NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR NICOX S.A. FOR 2016

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ASSETS	Notes	Gross	Depreciation (See Note 2.2) & provisions	Net FY 2016 [12 months]	Net FY 2015 [12 months]
Start-up costs	2.1	58,278	58,278		
Development costs	2.1	50,000	25,425	24,575	34,575
Concessions, patents and similar rights	2.1	2,320,966	2,278,142	42,824	2,949,566
Other intangible assets	2.1			0	2,855,893
Intangible assets	**2.1**	**2,429,244**	**2,361,845**	**67,399**	**5,840,034**
Property, plant and equipment	**2.2**	**708,014**	**595,035**	**112,979**	**196,742**
Equity interests	2.3	54,707,091		54,707,091	79,320,315
Other long-term investments	2.3				
Other financial assets	2.3	13,517,239		13,517,239	1,206,706
Financial assets	**2.3**	**68,224,330**	**0**	**68,224,330**	**80,527,021**
TOTAL NON-CURRENT ASSETS		**71,361,588**	**2,956,880**	**68,404,708**	**86,563,797**
Advances and prepayments on orders	2.4	163,364		163,364	163,364
Trade receivables and related accounts	2.4	104,386		104,386	35,129
Other receivables	2.4	20,824,310	583,597	20,240,713	20,991,594
Marketable securities	2.5	21,021,445		21,021,445	21,669,853
Cash	2.5	7,071,274		7,071,274	1,136,697
Prepayments	2.6	96,542		96,542	244,123
TOTAL CURRENT ASSETS		**49,281,321**	**583,597**	**48,697,724**	**44,240,760**
Unrealized foreign exchange losses	2.10				8,601
TOTAL ADJUSTMENT ACCOUNTS	**2.10**				**8,601**
TOTAL ASSETS		**120,642,909**	**3,540,477**	**117,102,432**	**130,813,158**

LIABILITIES	Notes			FY 2016 [12 months]	FY 2015 [12 months]
Issued capital	2.7			25,004,544	22,869,670
Share premium	2.7			475,090,437	460,463,995
Regulated reserves					
Retained earnings	2.7			(386,610,674)	(366,484,193)
EARNINGS FOR THE YEAR	**2.7**			(19,061,214)	(20,126,481)
TOTAL EQUITY	**2.7**			**94,423,094**	**96,722,991**
Provision for contingencies	2.8			40,000	1,472,767
Provision for charges	2.8			456,251	441,814
PROVISIONS FOR CONTINGENCIES & CHARGES	2.8			**496,251**	**1,914,581**
Conditional advances				-	-
TOTAL OTHER EQUITY				**-**	**-**
Bank borrowings and overdrafts					359,517
Miscellaneous borrowings	2.9			14,587,832	28,380,478
Trade payables and equivalent	2.9			787,144	1,922,259
Tax and social security liabilities	2.9			1,846,377	1,426,996
Other payables	2.9			20,757	85,817
Payables on fixed assets and related accounts					
Deferred revenue	2.11			4,274,008	
TOTAL LIABILITIES				**21,516,117**	**32,175,066**
Unrealized foreign exchange gains	2.10			**666,970**	**521**
TOTAL LIABILITIES				**117,102,432**	**130,813,158**

PROFIT AND LOSS STATEMENT	Notes	Export	FY 2016	FY 2015
Sales of goods	2.14			
Sales of services	2.14		1,512,319	2,311,923
REVENUE	**2.14**		**1,512,319**	**2,311,923**
Operating grants				
Patent royalties				
Reversals of depreciation, amortization and provisions, expense transfers			24,605,930	14,786,963
Other revenue - patent royalties	2.14		432,405	7,741
OPERATING REVENUE			**26,550,654**	**17,106,627**
Purchase of goods				
Other purchases and external expenses			(8,538,974)	(8,689,024)
Taxes, duties and similar payments (other than on income)			(131,087)	(88,686)
Wages and salaries			(3,433,268)	(2,834,938)
Social charges			(1,544,431)	1,553,071
Allowances for the depreciation of fixed assets			(167,401)	(309,044)
Provisions for impairment of fixed assets				
Provisions for impairment of fixed assets			(358,493)	(23,054,130)
Provisions for contingencies and charges			(54,437)	(1,490,040)
Other expenses			(337,437)	(272,624)
OPERATING EXPENSES			**(14,565,227)**	**(38,291,557)**
OPERATING PROFIT			**11,985,427**	**(21,184,930)**
Income from equity interests			855,973	183,889
Other interest and similar income			1,830,639	572,393
Reversals of provisions, expense reclassifications				
Foreign exchange gains			66,227	2,100,087
Net proceeds from the disposal of marketable securities			30,302	243,578
Allowances for amortization and reserves				(521)
Interest and similar expenses			(25,087,409)	(1,415)
Foreign exchange losses			(125,268)	(1,349,644)
Net losses on disposals of marketable securities			(485,440)	(157,910)
FINANCIAL INCOME			**(22,914,975)**	**1,590,457**
OPERATING INCOME BEFORE TAX			**(10,929,616)**	**(19,594,473)**

PROFIT AND LOSS STATEMENT (continued)	Notes	Export	FY 2016 [12 months]	FY 2015 [12 months]
Non-recurring income from non-capital transactions			955,992	102,973
Non-recurring income from capital transactions			9,785,571	2,617,385
Reversals of provisions and expense reclassifications				
Non-recurring expenses on non-capital transactions	2.14		(339,531)	(42,432)
Non-recurring expenses on capital transactions	2.14		(18,916,414)	(3,937,087)
Non-recurring depreciation, amortization and provisions	2.14		-	-
NET NON-RECURRING INCOME (LOSS)			**8,514,382**	**(1,259,161)**
Income tax (research tax credit)			382,717	727,153
TOTAL INCOME			40,075,358	22,926,932
TOTAL EXPENSES			(59,136,572)	(43,053,413)
LOSS			**(19,061,214)**	**(20,126,481)**

1. NATURE OF THE BUSINESS ACTIVITY AND ACCOUNTING PRINCIPLES

1.1. Type of activity

Nicox SA ("the Company"), the Group's parent company, is a French public limited company (*société anonyme*), subject to all laws governing commercial corporations in France, and specifically the provisions of the French commercial code. Nicox SA was created in February 1996, and its shares have been listed for trading on the Paris Euronext market since November 3, 1999. The Company maintains corporate headquarters in France at 2405, route des Dolines, 06560 Valbonne. The Company's goal is to become a leading specialty pharmaceutical company focused on the discovery, development and commercialization of novel ophthalmic therapies.

Nicox is an international ophthalmic R&D company. Through its expertise and with the support of partnerships, it is building a diversified portfolio of products to help people enhance their sight. The Company has a strong late-stage drug pipeline that includes, in particular, Latanoprostène Bunod as an intraocular pressure lowering single-agent eye drop dosed once daily, for patients with open angle glaucoma or ocular hypertension. A New Drug Application was submitted to the USA Food and Drug Administration (FDA)) by Bausch + Lomb, a partner of the company holding the exclusive worldwide rights. On July 21, 2016, the US Food and Drug Administration (FDA) issued to Bausch + Lomb, a Complete Response Letter citing concerns pertaining to their manufacturing facility in Tampa, Florida. On February 27, 2017, Bausch + Lomb announced the resubmission of a New Drug Application (NDA) to the FDA seeking approval for Latanoprostène Bunod. The data submitted in the NDA support latanoprostene bunod as the first nitric-oxide donating prostaglandin F2α analog for ophthalmic use.

In addition to these very late-stage drug products, the Company is developing a portfolio of new-generation ophthalmic products based on its research platform focused on nitric oxide release. The Company also has a pipeline of promising and unencumbered ophthalmology assets targeting significant ocular indications such as glaucoma.

NCX470

NCX 470 is a novel NO-donating bimatoprost analog. Bimatoprost (marketed under the brand name Lumigan by Allergan, Inc.) is one of the leading products in the class of prostaglandin analogs, the most widely used class of Intraocular Pressure (IOP) lowering drugs. Nicox is finalizing the design of a first-in-human trial for NCX 470 which will be a Phase 2 study.

On August 9, 2016, Nicox completed the transfer of its European and international commercial operations to the newly founded pan-European ophthalmic specialty pharmaceutical company called VISUfarma created by GHO Capital. The Company's European and international commercial operations, product portfolio and related late-stage development programs were valued at up to €26 million in this transaction. Nicox transferred the related products and trademark rights to VISUfarma (or, as the case may be, the corresponding agreements with third parties) including rights to its commercial portfolio of ophthalmology products and rights to some development candidates in Europe.

The Board of Directors approved the separate annual and consolidated financial statements for the year ended December 31, 2016 on March 29, 2017.

1.2. Accounting principles

The financial statements have been prepared in accordance with the generally accepted accounting principles set out in Regulation 2014-03 of June 5, 2014 of the Plan Comptable Général (general chart of accounts), issued by the French Accounting Standards Authority (Autorité des Normes Comptables).

The general accounting conventions have been applied in compliance with the Plan Comptable Général, in observance of the principle of prudence and according to the following basic assumptions:

- Going concern;
- Separation of accounting periods;

- Consistent accounting methods from one year to the next;

And in accordance with the general rules for preparing and presenting financial statements.

Only significant information is reported. Unless otherwise indicated, amounts are expressed in Euros.

The basic method used to value items recorded in the accounts is the historical cost method.

The principal accounting methods used are as follows:

The Company has prepared its separate financial statements on a going concern basis and has sufficient cash to sustain its operations over the next twelve months after raising funds in July 2016 through a private placement. However, its position as a going concern is assessed in reference to potential post-closing events which are described in section 2.24.

The financial statements prepared on December 31, 2016 will be considered final only after they are approved by the annual general meeting.

The principal accounting methods used are as follows:

1.2.1 *Intangible fixed assets*

Intangible assets are measured at cost, with acquisition-related expenses included in the gross amount. They are amortized according to the straight-line method over their probable economic life, according to the following guidelines:

Research and development expenditures

Research costs are fully booked as other purchases and outside expenses for the year in which they were incurred. All development costs incurred by the Company are accounted for as expenses as to date the activation criteria have not been met by any of the drug candidates developed by the Company. In fact, owing to the risks and uncertainties related to regulatory authorizations and to the research and development process, they reputedly do not meet the criteria for financial assets before authorization is received to place the drugs on the market. As a result, development costs (mainly the costs of subcontracting clinical research and production costs of active ingredients of drug candidates) were always accounted for as expenses on the line “Other purchases and external expenses,” as to date the Company has not received market authorization for any of its products.

Set-up costs

Set-up costs correspond to the costs of creating the Company’s first establishment and are fully amortized.

Software and patents

Intangible fixed assets include computer software, a portfolio of patents acquired during 2009 that were fully amortized as of December 31, 2016.

Amounts paid to acquire such rights are recognized under assets when there is a probability that they will generate future profits and qualify as long-lived based on the length of their terms. An impairment test is done when there is an indication of a loss in value of intangible fixed assets.

Intangible fixed assets are valued at their acquisition cost. They are amortized according to the straight-line method over their probable economic life, according to the following guidelines:

Computer software	3 to 5 years

Other intangible assets

Other intangible assets consist of drug candidates that were all transferred to the newly founded pharmaceutical company called VISUfarma on August 9, 2016

1.2.2 - Property, plant and equipment

Property, plant and equipment are measured at cost, with acquisition-related costs thus included in the gross amount. They are amortized according to the straight-line method over their probable economic life, according to the following guidelines:

- Miscellaneous fixtures and facilities 10 years
- Computer equipment 3 to 5 years
- Furniture 10 years

The depreciation method reflects the expected pattern of consumption of the economic benefits embodied in the assets depending on their probable use.

1.2.3 - Financial assets

Financial assets consist of miscellaneous deposits and guarantees and equity interests in the Company's subsidiaries, and debt claim in the form of bonds held by Iris Top Co Limited, a subsidiary created by GHO Capital.

Equity interests are recorded in the balance sheet at their acquisition cost, excluding acquisition-related expenses. This value is compared at year-end to the value-in-use of those same interests after that portion of shareholders' equity corresponding to the equity interest as well as prospects for a return on investment are taken into account. A provision is booked when the useful value is less than the acquisition cost.

1.2.4 - Receivables

They are recognized at their historic value. If appropriate they are written down to reflect the collection risks.

1.2.5- Research tax credit

The research tax credit is granted to companies by the French tax authorities as an incentive measure to conduct technical and scientific research. Companies able to demonstrate that they incur research expenses meeting the criteria of the research tax credit qualify for a tax credit that may be used for the payment of their corporate income tax for the period in which these expenses were incurred, and for the three following financial years. If the taxes payable do not cover the total amount of the tax credit at the end of this three-year period, the Company receives a cash refund by the tax authorities for the difference. The Company also meets certain criteria of the definition for small and medium-size companies, and on that basis may request an immediate payment of this tax credit. Only expenses devoted to research are included in the calculation for the research tax credit.

Research and development expenses incurred by the Company Nicox SA qualify in some cases for a research tax credit equal to 30% of eligible research expenses incurred during the year. The tax credit is applied to the corporate income tax owed by the Company for the year in which it incurred its research expenses. Any surplus credit represents a French tax receivable which may be used for the payment of tax in the three years following the year for which it is recorded. The unused portion at the end of this period is refunded. During the month of December 2010 a tax provision of the 2011 Finance Act was adopted to allow small and mid-sized businesses to request early reimbursement of the research tax credit in the year following the recognition of the receivable when the tax credit cannot be used in payment of the corporate income tax.

1.2.6 - Marketable securities

Marketable securities are recorded under assets at the historic acquisition price. A provision for impairment is set up when the inventory value is less than the purchase price. Marketable securities constitute a liquidity reserve for the Company. In accordance with the AMF recommendation (Bull. COB No. 370 of July-August 2002), the Company does not offset unrealized capital losses with unrealized capital gains from these marketable securities.

Marketable securities include shares held in treasury for the purpose of maintaining an orderly market in the Company's shares. These activities are carried out through a liquidity agreement entered into with Gilbert Dupont and in accordance with the authorizations granted by the general meeting of June 18, 2014 and June 3, 2015. On July 29, 2015, the Board of Directors made use of the authorization given by the general meeting of June 3, 2015 solely for the purposes of maintaining an orderly market in its shares on the Nouveau Marché, by systematically selling when prices are rising and buying when prices are falling and exclusively within the framework of the liquidity agreement concluded with Gilbert Dupont. A provision for impairment is recognized when the average price for the share for the last month of the year is less than the purchase price.

1.2.7 - Translation of foreign currency items

Transactions in foreign currencies are recorded initially in the functional currency at the exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate in force on the closing date. Translation differences resulting from the foregoing transactions are recorded under assets or liabilities as currency gains or losses. In the event of unrealized foreign exchange losses a provision is recorded. Under the principle of conservatism, and in accordance with accounting principles, unrealized foreign exchange gains are not recognized under income.

The Company did not use any hedging instruments to cover its currency risk.

1.2.8 - Provisions

Provisions correspond to the commitments resulting from disputes and various risks with an uncertain time frame and in an uncertain amount which the Company may be facing in connection with its activities. A provision is recognized when the Company has a legal or constructive obligation towards a third party as a result of a past event, when it is probable that an outflow or economic benefits will be required to settle the obligation without receiving at least an equivalent value in exchange, and when a reliable estimate can be made of future cash outflows.

Contingent liabilities are not recognized but are disclosed in the Notes unless the possibility of an outflow of resources is remote.

1.2.9- Pension commitment to personnel

The Company's defined benefit pension plan obligations are determined using the projected unit credit actuarial method. These plans are unfunded. These obligations are measured at the end of each reporting period. The actuarial assumptions used to determine these obligations take into account the prevailing economic conditions in the country. The Company’s obligations are recorded on the balance sheet under assets. Any actuarial differences are recognized as expenses during the period.

Some benefits are also provided through defined contribution plans, for which contributions are expensed when incurred.

The assumptions used to calculate these obligations are specified in the table below:

	At December 31	
	2016	2015
Discount rate (1)	1,31%	2,03%
Salary escalation rate	2,5 %	2,5%
Mortality tables	INSEE 2016	INSEE 2015

(1) Source: E Corp. AA 10+yrs

1.2.10 - Post-closing events

The Company's financial statements are adjusted, as applicable, to reflect subsequent developments relating to situations existing on the closing date.

These adjustments are made until the date the financial statements are approved by the Board of Directors.

Other events subsequent to the closing date that do not result in adjustments are presented in the notes.

1.2.11 - Items from the income statement

- Operating revenue generated from licensing and development agreements

The Company's operating revenue can come from (I) licensing concessions corresponding to drug candidates in the process of being developed that have not yet obtained market authorization, (II) research and development services pertaining to those concession agreements, (III) contributions by partners to research and development efforts, and (IV) sales or royalties on sales of drugs or medical devices.

Research and development agreements generally include various components such as amounts billable on signing, amounts billable when certain predefined development objectives are exceeded and reimbursements for research and development costs. Such agreements generally contain a clause attributing royalties to future product sales.

The accounting treatment differs depending on the nature of the items:

- Licensing concessions are recorded immediately as royalties when the agreement is signed and when the amount is non-reimbursable and when the Company has no future development commitments. Revenue from research and development agreements is booked initially as deferred revenue and spread out over the estimated duration of the Company's involvement in future developments. This involvement is reviewed periodically. The amounts billable when certain development objectives are exceeded are recognized as royalties after final validation by the co-contractor.

At December 31, 2016, there were no significant sales corresponding to revenue from license agreements.

- Operating expenses

The Company subcontracts its research and development activities to outside partners. The Company records these expenses on the books depending on the progress of the work. The percentage of completion is determined on the basis of information provided by the outside partners, corroborated by internal analyses.

2. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND INCOME STATEMENT

2.1 Intangible assets and amortization

Intangible assets in Euros	12/31/15	Acquisitions	Disposals and retirements	Other	12/31/2016
Start-up costs	58,278	-	-		**58,278**
Research and development expenses	50,000		-		**50,000**
Concessions, patents, similar rights and software (1)	3,853,887	41,386	1,574,307		**2,320,966**
Other intangible assets in progress[(1)]	5,505,893	**0**	5,505,893	-	**0**
Total intangible assets	**9,468,058**	**41,386**	**7,080,200**	**-**	**2,429,244**

(1) The sale of intangible assets in the period corresponds to the disposal of rights to VISUfarma B.V, a patent for a product under development and rights relating to license agreements, one of which is under development and the other currently in use.

Amortization and impairment of intangible assets in Euros	12/31/15	Allowances	Disposals and retirements	12/31/2016
Start-up costs	58,278	-	-	58,278
Research and development expenses	15,425	10,000	-	25,425
Concessions, patents, similar rights and software (1)	3,554,321	70,250	1,346,430 (1)	2,278,141
Total amortization of intangible assets	**3,628,024**	**80,250**	**1,346,430**	**2,361,844**

(1) The reversal of the amortization of intangible assets is pursuant to the transfer to VISUfarma B.V. of licensing concession rights for a product in production.

2.2 Property, plant and equipment and depreciation

Property, plant and equipment in Euros	12/31/15	Acquisitions	Disposals and retirements	Other	12/31/2016
General facilities, fixtures	209,050	807	-	-	209,857
Office equipment, computers, furniture, vehicles	495,577	2,580		-	498,157
Other property, plant and equipment under construction	-	-	-	-	-
Total property, plant and equipment	**704,626**	**3,387**		**-**	**708,014**

(*) Primarily reclassifications between accounts

Depreciation and impairment of property, plant and equipment in Euros	12/31/15	Allowances	Disposals and retirements	12/31/2016
Depreciation / general facilities, fixtures	103,085	35,239	-	138,324

Depreciation / Office equipment, computers, furniture	404,799	51,913	0	456,712
Total depreciation of property, plant and equipment	**507,884**	**87,152**	**0**	**595,036**

2.3 Financial assets

Financial assets consist of deposits and guarantees relating to the lease of the Company's offices, and Nicox's equity interests in its subsidiaries and a bond claim on Iris TopCo Limited created by GHO Capital in connection with the transfer of commercial operations.

Financial assets in Euros	12/31/15	Acquisitions	Disposals	12/31/2016
Deposits and guarantees	180,727		-	180,727
Other equity interests/acquisitions	79,320,315	25,087,752 (1)	49,700,976 (2)	54,707,091
Other long-term investments				-
Other financial assets	1,025,979	12,427,671 (3)	117,138	13,336,512
Total financial assets	**80,527,021**	**37,515,423**	**49,818,114**	**68 224,330**

(1). Corresponds to (i) a capital increase of Pharma SNC amounting to €25,025,749, carried out prior to the transfer of this subsidiary to GHO Capital, (ii) the equity investment of €60,000 (13.5%) in Iris TopCo Limited, a company created by GHO capital. Nicox SA received these shares as consideration for a portion of the sale price for the commercial subsidiaries.

(2). The sale of equity interests in the period corresponds to the fair value adjustment of equity interests in Nicox Ophtalmics following the cancellation of the contingent consideration payable in the amount of €12,740,580, the transfer of the shares of Farma Srl, Nicox GmbH, Laboratoires Nicox SAS, Pharma SAS and Nicox Laboratorios.
These shares were transferred to VISUfarma B.V, a subsidiary of the investment group, GHO Capital, as part of the transfer of the commercial operations carried out by these companies.

(3). includes a loan to GHO Capital in the amount of 11,940,000 and €467,650 in interest.

2.4 Due date of receivables at the end of the year

The table of receivables is presented below with reference to due date of payment:

Receivables (Amounts in Euros)	Total	Less than one year	More than one year
Advances and deposits	163,364	163364	-
Trade receivables	104,386	104,386	-
Other receivables	0	0	-
Social security and related receivables	486	486	-
State, Value Added Tax	347,873	347,873	-
State, research tax and wage tax (CICE) receivables	396,377	396,377	-
Due from subsidiary	19,563,854 (1)	-	19,563,854
Sundry debtors	517,720 (2)	517,720	-
Prepaid expenses	96,542	96,542	
Total receivables	**21,188,602**	**1,624,748**	**19,563,854**

(1) Corresponding to current account balances of subsidiaries at 31/12/16, Nicox Research Italy (€4,777,240) , Nicox Ireland (€683,411) and Nicox Ophthalmics (€14,103,203).

(2) Corresponding to a claim against VISUfarma BV in the amount of €478,893.

2.5 Cash and marketable securities

Marketable securities totaled €21,021,445 at December 31, 2016 and are invested in short-term money-market mutual funds and time deposit accounts representing liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of change in value. The recommended maturity of these investments is between three and six months and sensitivity to interest rate risk is very low.

The unrecognized net amount of unrealized capital gains amounted to €5,914 at December 31, 2016 compared to €57,123 at December 31, 2015. At December 31, 2016, there were no unprovisioned unrealized losses.

2.6 Prepaid expenses

Prepaid expenses are presented in the table below:

Prepaid expenses in Euros	At December 31, 2016
Insurance	29,446
Travel, plane tickets	9,963
Rent	30,408
Maintenance	2,648
Consultants' fees	7,008
Documentation	17,069
Total prepaid expenses	**96,542**

2.7 Shareholders' equity

2.7.1 - Preliminary remarks

At December 31, 2016, the share capital consisted of 25,004,543 fully paid up ordinary shares with a par value of € 1.

In addition, at December 31, 2016, the Company held 60,987 shares in treasury at a price of €7.83 per share, or a total value of €477,596.23.

Authorized Capital

	At December 31	
	2016	**2015**
Share capital comprised of shares with a par value of €1	25,004,543	22,869,669.60

	Number of shares	**In €**
At December 31, 2015 (with a par value of €1)	22,869,669	22,869,669.60
Fund raising through a rights issue in August 2016	2,064,000	2,064,000
Issuance of restricted stock units	70,874	70,874
At December 31, 2016, 25,004,543 shares at a par value of €1	**25,004,543**	**25,004,543.60**

The table of changes in shareholders' equity is presented below:

	Ordinary shares		**Share premiums**	**Cumulative losses**	**Total equity**
	Number	**Amount**			
At December 31, 2015	**22,869,669**	**22,869,669.60**	**460,463,995.06**	**(386,610,673.84)**	**96,722,991**
Subsidiary acquisition costs chargeable to share premium	-	-	-	-	-
Issue of ordinary shares through the exercise of equity instruments	2,064,000	2,064,000	14,626,442.27	-	16,690,442.27
Issuance of restricted stock units	70,874	70,874			70,874
Profit/loss for the year	-	-	-	(19,061,213.54)	(19,061,213.54)
At December 31, 2016	**25,004,543**	**25,004,543.60**	**475,090,437.33**	**(405,671,887.38)**	**94,423,093.73**

2.7.2 – Share subscription options

The Company has put in place an incentive scheme for employees and corporate officers involving the awarding of non-transferable share subscription options. The share subscription options are granted to beneficiaries on different dates by the Board of Directors on the authority of the Group's Extraordinary Shareholders' Meeting.

The subscription price of options entitling the holder to shares is determined on the day the options are awarded by the Board of Directors, with the understanding that the price for subscribing for new shares or for the purchase of outstanding shares is not lower than the highest of the minimum prices determined by the legal provisions in force in each country. The reason for this is to take into account any differences among the tax and corporate regulations of the countries to which the beneficiaries may belong.

The options granted may, without distinction among the recipients and in the absence of any overriding decisions by the Board of Directors, be exercised by the recipients, either in whole or in part, after the expiration of a three-year period following the date they are granted if on that date they are still employees or corporate officers of the Group. In any event, the options must be exercised by the recipients within a maximum of six years following the date they are granted. The Board of Directors may reduce this period for recipients residing in countries where a shorter period is specified by law. No shares in the Group purchased or subscribed for by the recipients may be sold before the expiration of a period of four years following the date on which the options are granted.

On July 27, 2012, the shareholders' meeting approved a stock option plan for employees and corporate officers and authorized the Board of Directors to grant options entitling the holder to subscribe for a maximum of 300,000 outstanding or new ordinary shares (understood as after the reverse stock split on December 3, 2015) with a par value of €1. The vesting of these options is subject to performance conditions of achieving at least 70% of the annual objectives, and for a period of at least two calendar years, as set by the Board of Directors for the calendar years thus concerned. The Board of Directors determines the identity of the grantees as well as the conditions and criteria for granting the options. The options granted under this authorization must be exercised no later than six years after the effective award date by the Board of Directors. This authorization, granted for a period of 38 months from the date of the meeting, was rendered void by the general meeting of October 22, 2014.

On October 22, 2014, the general meeting approved a stock option plan for employees and corporate officers and authorized the Board of Directors to grant options entitling the holder to subscribe for a maximum of 200,000 outstanding or new ordinary shares (understood as after the reverse stock split on December 3, 2015) with a par value of €1. The vesting of these options is subject to performance conditions set by the Board of Directors at the time of the grant. The Board of Directors determines the identity of the grantees as well as the conditions and criteria for granting the options. The options granted under this authorization must be exercised no later than six years after the effective award date by the Board of Directors. This authorization, granted for a period of 38 months from the date of the meeting, was rendered void by the general meeting of June 03, 2015.

On June 03, 2015, the shareholders' meeting approved a stock option plan for employees and corporate officers and authorized the Board of Directors to grant options entitling the holder to subscribe for a maximum of 600,000 outstanding or new ordinary shares (understood as after the reverse stock split on December 3, 2015) with a par value of €1. The vesting of these options will be subject to performance conditions for beneficiaries who are members of the Management Committee or corporate officers, set by the Board of Directors at the time of the grant. The Board of Directors determines the identity of the grantees as well as the conditions and criteria for granting the options. The options granted under this authorization must be exercised no later than six years after the effective award date by the Board of Directors. This authorization is granted for a period of 38 months from the date of the meeting. At December 31, 2016 no options had been granted under this plan.

The following table presents, at December 31, 2016, the outstanding options issued under these plans:

Board of Directors' meeting date	Options granted	Exercise date of the options	Expiry date	Subscription price per option (in euros)	Canceled or expired options	Options outstanding	Options exercised	Number of outstanding shares issuable upon exercise of the options	Number of shares outstanding issuable taking into account the reverse stock split(1)
Plan authorized by the general meeting of June 17, 2009:									
03/22/2012	360,600	03/22/2015	03/22/2018	2.25	224,900	135,700	-	135,700	27,140
04/02/2012	100,000	04/02/2015	04/02/2018	2.91	100,000	-	-	-	-
Sub-total	**460,600**				**324,900**	**135,700**	**-**	**135,700**	**27,140**
Plan authorized by the general meeting of July 27, 2012:									
09/13/2012	104,720	09/13/2016	09/13/2018	2.62	101,920	2,800	-	2,800	560
10/24/2012	60,000	10/24/2016	10/24/2018	2.52	60,000	-	-	-	-
12/19/2012	35,000	12/19/2016	12/19/2018	2.31	-	35,000	-	35,000	7,000
02/19/2013	148,200	02/20/2017	02/20/2019	3.36	93,600	54,600	-	54,600	10,920
04/09/2013	30,000	04/09/2017	04/09/2019	3.01	30,000	-	-	-	-
08/20/2013	110,200	08/20/2017	08/20/2019	2.48	75,000	35,200	-	35,200	7,040
11/11/2013	235,600	11/11/2017	11/11/2019	2.56	183,200	52,400	-	52,400	10,480
03/06/2014	440,917	03/06/2018	03/06/2020	2.6	153,517	287,400	-	287,400	57,480
05/22/2014	132,104	05/22/2018	05/22/2020	2.35	9,004	123,100	-	123,100	24,620
07/30/2014	54,003	07/30/2018	07/30/2020	2.15	12,003	42,000	-	42,000	8,400
Sub-total	**1,350,744**				**718,244**	**632,500**	**-**	**632,500**	**126,500**
Plan authorized by the general meeting of October 22, 2014:									
01/30/2015	200,000	01/30/2019	01/30/2021	1.87	-	200,000	-	200,000	40,000
Sub-total	**200,000**				**-**	**200,000**	**-**	**200,000**	**40,000**
Total	**2,011,344**				**1,043,144**	**968,200**	**-**	**968,200**	**193,640**

The following table illustrates the number and weighted average exercise prices of the options proposed in the plan:

	At December 31, 2016	
	Number of options (1)	**Weighted average exercise price of the options in euros**
Options outstanding at start of period	230,304	13.51
Granted during the period	-	-
Canceled	36,664	13.79
Outstanding at end of period	**193,640**	**11.87**

(1) Taking into account the 5-for-1 reverse stock split of December 3, 2015.

The weighted average residual life for outstanding stock options is 2 years and 5 months at December 31, 2016 (2015: 3 years and 10 months).

2.7.3 - Equity warrants

On July 27, 2012, the general meeting approved in principle a capital increase of €20,000 through the issue, free of charge, of 100,000 equity warrants entitling the holder to a maximum of 20,000 new shares at a par value of €1 (taking into account the 5-for-1 reverse stock split of December 3, 2015) for five members of the Board of Directors. These warrants must be issued within a maximum period of one year from the date of the meeting and exercised within a maximum period of five years from their issue. The exercise of these warrants is subject to performance conditions consisting of achieving at least 70 % of the Company's annual objectives as set by the Company's Board of Directors over a period of at least two calendar years.

On October 22, 2014, the general meeting approved in principle a capital increase of €28,000 through the issue, free of charge, of 140,000 equity warrants entitling the holder to a maximum of 28,000 new shares at a par value of €1 (taking into account the 5-for-1 reverse stock split of December 3, 2015) for five members of the Board of Directors. These warrants must be issued within a maximum period of one year from the meeting date and exercised within a maximum period of five years from their issue. The exercise of these warrants is subject to performance conditions consisting of achieving at least 70 % of the Company's annual objectives as set by the Company's Board of Directors over a period of at least one calendar year.

On June 3, 2015, the general meeting approved in principle a capital increase of €40,000 through the issue, free of charge, of 200,000 equity warrants entitling the holder to a maximum of 40,000 new shares at a par value of €1 (taking into account the 5-for-1 reverse stock split of December 3, 2015) for five members of the Board of Directors. These warrants must be issued within a maximum period of one year from the date of the meeting and exercised within a maximum period of five years from their issue. The exercise of these warrants is subject to performance conditions that will be set by the Board of Directors on the grant date.

The following table presents, at December 31, 2016, the equity warrants ("*bons de souscription d'actions*" or BSA) outstanding:

	Plan 4	Plan 5	Plan 6
Shareholders' meeting date	July 2012	October 2014	June 2015
Board meeting date	September 13, 2012	October 30, 2014	October 13, 2015
Total number of subscribable shares[(1)]	20,000	28,000	40,000
Exercise date of the warrants	April 1, 2014	October 30, 2014	[(4)]
Expiration date	September 12, 2017	October 29, 2019	October 12, 2020
Subscription price per warrant in euros[(1)]	2.66	2.19	1.73
Exercise procedures (when the plan has several tranches)	[(2)]	[(3)]	[(4)]
Number of shares subscribed at December 31, 2015[(1)]	-	-	-
Aggregate number of equity warrants canceled or lapsed [(1)]	-	-	-
Equity warrants remaining at year-end [(1)]	20,000	28,000	40,000

(1) These figures take into account the 5-for-1 reverse stock split of December 3, 2015. The number of equity warrants corresponds to the number of rights granted by the Board of Directors so that five equity warrants received will be required to subscribe for one new share.

(2) (9) Exercise of the warrants is conditional on the Board of Directors' determination, at the end of 2013, that the Company achieved at least 70% of its objectives for 2012 and 2013, which was the case. These objectives, which are related to the Group's strategic objectives, are not disclosed due to their confidential nature.

(3) The exercise of the options is conditional on the Board's determination that the Company achieved at least 70% of its objectives set for 2014, which was the case. These objectives, which are related to the Group's strategic objectives, are not disclosed due to their confidential nature.

(4) The exercise of the warrants was conditional on the Company's Board of Directors' determination that the Company achieved on June 30, 2016 certain undisclosed strategic objectives. These objectives, which are related to the Group's strategic objectives, are not disclosed due to their confidential nature. Should these performance conditions not be achieved, one half of the rights will be canceled, and the other half will remain in force.

The table below illustrates the number and weighted average exercise price proposed in the plan:

	At December 31, 2016		
	Number of options	**Number of shares**	**Weighted average exercise price of the options in euros**
Equity warrants outstanding at start of period	440,000	88,000	11.93
Granted during the period	-	-	-
Outstanding at end of period	**440,000**	**88,000**	**11.93**
Exercisable at end of period	440,000	88,000	11.93

2.7.4 - Bonus shares

On July 27, 2012, the extraordinary shareholders' meeting authorized the Board of Directors to award the Group's employees and corporate officers, free of charge, for a period of 38 months, a maximum of 300,000 outstanding or new ordinary shares (understood as after the reverse stock split on December 3, 2015) with a par value of €1 each The vesting of these shares was subject to performance conditions consisting of achieving at least 70% of the Group's annual objectives as set by the Board of Directors for a period of at least two calendar years, for the calendar years concerned. All performance conditions for the grants of 2012, 2013 and 2014 under the plan authorized on July 27, 2012 have been met. This authorization was rendered void by the general meeting of October 22, 2014.

On July 27, 2014, the shareholders' meeting authorized the Board of Directors to award the Group's employees and corporate officers, free of charge, for a period of 38 months, a maximum of 200,000 outstanding or new ordinary shares of the group (understood as after the reverse stock split on December 3, 2015) with a par value of €1 each The vesting of these shares was subject to performance conditions of achieving at least 70% of the annual objectives of the Group, and for a period of at least one calendar years as set by the Board of Directors for the calendar year in question. All performance conditions for the bonus share grants between January and September 2015 under the plan of October 22, 2014 have been met. This authorization was rendered void by the general meeting of October 13, 2015.

On October 13, 2015, the shareholders' meeting authorized the Board of Directors to award the Group's employees and corporate officers, free of charge, for a period of 38 months, a maximum of 600,000 outstanding or new ordinary shares of the group (understood as after the reverse stock split on December 3, 2015) with a par value of €1 each. The vesting of these shares is subject to performance conditions set by the Board of Directors at the time of the grant. The vesting of restricted stock units awarded on October 13, 2015 under the plan of that same date was contingent on the Board of Directors' determination of the completion of certain undisclosed strategic objectives. In September 2016, the Board of Directors duly noted that the undisclosed strategic objectives had all been fully met.

The following table presents, at December 31, 2016, the outstanding bonus shares issued under these plans:

Board of Directors' meeting date	Category (1)	Shares granted	Exercise date of the options	Canceled or expired options	Vested shares	Total issuable	Total issuable, by taking into account the reverse stock split
Plan authorized by the general meeting of July 27, 2012:							
09/13/2012	A	212,180	09/13/2015	105,480	106,700	-	-
09/13/2012	B	245,970	09/13/2016	38,300	207,670	-	-
02/19/2013	A	207,500	02/19/2016	60,800	146,700	-	-
02/19/2013	B	212,400	02/19/2017	5,400	0	207,000	41,400
03/06/2014	A	201,690	03/06/2017	76,520	0	125,170	25,034
03/06/2014	B	302,720	03/06/2018	56,780	0	245,940	49,188
05/22/2014	A	2,320	05/22/2017	-	0	2,320	464
05/22/2014	B	38,520	05/22/2018	3,600	0	34,920	6,984
07/30/2014	B	21,600	07/30/2018	4,800	0	16,800	3,360
Subtotal		**1,444,900**		**351,680**	**461,070**	**632,150**	**126,430**
Plan authorized by the general meeting of October 22, 2014:							
01/30/2015	A	285,502	01/30/2019	46,002	0	239,500	47,900
01/30/2015	B	626,504	01/30/2019	168,504	0	458,000	91,600
05/08/2015	B	5,000	05/08/2015	-	0	5,000	1,000
Subtotal		**917,006**		**214,506**	**0**	**702,500**	**140,500**
Plan authorized by the general meeting of October 13, 2015:							
10/13/2015		1,486,000	10/13/2017	12,000	0	1,474,000	294,800
04/14/2016		175,000	04/14/2018	43,500	0	131,500	26,300
09/21/2016		629,250	09/21/2018	-		629,250	125,850
12/06/2016		18,000	12/06/2018	-		18,000	3,600
Subtotal		**2,308,250**		**55,500**	**0** -	**2,252,750**	**450,550**
Total		**4,670,156**		**621,686**	**461,070**	**3,587,400**	**717,480**

(1) As regards the grants made prior to October 2015, the Board established two categories of beneficiaries according to the country of residence so as to take account of differences in tax and social security regimes. Category "A" shares are those subject to a 3-year vesting period, followed by a two-year retention. Category "B" shares are those subject to a 4-year vesting period and with no retention period. In October, the Board of Directors decided to no longer make a distinction between the beneficiaries. Category "C" shares are those subject to a 2-year vesting period and with no retention period.

(2) The 5-for-1 reverse stock split of December 3, 2015.

2.8 Provisions for contingencies and charges

The table of provisions recognized in the balance sheet is presented below:

Balance sheet provisions in €	31.12.2015	Allowances	Provisions Used	12/31/2016
Provisions for contingencies and charges	-	-	-	-
Provisions for contingencies and charges	1,472,767	40,000	1,472,767 (2)	40,000
Provision for retirement severance benefits (*Indemnité de Fin de Carrière*)	441,814	20,815	6,377	456,251
Total provisions for contingencies and charges	**1,914,581**	**60,815**	**1,479,144**	**496,251**
Provision for subsidiary current account balances (1)	23,337,884	0	22,754,286 (1)	583,597(3)
Total provisions recorded in the balance sheet	**25,252,465**	**60,815**	**24,233,430**	**1,079,848**

(1) This amount corresponds to the reversal of a provision for the impairment of current accounts of the subsidiaries SNC Pharma (€22,731,297), Pharma GmbH (€22,989) in connection with the transfer of equity interests of these companies to VISUfarma B.V.
(2) Corresponding to the reversal of a provision on net equity of the subsidiary SNC Pharma in connection with the transaction described above.
(3) Corresponding to the total amount of the current account provision for our subsidiary Nicox Ireland.

2.9 Due date of payables at year-end

The table of payables is presented below with reference to due dates of payment:

Payables in Euros	Total	Less than one year	Between 1 and 5 years	More than 5 years
Miscellaneous borrowings	6,157,418 (1)		6,157,418	
Trade payables and related accounts	787,144	787,144		
Amounts due to employees	563,171	563,171		
Social security agencies	868,372	868,372		
State: Tax and related liabilities	415,333	415,333		
Payables to subsidiaries and shareholders	8,430,414		8,430,414	
Other payables	20,227	20,227		

Deferred revenue	4,274,008	4,274,008		
Total liabilities	**21,516,117**	**13,085,703**	**8,430,414**	

(1) €6,157,418 representing the earn-out of the Company with regards to ACIEX shareholders at December 31, 2016.
The line item "invoices receivable" included in "trade payables and related accounts" totals €500,170 and relates mainly to the costs of research and development, promotional activities and miscellaneous overheads.

The following table provides a breakdown of the line item "invoices receivable":

Invoices receivable from suppliers	**Amounts in Euros**
Consultants' fees	370,886
Legal, accounting and other fees	119,236
Overhead costs	10,048
Total invoices receivable from suppliers	**500,170**

The table below presents accrued liabilities for the line items "wages and salaries payable", "Social security agencies" and "State: Tax liabilities":

Tax and social security liabilities	**Amounts in Euros**
Personnel, other accrued liabilities	
Personnel, provision for paid leave and accrued bonuses	563,171
Provision for social charges	73,473
Accrued social charges	625,301
State, other accrued liabilities	331,765
Total tax and social security liabilities	**1,846,377**

A collective labor agreement on "lifelong professional training and forward planning of employment and skills" was signed on September 24, 2004 to provide Individual Rights to Training (DIF) for employees working in the sector of industry to which the Company belongs. This agreement encourages initiatives to improve and develop job skills within the company and the pharmaceutical industry in line with their foreseeable changes. It also keeps track of achievements through assessment or validation of the skills acquired. Given the uncertainty surrounding the level of resources likely to be required for this commitment and the difficulty of estimating its cost, Nicox has made no provision for this item.
As from January 1, 2015, the Vocational Training Account (CPF) has replaced the previous DIF system.

2.10 Currency translation differences

Following the revaluation at closing of foreign currency receivables and payables, the Company recorded currency translation adjustments at December 31, 2016 according to the following table:

Unrealized foreign exchange gains in Euros	
Cash and liquidity	666,970
Total unrealized foreign exchange gains	**666,970**

2.11 Deferred revenue

Deferred revenue at December 31, 2016 amounted to €4,274,008 compared to zero at December 31, 2015 and corresponds in part to the price paid by GHO Capital in connection with the deal involving the transfer of the commercial operations of Nicox SA as well as the trademarks, patents and licenses. This deferred revenue is destined to cover future development costs for certain products for which the rights were transferred to GHO Capital but with development to be assured by Nicox on behalf of VISUFarma Spv, a subsidiary of GHO Capital.

2.12 Research and development expenses

The Company's operating expenses include research and development expenses totaling €482,748 at December 31, 2016 and €1,604,013 at December 31, 2015.

At December 31, 2016, research and development expenses related primarily to the costs involved in the research activities of the Italian subsidiary and in ongoing regulatory activities.

2.13 Operating revenue

Operating revenue amounted to €26,550,654 and corresponded primarily to the reversal of various provisions relating to the sale of subsidiaries holding the commercial operations on Nicox, and namely:

- The reversal of the provision for net equity of Pharma SNC amounting to €1,460,007.
- The reversal of a provision for the current account of Pharma GMBH amounting to €22,754,286.50.
- The cancellation of the impairment of the Bromsite asset amounting to €358,493.06

2.14 Revenue and royalties for patent concessions

Revenue

At December 31, 2016, revenue is as follows:

Revenue in Euros	
Rebilling to subsidiaries of the Company	1,512,319
Total	**1,512,319**

Other income

At December 31, 2016, other income is as follows:

Other income	**Amounts in Euros**
Cancellation of the Bromsite debt	115,000
Recognition of the repayment of the INC letter of credit	159,616
VISUfarma BV reimbursement (1)	154,479
Miscellaneous income	3,310
Total	**432,405**

(1) From July 4, 2016 to August 9, 2016, the Company incurred a loss of €154,479 that was reimbursed by VISUfarma BV in accordance with the terms of the agreement of the two parties.

2.15 Non-recurring income and expenses

At December 31, 2016, non-recurring expenses for Nicox S.A. are as follows:

Non-recurring expenses	Amounts in Euros
Non-recurring expenses on non-capital transactions	339,531
Non-recurring expenses on capital transactions	18,916,414
Non-recurring depreciation, amortization and provisions	-
Total non-recurring expenses	**19,255,945**

Non-recurring expenses break down as follows:

- ✓ Non-recurring expenses on non-capital transactions corresponding to the social security tax adjustment and a negotiated settlement in the amount of €200,000, see Chapter 2.22.2
- ✓ Non-recurring expenses on capital transactions corresponding to the derecognition of equity interests following the sale of commercial subsidiaries and the derecognition of the intangible assets transferred.

2.16 Financial income and expenses

At December 31, 2016, financial expenses for Nicox S.A. are as follows:

- **Financial expenses**

Financial expenses	Amounts in Euros
Depreciation, amortization, and provisions	-
Losses on investment-related receivables (1)	25,027,748
Interest and similar expenses	-
Foreign exchange losses	125,268
Net losses on disposals of investment securities	485,440
Other financial expenses	59,661
Total financial expenses	**25,698,116**

(1) Loss resulting from the cancellation of securities in the company following the reduction in capital of the former subsidiary Pharma SNC, after its transformation into a S.A.S. (simplified joint-stock company).

- **Financial income**

Financial income	Amounts in Euros
Investment income	388,323
Financial income on a loan (1)	467,650
Other interest and similar income (2)	1,830,639
Reversals of provisions, expense reclassifications	-
Net proceeds from the disposal of marketable securities	30,302
Foreign exchange gains	66,227
Total financial income	**2,783,141**

(1) Other financial income on loans corresponds to interest on the loan granted to GHO Capital.

(2) Other interest and similar income includes the cancellation of the GHO Capital debt amounting to €840,178 as well as various amounts charged back for interest expenses on current account balances with subsidiaries amounting to €841,000.

2.17 Other financial commitments

Commitments given

To the Company's knowledge, the commitments described in the following paragraphs represent all the Company's material off-balance sheet commitments, or commitments that may become so in the future. A summary of these commitments is presented in the tables below:

Contractual obligations	Total	Payments due by period		
		Less than one year	One to five years	More than five years
Lease agreements for premises	246,285	140,734	105,551	-
Lease agreements for vehicles	63,825	37,419	26,410	-
Research and Development commitments		-	-	
Contracts for consulting and assistance on matters regarding Group strategy	42,690	42,690	-	-
Licensing agreements	28,460,298	14,230,149	14,230,149	-
Commitments on financial liabilities	24,281,601	1,242,208	23,039,393	
Total	**53,094,699**	**15,693,200**	**37,401,499**	

Following the signature of the agreement for the transfer of commercial operations run by subsidiaries of the Company with VISUfarma B.V and Iris TopCo Limited, Nicox SA received undertakings for the reimbursement of costs and contingent consideration from its partner as described below:

The agreement with VISUfarma B.V provides for contingent consideration for an amount not exceeding €5 million. This contingent consideration is divided into three milestone payments linked to the signature of contracts and regulatory and commercial objectives with respect to future products.

This agreement also provides for the reimbursement of possible costs for a maximum amount of €4,020,000 in favor of the Company. These reimbursements concern two product development programs that the Company supports on behalf of VISUfarma. The reimbursements in the form of four payments are contingent on the achievement of the regulatory milestones and sales objectives.

As part of the agreement between, GHO Capital and its subsidiaries VISUfarma B.V, the Company has undertaken to incur selected potential costs and may:

- receive reimbursements for costs associated with regulatory and commercial milestones for a maximum amount of €4 million;
- be led to repay VISUfarma B.V an amount not exceeding US$1 million subject to completion of a regulatory milestone.

Licensing agreements

Bausch + Lomb

In March 2010, the Company signed a licensing agreement with Bausch & Lomb (a Valeant company), a leading eye health company, granting Bausch & Lomb exclusive worldwide rights to develop and market latanoprostene bunod. Under the terms of the agreement, Bausch + Lomb made an initial license payment of $ 10 million to the Company upon execution of the agreement. This was followed by an additional €10 million milestone payment in April 2012 pursuant to the decision to pursue development of LATANOPROSTENE BUNOD after the Phase 2b study completion in late 2011. As the Company is not involved in the development of Latanaprostene Bunod, these milestone payments are accordingly fully recognized under revenue.

The Company stands to receive in the future additional potential payment which could total $162.5 million, if certain regulatory and sales milestones are met and which would result in net milestone payments for the Company of up to $132.5 million less payments due to Pfizer as part of the 2009 agreement. The Company would also receive potential net royalties on sales ranging from 6% to 11 % after deducting payments due to Pfizer.

This agreement will remain in effect until all royalty payment obligations from Bausch + Lomb expire or unless terminated earlier by either the Company or by Bausch + Lomb pursuant to the early termination provision provided for in the agreement. The Company may terminate this agreement on a country-by-country basis if Bausch + Lomb fails to use commercially reasonable efforts to develop and commercialize the licensed products under this agreement. It may also terminate the entire agreement if Bausch + Lomb contests or encourages a third party to contest the validity or ownership of its patents under license or omits or finds itself unable to fulfill its payment obligations under this agreement. In the event of termination, licenses granted by Nicox to Bausch + Lomb will terminate and any sublicenses granted by Bausch + Lomb will either be assigned to the Company or terminated.

Pfizer

In August 2009, the Company entered into a contract with Pfizer ending their previous collaboration agreements dated August 2004 and March 2006. Under the terms of this contract, Nicox recovered all the development and marketing rights for latanoprostene bunod (henceforth under the trade name of LATANOPROSTENE BUNOD), and in particular the right to sub-license, in addition to all the data and development information. This compound is currently licensed to Bausch + Lomb (see below). Furthermore, the Company has access to certain information regarding the development of Xalatan® (latanoprost) belonging to Pfizer, most notably the regulatory files for Xalatan®. In exchange, the Company has committed to paying Pfizer two milestone payments of undisclosed amounts for a total of $30 million (with the first being tied to approval in the United States, in Europe and in Japan, and the second being tied to achieving pre-defined sales levels), as well as royalties on future potential sales. The Company also recovered the rights to a number of new nitric oxide-donor compounds at the research stage for the treatment of diabetic retinopathy and glaucoma.

Fera Pharmaceutical

In November 2015, the Company signed an exclusive license agreement with Fera Pharmaceuticals, a private specialized pharmaceutical company, to develop and market naproxcinod in the United States. This agreement provides that Fera will initially focus on the signs and symptoms of osteoarthritis. Fera afterwards plans to seek advice from the United States Food and Drug Administration (FDA) regarding the additional clinical work required before submitting a New Drug Application (NDA) for naproxcinod. Fera Pharmaceuticals will be responsible for all of the operations as well as for clinical development, manufacturing and marketing costs.

According to the terms of the agreement, the Company may receive up to $35 million in commercial milestone payments, plus 7% in royalties on future sales of naproxcinod in the United States.

Fera Pharmaceuticals may receive an undisclosed amount of royalties in the event that naproxcinod is approved and marketed using data generated by Fera Pharmaceuticals, regardless of the therapeutic indication or region (excluding the United States).

Ora

The US subsidiary, Nicox Ophthlamics Inc, wholly-owned by Nicox SA, signed a license agreement on January 29, 2016 with Ora Inc., the world's leading ophthalmic clinical research and product development firm. This license agreement grants Ora exclusive worldwide rights for the development and commercialization of AC-120 of the Company, an innovative drug-candidate for morning eyelid swelling. Under the terms of this exclusive license agreement, Ora will be responsible for all development activities and will fund this program through its investment arm. Ora plans to advance the clinical development of AC-120 and to subsequently sub-license this compound to a third party for future commercialization. The Company is eligible to receive a $10 million milestone payment from Ora upon approval of AC-120 by the U.S. Food and Drug Administration (FDA) and will be eligible to receive a percentage of any proceeds received by Ora under a potential sub-license agreement.

h. Guarantees

On September 2, 2014, an on-demand guarantee in the amount of €150,000 was signed by Nicox S.A. on behalf of Nicox Pharma, in favor of TEMSYS-ALD AUTOMOTIVE, under long-term motor vehicle lease agreements and the supply of related services.

Contingent liabilities

Aside from litigation arising in the ordinary course of its business, for which the Company believes that it has already made adequate provision or is unlikely to incur significant costs, the following items should be noted.

Since June 2005, the Company has put in place several provisions stipulating that in the event that all of the Company's shares are sold to one shareholder or in the event of a change in the Company's control resulting in one shareholder holding more than 50% of the Company's share capital and leading to a breach in certain employees' employment contracts, said employees shall receive a contractual severance allowance of an amount ranging from one year to twenty-four months' worth of salary. This contractual severance allowance is granted to each recipient for a limited two-year period starting from the date on which the change in majority or control of the Company takes place. If this should happen and all current recipients are involved in this type of a dismissal, the Company would pay a total amount of €3,193,000 based on the net salaries that the recipients received over the past twelve months.

Additionally, in the event that the Company terminates their employment contracts, each recipient shall receive a contractual severance allowance of between one year and eighteen months of salary, except for the CEO. If this should happen and all current recipients are involved in this type of a** dismissal, the Company would pay

a total amount of €1,650,000, based on the net salaries that the recipients received over the past twelve months. The salary to be considered in the calculation of the foregoing severance payments is one-twelfth of gross compensation, including all bonuses, for the twelve months preceding the termination. Termination of an employment contract for serious or gross misconduct disqualifies the beneficiary from benefiting from the above provisions. Due to the conditional nature of these commitments, the Company had made no provision to this end at December 31, 2016.

2.18 Compensation of senior and corporate officers

Total compensation recognized for six directors at December 31, 2016 is summarized in the table below:

	2016	2015
	(In thousands of euros)	
Short-term benefits	(932)	(781)
Post-employment benefits	(53)	(51)
Total	**(985)**	**(832)**

At December 31, 2016, stock options, equity warrants and outstanding restricted stock units to corporate officers are as follows:

Type of equity instrument	Exercise or subscription price per warrant (€)	Number of equity warrants, options or bonus shares	Number of shares issuable	Expiration date
Bonus shares (restricted share units).....	-	1,070,000	214,000	-
Stock options	1.87	200,000	40,000	01/30/2021
Equity warrants…….	2.66	100,000	20,000	09/12/2017
Equity warrants	2.19	140,000	28,000	10/19/2019
Equity warrants	1.73	200,000	40,000	10/12/2020

2.19 Fees payable to external auditors and to members of their networks

The Issuer is understood to be the parent company Nicox S.A.

	Nicox SA							
	Ernst & Young Audit				Novances			
	Amount (before tax)		In %		Amount (before tax)		In %	
	2016	2015	2016	2015	2016	2015	2016	2015
Audit								
● External audit, certification, review of individual and consolidated accounts								
•Issuer	182,784	189,638	62.19%	20.58%	37,653	52,915	100 %	77.91%
● Other work and services directly associated with the assignment of the external auditor								
•Issuer	111,135	732,053	37.81%	79.42 %		15,000	100%	22.09%
Subtotal	**293,919**	**921,691**	**100 %**	**100 %**	**37,653**	**67,915**	**100 %**	**100 %**
Other services rendered by the networks								
● Tax	6,737	21,583			-	-	-	-
● Other (specify if > 10% of audit fees)		-			-	-	-	-
Sub-total	6,737	21,583			-	-	-	-
TOTAL	**300,656**	**943,274**			**37,653**	**67,915**		

2.20 Workforce

At year end, the Company employed 21 people.

Of the Company's 21 employees:

- 19 are on permanent contacts and 2 are on fixed-term contracts
- 12 work in Administration & Corporate departments, and 9 in other departments

2.21 Tax and contingent tax position

At year end, the Company's tax position is as follows:

- Research tax credit at December 31, 2016: 382,717 €
- Ordinary losses carried forward indefinitely: 429,943,147 €

2.22 Subsidiaries and associates

a) Subsidiaries and Associates at December 31, 2016

At year-end, Nicox S.A. had three subsidiaries:

- Nicox Research Institute, a limited liability company incorporated under the laws of Italy in October 1999 and 100% owned by Nicox S.A.
- Nicox Ophtalmics Inc, a US company acquired on October 22, 2014, wholly-owned by Nicox S.A.
- Nicox Science Ireland Limited incorporated on July 3, 2014 and 100% owned by Nicox S.A.
- Iris TopCo Limited incorporated on June 9, 2016 and 12.9%-owned by Nicox S.A.

b) Subsidiaries sold on August 9, 2016

- Nicox Pharma SAS incorporated in August 2012 and wholly-owned by Nicox S.A.
- Farma formerly Eupharmed, a limited liability company incorporated under the laws of Italy, bought on December 6, 2013 by Nicox S.A. and 100% owned.
- Laboratoires Nicox SAS, formerly named Laboratoire Doliage SAS, a French company acquired on September 15, 2014, wholly-owned by Nicox S.A.
- Nicox Pharma GmbH incorporated on March 27, 2014
- Laboratorios Nicox incorporated on September 25, 2015

Subsidiaries and associates:

In Euros	Nicox Research Institute	Nicox Ophthalmics Inc.	Nicox Science Ireland	Iris TopCo
Share capital	100,000	949	1	
Other equity (before appropriation of profit)	(3,083,186)	(5,301,010)	-	
Share of capital held	100%	100%	100%	13.50%
Gross book value of shares held	1,009,759	53,637,330	1	60,000
Loans and advances granted by the Company and not yet repaid	0	4,558,685	683,411.35	12,407,650
Carrying value net of loans and advances	0	4,558,685	99,814	12,407,650
Guarantees and pledges given by the Company		-	-	
Revenue excluding taxes for the last financial year ending December 31, 2016	1,718.316	-	-	
Result (profit or loss in last financial year at December 31, 2016)	98,842	(8,790,450)	-	
Dividends received by the Company during the year	-	-	-	

2.23 Related-party relations

2.23.1 - Commitments subject to approval of the ordinary general meeting called to approve the financial statements for the year ended December 31, 2016.

In the 2016 period, the following agreements were entered into subject to Articles L225-38 *et seq*. of the French commercial code:

A settlement agreement was negotiated with Michele Garufi relating to the dispute for non-payment by the Company of management contributions to the social security and pension funds concerning Mr. Garufi between March 1996 and December 2002. This second settlement agreement cancels and replaces the previous agreement relating to the same dispute negotiated on June 15, 2011 but that was not executed as Michele Garufi, despite the numerous proceedings with the INPS, the Italian pension agency, was unable to obtain the repurchase in his favor of the pension rights as provided for in the settlement agreement negotiated in 2011. The new agreement that provides for the payment for the benefit of Michele Garufi in September 2016 of an amount net of all tax, employers' and employees' contributions, of €200,000, puts an end to the dispute concerning the non-payment by the Company of retirement contributions on his behalf for the period from March 1996 to December 2002.
This agreement was subject to prior approval of the Board of Directors on June 14, 2016, executed on June 15, 2016

and reported to the auditors by registered letter on that same day. It will be submitted for approval at the next ordinary general meeting.

2.23.2- Commitments approved by ordinary general meetings in previous years and remaining in effect during the year.

Sub-license and distribution agreements between Nicox S.A. and Nicox, Inc. dated September 14, 2012
The purpose of this agreement is to sub-license to Nicox Pharma certain rights granted to Nicox SA under the "Worldwide ocular products development, licensing and distribution agreement" entered into with RPS on July 1, 2012. Nicox Pharma was granted certain rights to Nicox Pharma worldwide excluding the United States and Canada. The Board of Directors was granted the authority to sign this agreement and the Statutory Auditors were notified on September 17, 2012. This agreement was approved by the ordinary general meeting on June 20, 2013. Nicox Pharma, today named VISUfarma International, is no longer part of the Nicox Group after having been sold on August 9, 2016, as part of the transfer of the Group's commercial operations to a newly founded pan-European ophthalmic specialty pharmaceutical company created by GHO Capital. On June 15, 2011, the Company entered into a negotiated settlement agreement with Michele Garufi relating to a dispute for non-payment by the Company of management contributions to the social security and pension funds between March 1996 and December 2002, a period during which Michele Garufi was already occupying the position of Chief Executive Officer. Under this agreement, today replaced by a new negotiated settlement agreement as indicated above, the Company had undertaken to pay the INPS (*Istituto Nazionale della Previdenza Sociale*), the Italian pension agency, the sums necessary to buy back for Michele Garufi, pension rights corresponding to a maximum period of six years and nine months up to €200,000, provided that any taxes, expenses and management contributions owed by the Company that were not included in this maximum amount of €200,000. This agreement was previously authorized by the Board of Directors on June 15, 2011; reported to the statutory auditors on June 21, 2011, and approved by the ordinary general meeting of June 6, 2012. This undertaking was replaced by a new settlement agreement entered into on September 15, 2016 mentioned below.

Commitment by the Board of Directors on June 15, 2011 to the Chief Executive Officer on payment due or likely to be due should his position be terminated, renewing a previous commitment under the same terms on April 3, 2008 (which was approved by the General shareholders' meeting of May 28, 2008).

This commitment provides that in the event of dismissal from his duties as Chief Executive Officer, except in the case of dismissal for gross negligence, he could receive a severance payment contingent on the Board's determination at the time of his dismissal, that he achieved at least one of the following performance criteria:

- That at least one collaboration or licensing agreement is in force
- That at least one compound is in an active clinical phase of development by the Company

In the event that neither of these criteria is met at the time of dismissal, no severance would be paid. The amount of the payment would correspond to two years of compensation (both fixed and variable compensation), calculated on the basis of the compensation paid during the last fiscal year ended before the dismissal date. This undertaking, reported to the Statutory Auditors on June 21, 2011, was approved by the ordinary general meeting of June 6, 2012 and amounted to €1,344,000 at December 31, 2016 based on two years of wages.

A second settlement agreement was negotiated with Michele Garufi relating to the dispute for non-payment by the Company of management contributions to the social security and pension funds between March 1996 and December 2002. This second settlement agreement cancels and replaces the previous agreement relating to the same dispute negotiated on June 15, 2011, but that was not executed as Michele Garufi, despite the numerous proceedings with the INPS, the Italian pension agency, was unable to obtain the repurchase in his favor of the pension rights as provided for in the settlement agreement negotiated in 2011. The new agreement that provides for the payment for the benefit of Michele Garufi in September 2016 of an amount net of all tax, employers' and employees' contributions, of €200,000, puts an end to the dispute concerning the non-payment by the Company of retirement contributions on his behalf for the period from March 1996 to December 2002.
This agreement was subject to prior approval of the Board of Directors on June 14, 2016, executed on June 15, 2016 and reported to the auditors by registered letter on that same day. It will be submitted for approval at the next ordinary general meeting.

2.24 Consolidated financial statements

The consolidated financial statements have been prepared by Nicox S.A. to December 31, 2016. The consolidated financial statements of the Group include the fully consolidated accounts of Nicox S.A and its wholly-owned subsidiaries, Nicox Research Institute, Nicox Ophthalmics Inc and Nicox Science Ireland. Balances and transactions between Group companies are eliminated. The accounts of all the subsidiaries were closed on December 31.

2.25 Subsequent events

On February 27, 2017, Bausch+Lomb announced the resubmission of a New Drug Application (NDA) seeking approval in the United States for Latanoprostene Bunod, a new drug candidate for Glaucoma. This resubmission follows of the Complete Response Letter sent by the US FDA on October 7, 2016 to Baush+ Lomb in reference to observations citing some concerns pertaining to a manufacturing facility in Tampa, Florida.

On March 29, 2017, Bausch + Lomb and Nicox announced that the U.S. Food and Drug Administration (FDA) has set a PDUFA date of August 24, 2017 for its decision on the New Drug Application (NDA) for the latanoprostene bunod ophthalmic solution 0.024%.

2.26 Five-year financial summary

	12-31-2016	12-31-2015	12-31-2014	12-31-2013	12-31-2012
CAPITAL AT END OF YEAR					
Issued capital	25,004,543	22,869,669	19,848,330	14,863,372	14,578,965
- Number of ordinary shares:	25,004,543	22,869,669	99,241,648	74,316,858	*72,894,827*
- Number of shares to be created through subscription rights	999,120	975,224	2,935,675	2,144,099	*1,551,271*
OPERATIONS AND RESULTS					
Revenue excluding taxes	1,512,319	2,311,923	2,401,699	824,005	284,171
Income before tax, employee participation and allowances	-43,449,146	-10,758,553	-23,973,478	-5,521,603	-9,225,361
for amortization and provisions					
Income tax (research tax credit)	-382,717	-727,153	671,652	-499,508	-524,537
Employee profit-sharing					
Allowances for amortization, depreciation and provisions	-24,005,215	-1,799,084	-1,098,181	-11,462,065	-797,430
Profit/(loss) for the period	-19,061,214	-20,126,481	-24,400,007	-16,484,160	-9,498,254
Distributed earnings					
EARNINGS PER SHARE					
Income after tax and employee participation, but before allowances for amortization and provisions	-1.72	-0.44	-0.23	-0.07	-0.12
Profit/(loss) for the period	-0.76	-0.88	-0.25	-0.22	-0.13
Diluted net income	-0.76	-0.88	-0.24	-0.22	-0.13
Dividend paid				-	-
PERSONNEL					
Average headcount	21	24	25	24	23
Payroll	3,433,268	2,864,938	3,287,760	3,011,508	4,422,039
Sum paid in benefits [social security, welfare, etc.]	1,558,091	1,565,711	1,259,381	1,622,218	1,924,861

2.26 Financial risk management objectives and policies

The Company's principal financial instruments consist of financial assets, cash and cash equivalents and short-term deposits. The purpose of these instruments is to finance the Company's operations. The Company also holds other financial instruments such as commercial receivables and debts generated by its operating activities.

2.27.1 Foreign Exchange Risk

The Company reports financial information in euros. The majority of the Company's expenses are denominated in euros. Certain expenses and revenue from agreements with the pharmaceutical partners are however denominated in US dollars. In fiscal year 2016, approximately 1.20 % of operating expenses were in US dollars.

Fluctuations in the Euro-US dollar exchange rates may potentially have a significant impact on the Company's operating income. However, at December 31, 2016, the Company's commitments vis-à-vis third parties expressed in US dollars were not significant and the Company does not hold any trade receivables that are subject to foreign exchange risk. The Company also holds US dollar bank accounts that are translated into euros in the separate financial statements at the year-end exchange rate. Cash balances in these accounts are not significant and consequently fluctuations in the euro in relation to these foreign currencies do not represent a material risk for the measurement of these assets at year-end.

The Company does not use derivative products or specific internal procedures to limit its risk to foreign exchange exposure.

The Company does not hold financial assets or bank debt that are denominated in foreign currency.

2.27.2 Interest Rate Risk

As part of its activities, the Company is exposed to interest rate fluctuations. Interest rate risk affects returns on cash equivalents and current and non-current financial instruments and on that basis exposes the Company to a risk of lower financial returns from these assets. The Company does not use derivative products to limit its exposure to interest rate risk.

2.27.3 Market Risk

At December 31, 2016, the Company did not have any financial instruments and in consequence did not have an exposure to market risk.

2.27.4 Liquidity Risk

The Company does not have any loans with banks that include an early repayment clause.

Overall, the business activities show a loss and may continue to do so in the short-term. At December 31, 2016, the Company had €28 million in cash and cash equivalents (€29.6 million at December 31, 2015).

2.27.5 Credit risk

There is in principle no risk of recovering the receivable linked to the research tax credit, given that it represents a receivable from the French government.

Concerning the Company's other financial assets, and namely cash and cash equivalents, the exposure to credit risk is contingent on the risk of default by the corresponding third parties. Concerning the receivable of €12.4 million resulting from the transaction with GHO Capital and relating to the transfer of commercial operations, this amount will be reimbursed to Nicox SA when the VISUfarma is sold by its shareholders. In the event that an insufficient performance of the entity compromises its sale or results in a sale price below expectations, this debt might not be reimbursed or only partially reimbursed. At the end of each reporting period, the Company assesses the performance of the associate and an impairment of the receivable will be recognized should the performance of the entity be insufficient.

On this date, cash equivalents consist of time deposit accounts.