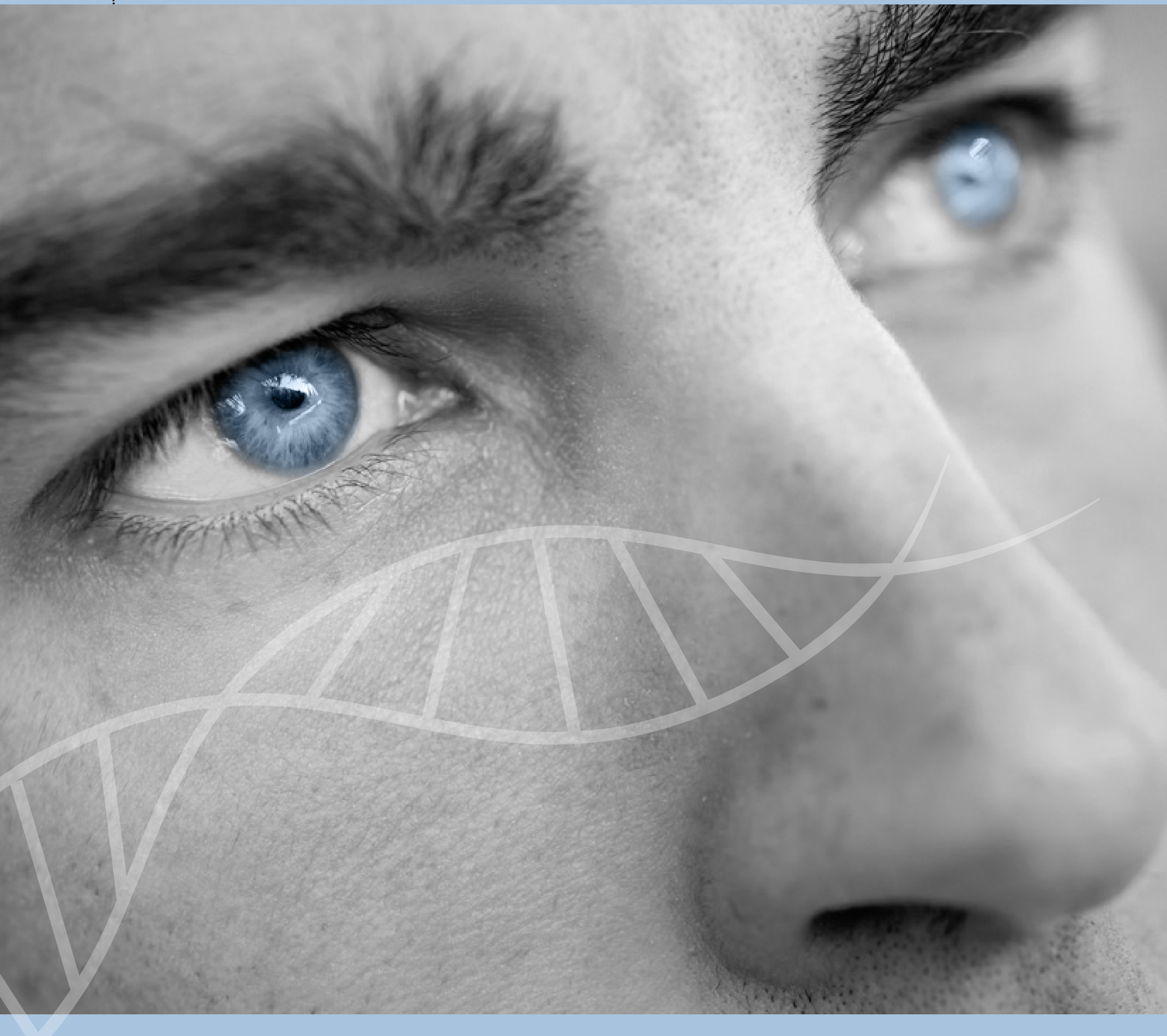

A
OPERATING INCOME

Our operating income consists of revenues and other income. To date, we have not generated any revenue from the sale of our products. The other income is mainly composed of research tax credit.

The expenditures taken into account for the calculation of this credit only involve research expenses.

This credit meets the definition of a government grant as defined in IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. As no research and development expenditure is capitalized before obtaining a marketing authorization, this credit related to a research program is entirely recorded as operating income.

We have requested the reimbursement of the 2017 Research tax credit in the amount of €3,692 K which has not yet been received at the date of this half-year financial report.

	As of June 30	
In thousands of Euros	2017	2018
Research tax credit	1,968	2,027
Subsidies	20	–
Total Operating Income	**1,988**	**2,027**

B
OPERATING EXPENSES

1. RESEARCH AND DEVELOPMENT

Our research and development expenses consist principally of external costs, such as manufacturing expenses, non-clinical studies, startup fees paid to investigators, consultants, central laboratories and CROs in connection with our clinical studies, costs related to acquiring and manufacturing clinical study materials and costs related to collaborations.

	As of June 30	
In thousands of Euros	2017	2018
Personnel expenses(1)	1,672	2,373
Sub-contracting, collaboration and consultants	4,848	6,021
Licensing and intellectual property	114	135
Offices cost	271	331
Travel and entertainment expenses	551	348
Depreciation and amortisation expense	88	122
Other	154	224
Total R&D expenses	**7,699**	**9,553**

(1) Includes €306 K and €591 K related to share-based compensation expense as of June 30, 2017 and 2018 respectively.

From the first half of 2017 to the first half of 2018, the total amount spent by the group for research and development activity increased from €7,699 K to €9,553 K, or an increase of 24% primarily driven by:

- The increase of €1.2 million or +24% in sub-contracting, collaboration and consultants. This resulted from:
  - a €2 million increase of the costs associated mainly with REFLECT clinical trial, as well the Long-term follow-up study
  - a €0.8 million decrease in pre-clinical studies, mainly related to GS030.
- The increase of €701 K in personnel expenses (+42%) dedicated to research and development, deriving from the rising number of R&D employees (from 22 as of June 2017 to 29 as of June 2018), as well as by an increase of €285 K of the share-based compensation.

2. GENERAL AND ADMINISTRATIVE

Our general and administrative expenses consist primarily of salaries and related costs for personnel and travel expenses for our employees in executive, operational, finance, legal and human resources functions, facility-related costs, as well as audit, legal, regulatory and tax-related services associated with maintaining compliance with Euronext Paris listing and AMF requirements, director and officer insurance premiums, and corporate communications and investor relations costs.

During the period presented, our general and administrative expenses decreased from €4,377 K as of June 30, 2017, to €2,992 K as of June 30, 2018.

Our general and administrative expenses are broken down as follows:

In thousands of Euros	As of June 30 2017	As of June 30 2018
Personnel expenses(1)	2,944	1,731
Professional Fees	573	424
Communication and travel expenses	520	430
Offices cost	116	132
Equipment rental	8	1
Office furniture and small equipment	30	68
Postal and telecommunication expenses	19	13
Depreciation and amortisation expense	19	15
Attendance fees	65	75
Insurances	35	24
Others	47	81
Total G&A expenses	**4,377**	**2,992**

(1) Includes €1,869 K and €824 K related to share-based compensation expense as of June 30, 2017 and 2018 respectively.

The decreased expenditures between the two periods mainly resulted from a 41% decrease in personnel expenses dedicated to General and Administration, primarily due to a drop in share-based compensation expense related to granting performance shares to employees. Excluding these non-cash share-based compensation expenses, total personnel expenses dedicated to General and Administrative decreased by 15.6%.

3. SALES AND MARKETING

Sales and marketing expenses consist primarily of professional fees, communication and branding fees and personnel costs. If and when we believe that regulatory approval of the first product candidate appears likely, we anticipate an increase in payroll and related expenses as a result of our preparation for commercial operations.

In preparation for GS010 commercialization, we started to invest in marketing activities in the second half of 2017.

The majority of the sales and marketing expenses as of June 2018 correspond to personnel expenses as well as consulting fees.

In thousands of Euros	As of June 30 2017	As of June 30 2018
Personnel expenses(1)	–	338
Professional Fees	–	70
Communication and travel expenses	–	319
Offices cost	–	40
Depreciation and amortisation expense		3
Others	–	15
Total S&M expenses	**–**	**785**

(1) Includes €176 K related to share-based compensation expense as of June 30, 2018.

C
FINANCIAL INCOME (LOSS)

Our net financial profit (loss) decreased to €(355) K as of June 30, 2018 from €(25) K as of June 30, 2017. Our financial expenses increased from €39 K to €406 K, primarily due to the accrued interest charges on the conditional advances granted by Bpifrance (Sight Again collaborative project) booked in June 2018 for an amount of €374 K.

D
NET INCOME (LOSS)

The net loss amounts to €(11,658) K as of June 30, 2018 from €(10,113) K as of June 30, 2017. The basic and diluted loss per share (calculated with the adjusted weighted average number of outstanding shares during the period) amounted to €(0.51) and €(0.48) as of June 30, 2017 and 2018 respectively.

E
NON-CURRENT ASSETS

Non-current assets are composed of intangible, tangible assets and non-current financial assets. They increased over the period, amounting to €1,401K as of December 31, 2017 and €1,939 K as of June 30, 2018. Property, plant and equipment assets have increased due to the costs deriving from the new premises of the US subsidiary GenSight Biologics Inc. in its new facility located at 3 East 28th Street - New York, NY 10016.

F
CURRENT ASSETS

Current assets amounted to €60,811 K as of December 31, 2017 and €50,861 K as of June 30, 2018. The decrease is essentially due to the usage of cash and cash equivalents during the first half of 2018, partly offset by the increase of the Research tax credit, whose reimbursement for 2017 amount have not been yet received at the date of the present report.

G
CHANGES IN SHAREHOLDER'S EQUITY

The changes in shareholder's equity are primarily due the losses of the half-year period. Thus, shareholder's equity amounted to €54,996 K as of December 31, 2017 and €44,639 K as of June 30, 2018.

H
ANALYSIS OF CASH FLOW

For the six-month period

	ended June 30,	
In thousands of euros	2017	2018
Net cash flows from operating activities	(11,211)	(13,070)
Net cash flows from investment activities	5	(366)
Net cash flows from financing activities	20,840	(285)

The net cash flows from operating activities as of June 2018 amount to €(13.1) million and €(11.2) million as of June 2017, mainly due to the growing expenses engaged in Research and Development as well as Sales and Marketing.

The negative cash flows from investment activities are due to the acquisition of property, plant and equipment related to the furnishing and layout investments of new premises of our US subsidiary.

The negative cash flows from financing activities are due to the purchase of own shares as part of the liquidity contract set up on the second half of 2016, following the 2016 IPO on Euronext Paris.

TRANSACTIONS BETWEEN RELATED PARTIES

3

The Group did not conclude any new significant transactions with related parties during the period.

RISK FACTORS

4

Risk factors are similar to those presented in the section 4 of the 2017 Registration Document (pages 17 to 60) and did not change significantly during the first half-year of 2018. This Registration Document was registered on April 27, 2018, by The French "Autorité des Marchés Financiers" (AMF), with number R.18-0036 and was published on April 27, 2018.

This document is available on the Company's website: www.gensight-biologics.com and the AMF's website: www.amf-france.org.

STATUTORY AUDITORS' REVIEW REPORT ON THE 2018 HALF-YEAR FINANCIAL INFORMATION

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Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2018

To the Shareholders,

In compliance with the assignment entrusted to us by your bylaws and your Shareholders' Meeting and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of GenSight Biologics, for the period from January 1 to June 30, 2018,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris and Paris La Défense, July 24, 2018
The Statutory Auditors

BECOUZE
Fabien BROVEDANI

Deloitte & Associés
Stéphane LEMANISSIER

DECLARATION BY THE PERSON RESPONSIBLE FOR THE 2018 HALF-YEAR FINANCIAL REPORT

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"I declare that, to the best of my knowledge, the summary consolidated financial statements for the ending semester have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the Company and all the other companies included in the scope of consolidation, and that this Half-year Activity Report includes a fair review of the important events which occurred during the first six months of the year, their impact on the half-year financial statements and the main transactions between related parties, together with a description of the principal risks and uncertainties that they face in the remaining six months of the year."

Paris, July 24, 2018

Bernard Gilly
Chief Executive Officer

Designed & published by DESIGN MEDIA +33 (0)1 40 55 16 66

GenSight BIOLOGICS

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