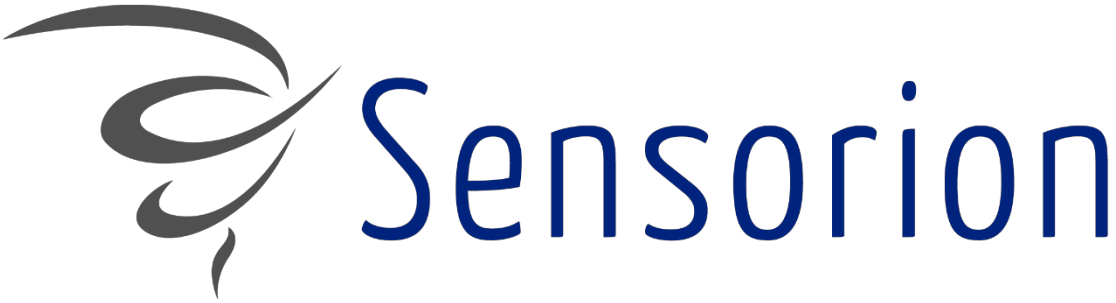

Public limited company with share capital of € 7,974,022.80
Registered office : 375, rue du Professeur Joseph Blayac
34080 Montpellier
Montpellier Trade and Companies Register (RCS) 512 757 725

# ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31ST, 2020

Free translation of the French "*Rapport Financier Annuel 2020*"
For informational purposes only – in case of discrepancy, the French version prevails

SUMMARY

**SENSORION**

Public limited company with share capital of € 7,974,022.80
Registered office : 375, rue du Professeur Joseph Blayac
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**ORDINARY AND EXTRAORDINARY GENERAL MEETING ON MAY 18, 2021**

**REPORT OF THE BOARD OF DIRECTORS**
**INCLUDING THE REPORT ON OPERATIONS AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE CORPORATE GOVERNANCE REPORT**

**SENSORION**
Public limited company with share capital of € 7,974,022.80
Registered office : 375, rue du Professeur Joseph Blayac
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Dear Shareholders,

We have convened you to a combined ordinary and extraordinary general meeting pursuant to the articles of association and the provisions of the French Commercial Code in order to report to you on the activity of SENSORION (hereinafter referred to as the "***Company***") during the financial year ending December 31, 2020, the results of this activity and the future prospects, and to submit the annual financial statements for this financial year for your approval.

We also submit certain extraordinary resolutions for your approval.

The notices convening this meeting have been duly sent to you and all corporate documents, financial statements, reports or other documents and information relating thereto have been made available to you under the conditions and within the time limits provided for by the legal, regulatory and statutory provisions.

## PART ONE
## REPORT ON THE ORDINARY PART

## I. POSITION AND ACTIVITY OF THE COMPANY

### I.1. Position and activity of the company during the past fiscal year

In fiscal year 2020, the Company has continued to develop new therapies to restore hearing, treat and prevent hearing loss. Clinical and preclinical projects are progressing, in particular the collaboration with Institut Pasteur in gene therapy.

**Gene therapy collaboration with Institut Pasteur on hearing loss**

On June 9, 2020, Sensorion announced **positive preliminary preclinical data** in **non-human primates** for its gene therapy program targeting **Otoferlin deficiency (OTOF-GT),** showing that it could deliver an intracellular marker to the inner hair cells at levels that reflect the future clinical requirements. The Company plans to discuss its OTOF-GT program with regulatory authorities in H1 2021.

Additionally, Sensorion announced an agreement with Novasep on October 27, 2020, for the development and manufacturing of adeno-associated viruses (AAV) gene therapy products for the Company's OTOF-GT program. Under the terms of the agreement, Novasep will be in charge of developing and manufacturing (cell culture, AAV expression, purification, aseptic distribution

and quality control) the two AAV vectors designed for the Sensorion OTOF-GT project and will supply Drug Product batches to support preclinical and clinical studies.

**Technology platform**

Sensorion has built a **unique R&D technology platform** over the years to deepen the understanding of the pathophysiology and etiology of inner ear related diseases. The platform is being actively deployed to select targets, identify biomarkers and to optimize small molecules and gene therapy candidates.

The strengthened platform includes in-vitro assays encompassing the key cochlear cell types, systems to investigate explant tissue and advanced electrophysiological methods for assessing neuronal activity.

On the in-vivo side, Sensorion is developing a suite of validated preclinical models reflecting specific pathologies or inner ear lesions, as well as advancing the use of techniques such as auditory brainstem response (ABR) and distortion product oto-acoustic emission (DPOAE) audiometry for measuring and analysing hearing parameters in those models.

The last pillar of the Company's technology platform focuses on developing biomarkers to improve diagnosis and guide treatment in the key areas of unmet medical needs of hearing loss.

**Drug candidate SENS-401**

Our clinical program with small molecule SENS-401 continued to progress in 2020.

Sensorion is conducting a Phase 2 clinical trial of SENS-401 in the treatment of Sudden Sensorineural Hearing Loss (SSNHL) in adults. This Phase 2, randomized, double-blinded, placebo-controlled study is being conducted in multiple countries in Europe and Canada.

On February 17, 2020, Sensorion received Ethics Committee approval to include new military sites in this study, allowing clinical investigators to recruit volunteer military personnel who have suffered from acute hearing loss.

On March 13, 2020, Sensorion provided an update on the recruitment schedule for the ongoing SENS-401 Phase 2 study for the treatment of SSNHL. Due in part to the impact of COVID-19 on patient enrolment, the availability of topline data was expected to be delayed to Q4 2021 (see below in 2021 announcements).

On June 5, 2020, the independent Data Safety Monitoring Board (DSMB) confirmed the absence of safety concerns and recommended continuation of the Phase 2 trial as scheduled.

Having demonstrated otoprotective activity in several preclinical models, SENS-401 is being studied as a potential option to preserve residual hearing in people with cochlear implants under a collaboration with Cochlear, the world leader in implantable hearing solutions. Positive preclinical data were announced on January 5, 2021 (see below in 2021 announcements). Next steps are being discussed with Cochlear.

On December 15, 2020, Sensorion and Sonova Holding AG, a leading provider of hearing solutions, announced that Sonova had acquired a 3.7% equity stake in Sensorion via an investment of €5 million. At the same time, the two companies signed a letter of intent to exclusively explore potential plans for a strategic collaboration in the field of innovative diagnostic and therapeutic solutions for certain types of hearing loss. Discussions between Sensorion and Sonova are ongoing.

**Strengthened scientific and medical leadership**

As part of Sensorion's strategic move into gene therapy for hearing restoration, on February 19, 2020 the Company announced the appointment of Dr. Géraldine Honnet as Chief Medical Officer. Dr. Honnet has extensive expertise both in gene therapy and small molecule clinical development across numerous disease areas.

During 2020, Sensorion also increased its R&D headcount by 30% strengthening its team with experienced scientists and researchers in gene therapy, the inner ear and neurosciences. In addition to Dr Honnet, Sensorion also appointed a preclinical head in gene therapy and a new CMC gene therapy lead with more than 20 years of experience in the field.

On July 29, 2020, Sensorion announced the appointment of five distinguished experts to its Scientific Advisory Board (SAB); Prof. Alain Fischer, Dr. Robert Dow, Prof. Paul Avan, Dr. Diane Lazard and Dr. Hernán López-Schier. The SAB is chaired by Prof. Christine Petit, Founding Director of the French Hearing Institute and a world-renowned geneticist and neurobiologist in hearing and hearing disorders.

**Scientific communications**

Sensorion presented at various scientific congresses and hosted two Key Opinion Leaders (KOL's) calls in 2020, including:

- New preclinical data on SENS-401 presented at the ARO (Association for Research in Otolaryngology) Mid-Winter Meeting 2020 highlighting the potential of SENS-401 to significantly prevent hearing loss due to chronic noise exposure.
- Christine Le Bec, Head of CMC Gene Therapy, gave a talk on "Challenges and Issues in Dual AAV Vectors Approach" at the Bioprocessing Summit Europe conference. She also chaired the "Advancing CMC and Analytical Strategies" track.
- During the Advanced Therapies virtual conference, Christine Le Bec, Head of CMC Gene Therapy, gave a presentation on "Challenges and Issues in Dual AAV Vectors Approach".
- On July 23, 2020, Sensorion held a conference call with Dr. Michael Hoffer, a neurotologist from the University of Miami (USA), who described the characteristics and unmet need in SSNHL.
- On December 2, 2020, Sensorion hosted a conference call with Dr. John Greinwald, a pediatric otolaryngologist at the Children's Hospital in Cincinnati (USA), member of the American Academy of Pediatrics, and expert in genetic hearing loss. During his presentation, Dr. Greinwald discussed the different forms of deafness in children due to genetic causes.

**Governance: appointment of a new Chairman of the Board of Directors**

On July 6, 2020, Sensorion's Board of Directors was strengthened by the appointment of Edwin Moses as Chairman of the Board of Directors. Dr. Moses has more than 25 years of executive experience as both CEO and Chairman of numerous life science companies, including Ablynx, where he led its rapid growth from a small research-focused organization to one of Europe's leading biotechnology companies, prior to its $4.8 billion acquisition by Sanofi in 2018.

## I.2. Analysis of business evolution

Sensorion SA is a biotechnology company created in 2009 and whose technology was the result of research conducted by INSERM in Montpellier.

Initially, the Company was focused on the identification and development of drug candidates treating diseases of the vestibule, one of the parts of the inner ear responsible for our balance. From 2012, the Company has extended its activity to all pathologies of the inner ear, adding diseases of the cochlea, the part of the inner ear responsible for hearing. Today, Sensorion is a pioneering clinical-stage biotech company dedicated to the development of innovative therapies to restore, treat and prevent hearing loss.

One product is in Phase 2 clinical development, SENS-401 (Arazasetron) in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 is being developed to treat cochlear pathologies. SENS-401 has a dual mode of action, combining the inhibition of two targets, 5-HT3 and calcineurin, both of which have an action preventing cell apoptosis, and here more specifically external hair cells. The safety of SENS-401 was evaluated in 2016-2017 in a phase 1 study with healthy volunteers. This study did not show any significant side effects.

The Company has selected SENS-401 in 3 different indications:

- o The treatment of sudden and severe hearing loss: the Company has initiated a phase 2 study with these patients, which started in early 2019. SENS-401 received orphan drug designation from the European Medicines Agency.

- o Prevention of hearing loss related to the administration of chemotherapy, and in particular cisplatin. The company is planning a clinical study in adults which should start in 2021.

- o The combination of SENS-401 with cochlear implants to prevent post-implantation hearing loss. The Company has signed a collaboration agreement with the Australian company Cochlear to evaluate this combination in preclinical models in December 2017. In exchange for an investment in the Company, Cochlear has obtained the right to first negotiate a potential license for this indication. Positive preclinical data were announced on January 5, 2021 (see below in 2021 announcements). Next steps are being discussed with Cochlear.

In our laboratories, we have developed a unique R&D platform to expand our understanding of the pathophysiology and etiology of inner ear diseases. This approach enables us to select the best therapeutic targets and most appropriate mechanisms of action for our drug candidates. We are also working on identifying biomarkers to improve diagnosis of these underserved or inadequately treated diseases.

In the second half of 2019, Sensorion launched two preclinical gene therapy programs aimed at correcting hereditary monogenic forms of deafness, including Usher Syndrome Type 1 and deafness caused by a mutation of the gene encoding for Otoferlin. In early 2021, Sensorion extended its gene therapy portfolio with the addition of a third program focused on the GJB2 gene mutation (see post-closing event).

Thanks to our R&D platform and our pipeline of drug candidates we are uniquely positioned to make a lasting improvement in the quality of life of hundreds of thousands of people who suffer from inner ear disorders, a significant unmet medical need in the world today.

The Company uses the skills of its researchers, engineers and technicians to develop its products and identify future products. It regularly evaluates the adequacy of its organization with its needs. Thus, it subcontracts a significant portion of its work to consultants and companies whose businesses do not justify internalizing skills and/or whose cost-efficiency ratio is more favorable. For example, the manufacturing of products or the conduct of clinical trials are subcontracted to specialized companies.

It explains that purchases and external expenses are high compared to the total amount of operating expenses:

| In thousand euros | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Purchases | 138 | 71 |
| Other external expenses | 7,026 | 9,641 |
| Total operating expenses | 11,098 | 12,758 |
| Percentage of purchases and other external expenses compared to operating expenses | 64.6% | 76.1% |

Information on the research and development activity is presented in paragraphs I.1 et I.7.

Information on the Company's financial debt is presented in paragraph I.8.

More broadly, financial information is presented in paragraph II.

### I.3. Main risks factors faced by the company

The risk factors contained in this report are limited to the only risks that the Company considers, as of the date of this document, to be specific to itself and/or its securities and that are important for making an informed investment decision, as corroborated by the content of this report.

As part of the preparation of this report, the Company has reviewed the risks that could have a material adverse effect on the Company, its business, financial position or ability to achieve its objectives, and is not aware of any significant risks other than those described herein. However, attention is drawn to the fact that other risks, which are unknown or the occurrence of which is not considered, as of the date of this document, to be likely to have an adverse effect on the Company, its business, financial situation, results or prospects, may or could exist.

In preparing this document, the Company has assessed the significance of risk factors based on the likelihood of their materialization and the estimated magnitude of their negative impact. It has thus categorized the various risks according to its scientific and economic model, as follows:

- Risks related to the development of its drug candidates: the Company is working on drug candidates at the pre-clinical and clinical stages, which implies certain specific risks related to experimental and theoretical research, or to the early phases of verification of the properties of a potential future drug (3.1);
- Risks related to the Company's organization: the Company has limited personnel resources and depends to a large extent on its subcontractors and partners, which implies various risks inherent in the relationships with its partners and the working tools used (3.2);
- Risks related to the commercialization of drugs: the Company is working towards the future commercialization of drug candidates, which presupposes obtaining the necessary regulatory approvals and strong protection of its intellectual property, mainly its patents but also other intellectual property (3.3);
- Financial risks: as the Company is a biotechnology company without any drug marketed to date, it does not generate revenues and requires financial resources to pursue all its programs and projects (3.4);
- Market risks, which are inherent to any listed company (3.5).

The Audit Committee reviewed the risk mapping prepared by Company management with the assistance of an outside service provider. This chapter, prepared in accordance with this mapping, was submitted to the Board of Directors at its meeting of March, 17th 2021.

The table below summarizes the main risks organized according to the categories described above. In each of the categories, the residual risks remaining after the implementation of management measures are classified according to the level of criticality (combination of probability of occurrence and estimated impact) assessed during the risk mapping. Only risks assessed with a "significant" level of criticality are detailed in this chapter.

| **3.1** | **Risks related to the Company's activity** | **Occurence** | **Impact** |
|---|---|---|---|
| 3.1.1 | Risks related to the clinical development of projects | high | high |
| 3.1.2 | Risks related to the highly innovative nature of the Company's products and the early nature of their development | high | high |
| 3.1.3 | Market and Competition Risks | high | moderate |

| | | | |
|---|---|---|---|
| 3.1.4 | Risks related to the Company's commercial and strategic development | high | high |
| **3.2** | **Risks related to the Company's organization** | | |
| 3.2.1 | Risks associated with the Covid-19 pandemic | moderate | high |
| 3.2.2 | Risks of dependence on third parties | high | high |
| 3.2.3 | Risk of losing key employees and not being able to attract new qualified people | low | moderate |
| 3.2.4 | Risks related to managing the Company's growth | moderate | moderate |
| **3.3** | **Regulatory and legal risks** | | |
| 3.3.1 | Risks related to a restrictive and evolving regulatory framework | high | moderate |
| 3.3.2 | Specific risks related to the preclinical studies and clinical trials that will be required to obtain marketing authorizations for the Company's therapeutic products | high | high |
| 3.3.3 | Risks related to the reimbursement and delisting of drugs and treatments | high | moderate |
| 3.3.4 | Risks related to patent and license portfolios | high | high |
| 3.3.5 | Product Liability Risks | moderate | high |
| 3.3.6 | Risks related to potential conflicts that may affect the company's relationship with potential licensees | low | moderate |
| **3.4** | **Financial risks** | | |
| 3.4.1 | Risks related to uncertain capital resources and uncertain additional financing | moderate | high |
| 3.4.2 | Risks related to historical and future losses | low | high |
| 3.4.3 | Risks related to access to the Research Tax Credit | moderate | high |
| 3.4.4 | Risks related to the future use of tax loss carryforwards | moderate | moderate |
| 3.4.5 | Risks related to access to public advances | moderate | high |
| 3.4.6 | Dilution risks | high | moderate |
| **3.5** | Market risks | | |
| 3.5.1 | Liquidity risk | high | moderate |
| 3.5.2 | Credit risk | moderate | moderate |
| 3.5.3 | Interest rate risk | moderate | moderate |
| 3.5.4 | Currency risks | low | low |
| 3.5.5 | Equity risks | moderate | moderate |

**I.3.1. Risks related to the Company's activity**

3.1.1. Risks related to the clinical development of projects

***The development of the Company's drug candidates could be delayed or not completed.***

The development of a drug candidate is a long and costly process with uncertain outcomes, taking place in several phases, the objective of which is to demonstrate the therapeutic benefit provided by the drug candidate for one or more given indications.

Any failure during one of the various preclinical and clinical phases for a given indication could delay the development, registration, production and marketing of the therapeutic product concerned or even lead to the termination of its development.

During clinical trials, the Company may encounter difficulties in determining and recruiting the appropriate patient profile. More specifically, recruitment in the SENS-401 trial involves around 260 patients. The Company is organizing the recruitment of volunteer military personnel, which can be made difficult due to the administrative authorizations that must be obtained in addition to the usual regulatory authorizations. These profiles could also vary according to the different phases of the clinical trials. The recruitment of patients may not be carried out according to a schedule that is compatible with the Company's financial resources.

At each phase of clinical development, the Company must seek authorization from the competent authorities of the different countries according to its development plan to conduct clinical trials, and then submit the results of its clinical studies to the same authorities. The authorities may refuse the necessary authorizations for clinical trials, have additional requirements, for example, with respect to study protocols, patient characteristics, treatment duration, post-treatment follow-up, certain differences in interpretation of results among local regulatory agencies and, if applicable, require additional studies. The fact that the SENS-401 study is being conducted in several countries adds to the complexity of these clinical trials. Any refusal or decision by the health authorities to request additional trials or examinations would be likely to interrupt or delay the development and registration of the products concerned.

The Company cannot guarantee that its development of drug candidates from its various research programs (SENS-401 and its gene therapy programs) will one day be successful, and even less so within a timeframe that is compatible with its financial resources or the needs of the market. If a significant delay occurs in a trial and development times deviate significantly from estimates, the Company could be required to abandon the development of one or more of its product candidates and be unable to generate sufficient revenues through partnerships, which could have a material adverse effect on the Company's business, results, financial position and prospects.

In addition, delays in clinical trials could shorten the operating periods during which the Company's products are protected by patent(s) and allow its competitors to commercialize their

products in the shorter term, which could adversely affect Sensorion's ability to license or successfully commercialize its drug candidates.

Finally, the appearance of side effects that cannot be identified based on current knowledge could delay or even interrupt the development of the Company's drug candidates. In addition, if, after their marketing authorization ("MA") obtained by the Company or its partners, the Company's products were to cause unacceptable or undetected side effects during the clinical trial period, it would be impossible for the Company to transfer them or to grant them to partners for their commercialization, which would have a very significant adverse effect on its business, prospects, financial position, results and development.

***The Company's development is largely based on the success of its most advanced drug candidate, SENS-401.***

As part of its research and development programs, the Company must conduct preclinical animal testing and clinical trials on humans in order to demonstrate the safety and efficacy of its drug candidates.

Although the Company conducts its trials with the utmost care, in particular, in the definition of protocols, the use of associated experts and the study of competing products, events that could lead to the failure of a clinical development include the following:

- the occurrence of deaths or unexpected and serious adverse events, whether or not related to the drug candidate subject to the trial, that are believed to outweigh its potential benefits: in such a case, the Company may choose, or the regulatory authorities may require the Company, to suspend or terminate clinical trials;
- negative or unconvincing efficacy results: in this case, the Company could decide to give-up development projects that it initially believed to be promising or it could be required to conduct other clinical studies, which would result in higher than expected costs.

Given the early stage of the Company's portfolio in the field of hearing loss and the fact that only one product in this portfolio, SENS-401, has reached the clinical development stage as of the date hereof, the Company's inability to successfully complete clinical trials for SENS-401 could have a significant adverse effect on its ability to generate future revenues, its financial position and its development.

Furthermore, promising results from its drug candidates SENS-401 and/or gene therapy programs during the pre-clinical and initial clinical phases, and even after advanced clinical trials, do not guarantee that any of the Company's drug candidates can be licensed out and/or successfully marketed and commercialized.

***The absence of products of the same type on the market generates many unknowns***

The Company is developing drug candidates for the treatment, prevention and restoration within the field of inner ear disorders. The therapeutic objective is to treat acute dysfunctions

(for example, sudden hearing loss) or to offer a background anti-lesional treatment for very severe or repeated inner ear disorders. As of the date of this document, no treatment for sudden sensorineural hearing loss (SSNHL) or for the prevention of cisplatin-induced ototoxicity (CIO) has yet been approved for marketing by the competent health authorities. The prospects for the development and profitability of Sensorion's most advanced drug candidate (SENS-401), the Company's ability to develop, formulate or produce it under economically acceptable conditions, its safety, efficacy and its acceptance by patients, healthcare prescribers and paying agencies are therefore still highly uncertain.

As a result, the prospects for the development and profitability of drug candidates, their safety, efficacy and acceptance by patients, physicians and paying agencies are uncertain. Preclinical and clinical data on the safety and efficacy of these drug candidates are still limited. Not only are animal tests not necessarily predictive of future results in humans, but positive results of drug candidates in early clinical phases, obtained on a limited number of patients, may not be confirmed by later phases on a larger number of patients. Such a situation would have a very significant adverse impact on the Company's business, results, financial situation and development.

### 3.1.2. Risks related to the highly innovative nature of the Company's products and the early nature of their development

The risks associated with the failure to develop a drug candidate are closely linked to the stage of maturity of this drug candidate. Given the relatively early stage of the Company's drug candidates (with the exception of SENS-401, currently in Phase 2), there is a significant risk that some or all of the Company's drug candidates may not be developed, formulated or produced under acceptable economic conditions, may not be developed, formulated or produced under acceptable economic conditions, may be discontinued, may not be the subject of partnership or licensing agreements, may not obtain regulatory approval or may never be commercialized.

SENS-401 candidate demonstrated preclinical studies results in severe acoustic trauma and cisplatin-induced hearing loss models, that could allow for the development of both the treatment of sudden sensorineural hearing loss (SSNHL) and the prevention of cisplatin-induced ototoxicity (CIO). Its mechanism of action appears to be linked to an antagonistic effect of the 5-HT3 receptor (setron family) and to the inhibition of calcineurin (see section 1 of this document).

Given the highly innovative nature of the technology on which it is based, the results of SENS-401 in the Phase 2 trial, and more generally those relating to all existing or future drug candidates in the Company's portfolio or based on its technology in their research or preclinical phases, may or may not be confirmed by subsequent clinical trials. Such a situation would have a very significant adverse impact on the Company's business, results, financial position and prospects.

To date, no antagonist of 5-HT3 receptor (calcineurin inhibitor) has yet been developed or approved for marketing by the competent health authorities in an indication related to sudden sensorineural hearing loss.

For its other early-stage products, drug candidates in preclinical development are based on scientific partnerships (see section 3.2.2 below) or on the "Inner Ear" technology platform developed by the Company.

The platform of the Company includes in-vitro capabilities in order to realize cellular assays on major cell types in the cochlea, tissue on explants and electrophysiology for neuronal activity. It also includes in-vivo capabilities through specific preclinical models of pathologies and lesions related to the inner ear, accompanied by technologies for measuring hearing parameters and analyzing the results obtained.

If the studies conducted on the drug candidates were to reveal safety and/or therapeutic efficacy problems or if the use of the platform infringed an intellectual property right held by a third party, this could call into question the use and the very functioning of the technological platform and require new research and development efforts as well as additional time and costs to remedy these difficulties, without any guarantee of success. The development of drug candidates in preclinical testing based on this platform would be affected.

The "Inner Ear" technology platform is located in a research center with the highest levels of accreditation (AAALAC). A malfunction, a shutdown of the platform or the loss of AAALAC accreditation could occur.

The occurrence of one or more of these events would have a material adverse effect on the Company's business, prospects, development, financial condition and results.

### 3.1.3. Market and Competition Risks

***The Company cannot guarantee the commercial success of the drug candidates it develops***

If the Company and/or one or more of its commercial partners succeed in obtaining a marketing authorization allowing them to commercialize the therapeutic products developed by the Company, it may nevertheless take time to gain the support of the medical community, healthcare prescribers and third-party payers.

The degree of market acceptance of each of the Company's products will depend on a number of factors, including:

- the perception of the therapeutic benefit of the product by prescribers and their patients;
- the possible occurrence of adverse reactions once marketing authorization has been obtained;
- the frequency of use of drug candidates;
- the ease of use of the product, particularly in terms of its mode of administration;
- the cost of treatment;

- reimbursement policies of governments and other third parties;
- the effective implementation of a scientific publication strategy; and
- the development of one or more competing products for the same indication.

The Company and/or its partners could also suffer from controversies affecting drug candidates or other therapeutic approaches similar but not competing with those developed by the Company, negatively impacting the public's perception of the therapeutic benefit of these drug candidates.

Even if the drug candidates developed by the Company are likely to provide a therapeutic response to a need that has not been met to date, poor market penetration resulting from one or more of the factors described above would have an adverse effect on their commercialization and on the Company's ability to generate profits under the agreements that it may enter into with industrial partners, which would have a negative impact on its business, prospects, financial position, results and development. Similarly, the Company cannot guarantee that the assumptions used and developed to determine the characteristics of the market it targets will be confirmed. If all or part of these assumptions are not realized, the size of the market estimated by the Company could change.

***The Company cannot guarantee the absence of competitors in its target markets.***

Several pharmaceutical laboratories, biotechnology companies, institutions, universities and other research organizations are actively engaged in the research, discovery, development and commercialization of preventive and therapeutic responses to the inner ear dysfunctions targeted by the Company.

Besides current competitors on the market, the potential development and positive growth of the market targeted by the Company makes it probable that new competitors currently in preclinical or clinical development will enter this market. More specifically, the Company believes that SENS-401 and Otoferlin and GJB2 coding for the Connexin 26 protein and the Uher syndrome type 1 have potential that makes them attractive to competitors in a promising market with high unmet medical needs. Some companies active in the drug industry have much greater resources than the Company and may decide to develop competing products by dedicating resources and experience in clinical development, management, manufacturing, marketing and research much greater than those of the Company.

The Company's drug candidates are being developed to provide a therapeutic solution to address unmet medical needs. The Company cannot guarantee that its competitors will not develop, at the same time or subsequently, alternative therapeutic solutions that make less attractive or obsolete those currently being developed or that will be preferred by medical centers, physicians or patients. Such events would have a material adverse effect on the Company's business, results, financial condition and development prospects.

***The Company may encounter difficulties in carrying out potential external growth operations.***

The Company's current strategy does not include plans to acquire companies or technologies in order to facilitate or provide access to new drugs, new research projects, new geographical areas or to express synergies with its existing activities.

However, should such acquisitions prove necessary or opportunistic, the Company may not be able to complete such acquisitions on satisfactory terms (including pricing), or to effectively integrate the newly acquired companies or businesses, achieving its operating objectives, or the expected cost savings or synergies. In addition, the Company may not be able to obtain financing for such acquisitions on favorable terms and may be forced to finance such acquisitions with cash that would otherwise have been allocated for other purposes within existing operations.

If the Company encounters difficulties in implementing or executing its external growth policy, this could affect its ability to achieve its financial objectives and develop its market share, which could have a significant adverse effect on its business, financial position, results or prospects.

3.1.4. Risks related to the Company's commercial and strategic development

***The Company may not be able to find industrial partners to pursue the clinical and commercial development of its drug candidates.***

If the Company's strategy so requires, and/or if the Company is unable to obtain adequate financing, the Company may have to enter into one or more licensing and distribution partnerships with one or more pharmaceutical institution(s) in order to finance the completion of the clinical development of SENS-401 and/or the progress of its gene therapy programs. The Company will, therefore, have to find one or more partners with sufficient capacity to conduct Phase I, IIb or III clinical trials (depending on its drug-candidates) on an international scale, manufacture at industrial scale, obtain marketing authorization, distribute and commercialize the Company's drug candidates. If the Company were to enter into one or more such partnership(s), the commercialization of its products would therefore depend in part on the clinical development, regulatory, industrial, marketing and commercialization efforts deployed by its commercial partner(s), as well as on the capacity of such partner(s) to produce and sell its drug candidates. Any failure on the part of such partner(s) would have adverse consequences for the Company, its development and its prospects.

It is also possible that the Company may not be able to enter into a partnership on economically reasonable terms. This could have a material adverse effect on the Company's business, prospects, financial position, results and development.

***Obtaining pre-commercialization approvals is uncertain***

In Europe, the United States, Japan and many other countries, access to the drug market is controlled and the marketing of a drug such as those developed by the Company must be authorized by a regulatory authority that issues a Marketing Authorization ("MA").

Although the Company is not concerned by a marketing authorization issue for a certain number of years, a marketing authorization file is built up over the entire development period of a drug candidate. The Company is therefore careful to comply with good practices at all times so as not to jeopardize its chances, in the long term, of obtaining marketing approval for its drug candidates, either directly or through its commercial partners.
Obtaining and maintaining marketing approval for the drug candidates that the Company and/or its partners wish to develop requires compliance with the stringent standards imposed by the regulatory authorities and the communication to the authorities of a large amount of information concerning the new product, including its toxicity, dosage, quality, efficacy and safety. The process of obtaining a new product involves significant investment, while the outcome remains uncertain.

The maintenance or obtaining of a Good Manufacturing Practices ("GMP") certificate by the Company and/or its future partners may be necessary for the manufacturing of the Company's drug candidates (for clinical trials or in the commercialization phase). The Company cannot guarantee that it and/or its partners will obtain or maintain this certificate, nor can it guarantee that certain additional constraints related to this certificate will not be imposed on them in the future.

If no marketing authorization or GMP certificate is obtained, the products concerned may not be manufactured or marketed by the Company and/or its partners. In addition, a product may not obtain a marketing authorization or a GMP certificate for a given geographical area, which could significantly restrict its commercialization. Finally, even if a marketing authorization or GMP certificate is regularly obtained, it may be suspended, particularly in the event of non-compliance with manufacturing regulations or the discovery of an adverse effect.

A Marketing Authorization can also be modified, suspended or withdrawn by regulatory authorities and introduce delays in the marketing of drug candidates.

The occurrence of one or more of these events would have a material adverse effect on the Company's business, prospects, financial condition, results of operations and development.

**I.3.2. Risks related to the Company's organization**

3.2.1. Risks associated with the Covid-19 pandemic

Sensorion continues to closely monitor the COVID-19 pandemic and is actively managing the potential impact on the Company’s activities.

We observed a negative impact in the recruitment of the SENS-401 Phase 2 trial in SSNHL driven by a reallocation of emergency room resources and restrictions in the movement of people. In order to avoid overloading healthcare facilities, to ensure the safety of new potential patients, to avoid major protocol deviations due to missed follow-up visits and to minimize contact between patients and investigational staff, new patient recruitment in the study was

temporarily suspended during the past year. Recruitment re-started progressively following the reduction in sanitary restrictions. It is difficult to predict the evolution of the pandemic and how local restrictions on individuals or additional governmental measures could impact future recruitment of patients in the ongoing Phase 2 clinical study and in line with our press release of January 5, 2021, we have taken further mitigation steps including seeking approvals for a protocol amendment which will significantly reduce the number of patients required for the study.

For patients already in the SENS-401 Phase 2 study, there is a risk that some participants may not be able to attend follow-up visits as per study protocol due to government or local restrictions. The Company is seeking to mitigate this risk through the use of teleconferences and videoconferences. Furthermore, the pandemic might cause delays in the preclinical gene therapy studies that are part of the collaboration with Institut Pasteur.

The pandemic could also impact our organization more generally where restrictions impede our ability to meet and collaborate in a timely manner or interact with external parties on our various collaborations across academia, clinical centers or sub-contractors. This could delay our preclinical work for the three ongoing programs. We had previously experienced delays in March 2020 and January 2021 and in light of the evolving situation, there is a risk of another guidance change on the availability of the Phase 2 results with SENS-401 in SSNHL, though as indicated previously we are seeking to minimize this possibility. Such an eventuality could, however, have a significant adverse impact on the Company's business, results, and financial position.

As recommended by the French government, all the employees at Sensorion for which remote working was possible were working remotely until December 2020. The health and safety of the Company’s employees is and continues to be a key priority for Sensorion.

### 3.2.2. Risks of dependence to third parties

When the Company conducts research and manufacturing projects for its products under collaborative agreements, certain key tasks or functions are the responsibility of its partners:

- Novasep is in charge of process development and production (cell culture, AAV expression, purification, aseptic distribution and quality control) of the two AAV vectors designed for the Sensorion OTOF-GT project and will provide Sensorion with batches of Finished Product for preclinical and clinical studies;
- Institut Pasteur participates in various gene therapy programs targeting Otoferlin deficiency, Usher type 1 syndrome and the GJB2 gene encoding the Connexin26 protein.
- The “PATRIOT” consortium, of which Sensorion is the leader, also involves the Institut de recherche biomédicale des Armées, the Institut Pasteur and the company Electronique du Mazet. This project aims to protect and preserve inner ear tissue from damage that could lead to deafness.
- The "AUDINNOVE" project tackles congenital deafness with the development of new diagnostic and therapeutic approaches. The objective of this project is to develop a

specific gene therapy program aimed at correcting a monogenic hereditary form of deafness caused by a mutation in the gene coding for Otoferlin (DNBF9). The consortium is composed of AP-HP, Institut Pasteur, Fondation pour l'Audition, and Sensorion as the industrial partner.

As a result, the Company is exposed to the risk that its partners and subcontractors do not properly fulfill their part of the project. Furthermore, decisions may be under the control of its partners or subject to their approval. The Company and its partners may also have different views. Failures in the development process or disagreements in terms of priorities may arise and adversely affect the activities conducted under these agreements. The Company may also encounter potential conflicts or difficulties with its partners during the term of its agreements or when they are renewed or renegotiated. The relationship with its partners may also be subject to uncertainties.

In addition, if a current or future partner encounters difficulties in the supply of its own biological products needed to develop and manufacture its own products or in obtaining the regulatory authorizations required for this purpose, it would result in a delay, discontinuation or reorientation of the Company's or the partnership's work, which could significantly affect Sensorion's business, prospects, financial situation, results and development.

All of these events may affect the development, launch and/or marketing of some of its products or drug candidates and adversely affect its operating income.

More generally, the Company may misjudge the scientific and medical results of development operations at the time of entering into a partnership agreement, and therefore the compensation related to such partnerships, or it may not have the means or access to all the information necessary to fully assess them, in particular with respect to the potential of research and development portfolios, difficulties related to production, compliance issues or the monitoring of the outcome of ongoing litigation.

***The Company could find itself in a situation of dependence on its subcontractors.***

As part of its development, the Company uses subcontractors, in particular for the manufacturing of batches of finished or semi-finished products for preclinical studies and clinical trials.
The Company has signed a contract with Novasep (Contract Manufacturer Organization) for the production of gene therapy. This relationship is key for the large-scale production of its gene therapy products. The Company intends to deploy all its efforts to achieve a technology transfer that will allow Novasep to carry out this large-scale production under the best possible conditions, but uncertainties exist regarding the possibility of carrying out this custom manufacturing on a large scale.

In addition, as the Company does not have sufficient resources at this stage of its development to conduct all of the clinical trials required for the development of its drugs, they are outsourced

to companies specializing in clinical trial management, in particular Clinical Research Organizations (CROs).

The outsourcing of clinical trials generates risks and costs related to the selection of these subcontractors. Operational difficulties could also arise, in particular due to the remoteness or geographic dispersion of clinical study centers.

Any failure on the part of these subcontractors involved in a preclinical or clinical trial could have consequences on the schedule, or even the continuation of clinical studies on the various drug candidates, as well as on the quality of the data, which must meet strict standards (Good Clinical Practice, Good Manufacturing Practice or the "ICH Harmonised Tripartite Guideline for Good Clinical Practice") imposed by the various regulatory authorities, and thus delay the marketing of products.

Similarly, the hacking of data relating to the Company's drug candidates tested at Sensorion or its partners (including at patient recruitment sites, CROs, service providers that the Company uses to advance its preclinical or clinical trials, or more broadly in completed or future clinical trials) could, for example, delay obtaining regulatory approvals. If a disruption or act of hacking results in the corruption of the Company's data or applications, or other data or applications relating to its technology or drug candidates, or the unauthorized dissemination of confidential or proprietary information, the partner could be subject to sanctions, but, in turn, the Company's competitive position could be affected and the development and commercialization of its drug candidates could be delayed, which could have adverse financial, legal and operational effects and harm its reputation (as well as the reputation of such partner).

In addition, the Company cannot guarantee that the amount of potential damages related to the clinical research of the products it develops will not exceed the compensation ceiling provided in the contracts entered into with the CROs prior to registration, depending on the progress of the clinical study.

Such events would have a material adverse effect on the Company's business, prospects, financial condition, results and development.

***The Company could find itself in a situation of dependence on its partners.***

The Company is involved in several partnership agreements and consortiums with public and private partners aimed at developing drug candidates at different stages of development.

As regards preclinical gene therapy programs, the quality of the results of the trials depends in particular on the quality of the services expected by the Institut Pasteur and their compliance with the specifications initially set (correction of hereditary monogenic forms of deafness, in particular deafness caused by mutations in the gene coding for Otoferlin, Usher syndrome type 1 and in the GJB2 gene). The failure of Institut Pasteur could adversely affect the validity of the Company's pre-clinical studies.

Likewise, Sensorion's preferential right to all of Institut Pasteur's research programs in the field of genetic diseases of the inner ear during the five years of the partnership is directly dependent on the research that Institut Pasteur will be able to develop for this future collaboration.

In addition, Sensorion is involved in consortium ("AUDINNOVE" and "PATRIOT") for which Sensorion is dependent on the partners to carry out their own share of collaborative projects.

The unavailability of partners to carry out their share of the project, their inability or their failure to do so could have an adverse effect on the development of products, their availability or their compliance, thereby affecting the conduct of trials or procedures concerning them and, ultimately, the Company's ability to generate future revenues, its financial position and its development.

Under these consortium agreements, if one of the partners fails without a possible alternative and despite the best efforts of the other partners, this could lead to the failure of the program as a whole. The Company may not find partners or may not find the right partners to develop its products. If it does find such partners, they could decide to withdraw from the agreements. The Company may also not succeed in entering into new agreements for its other drugs. The Company cannot control the amount or timing of resources that its existing or future partners will devote to the development, manufacturing and marketing of its products. These partners may not fulfill their obligations as anticipated by the Company. As a result, the Company may experience significant delays or be unable to successfully introduce its products in certain markets.

The occurrence of one or more of these risks could have a significant adverse effect on the Company's business, prospects, financial situation, results and development.

### 3.2.3. Risk of losing key employees and not being able to attract new qualified people

***The development of its technologies and the conduct of clinical trials by the Company depends in particular on its ability to hire and retain qualified personnel***

The success of the Company depends largely on the work and expertise of its management team and the Chief Executive Officer. Although the Company has taken out a "key person" insurance policy, the temporary or permanent unavailability of these individuals could impair the Company's ability to achieve its objectives, in particular by depriving it of their know-how and technical capabilities.

In addition, the Company will need to recruit new senior management and qualified scientific personnel for the development of its activities and as the Company expands into areas that will require additional skills. The Company competes with other companies, research organizations and academic institutions to recruit and retain highly qualified scientific, technical and management personnel. To the extent such competition is intense, the Company may not be able to attract or retain key personnel on economically acceptable terms.

The Company's inability to attract and retain such key personnel could prevent it from achieving its objectives and could have a material adverse effect on its business, results, financial position and prospects.

3.2.4. Risks related to managing the Company's growth

***The Company's development depends in particular on its ability to manage its growth and internal resources.***

As part of its development strategy, the Company will have to recruit additional staff and develop its operational capabilities, which could significantly mobilize its internal resources.
To this end, the Company will need to:

- train, manage, motivate and retain a growing number of employees ;
- Anticipate the expenses related to this growth as well as the associated financing needs;
- increase the capacity of its existing operational, financial and management information systems;
- manage the outsourcing of the production of its developed drugs; and
- manage partnership agreements with the Company's industrial partners in charge of pursuing the clinical development and commercialization of the Company's products.

In order to meet demand within the timeframe agreed upon with its future partners, the Company may need to enter into new subcontracting agreements.

The Company's inability to manage growth, or unexpected difficulties encountered during its expansion, could have a significant adverse effect on its business, results, financial condition, development and prospects.

**I.3.3. Regulatory and legal risks**

3.3.1. Risks related to a restrictive and evolving regulatory framework

One of the major challenges for a growth company like Sensorion is to succeed in developing, with the help of partners, products integrating its technologies in the context of a regulatory environment more and more constraining. The pharmaceutical industry is faced with an ever-changing legal and regulatory environment and increased oversight by competent authorities such as the Agence Nationale de Sécurité du Médicament et des Produits de Santé ("ANSM") in France, the European Medicines Agency ("EMA") in Europe, the Food and Drug Administration ("FDA") in the United States and other regulatory authorities in the rest of the world. At the same time, the public is demanding more guarantees regarding the safety and efficacy of medicines.

Health authorities oversee research and development work, preclinical studies, clinical studies, the regulation of pharmaceutical establishments, as well as the manufacturing and marketing of drugs. This strengthening of the legislative and regulatory framework is common throughout the

world, although the requirements vary from one country to another. In particular, health authorities, including the ANSM, the EMA and the FDA, have imposed increasingly burdensome requirements in terms of the volume of data required to demonstrate the efficacy and safety of a product. These increased requirements have thus reduced the number of authorized products in relation to the number of dossiers submitted. In addition, marketed products are subject to a regular reassessment of the risk/benefit ratio after they have been authorized. The late discovery of problems not detected at the research stage may lead to marketing restrictions, suspension or withdrawal of the product and an increased risk of litigation.

As a result, the authorization process is long and costly and can take several years, with an unpredictable result.

To the extent that new legal or regulatory provisions increase the costs of obtaining and maintaining marketing authorizations for products or limit the economic value of a new product for its inventor, the growth prospects of the pharmaceutical industry and the Company could be reduced.

#### 3.3.2. Specific risks related to the preclinical studies and clinical trials that will be required to obtain marketing authorizations for the Company's therapeutic products

The organization of preclinical studies in animals and clinical trials in humans is essential to obtain a marketing authorization for the products developed by the Company. They are generally carried out over several years and are very costly.

Since these studies and trials must be conducted by preclinical and clinical research centers, their quality and value will largely depend on the ability of the Company and its partners to select the preclinical and clinical research centers and, with respect to human trials, to recruit the necessary number of patients within a relatively limited time frame in order to be able to publish results rapidly, as well as to select, as the case may be, the appropriate service providers responsible for implementing the study protocol defined by the Company or its partners. The remoteness or geographic dispersion of clinical or preclinical study centers may also raise operational and logistical difficulties, which could result in additional costs and delays.

If the Company or its partners do not succeed in recruiting the expected patients, which would result in delays in clinical studies and the publication of their results, this would result in a gap in the acceptance of both learned societies and professionals in the relevant medical fields, and the marketing of the Company’s products would be affected, which could have a material adverse effect on its business, financial condition, results, development and prospects.

#### 3.3.3. Risks related to the reimbursement and delisting of drugs and treatments

The conditions for setting the selling price for drug reimbursement are beyond the control of pharmaceutical companies. They are respectively decided by the competent public commissions and bodies as well as by social organizations or private insurances. In the current context of controlling healthcare spending and the economic and financial crisis, pressure on sales prices

and reimbursement levels is intensifying, due in particular to the price controls imposed by many States and the increased difficulty in obtaining and maintaining a satisfactory reimbursement rate for medicines.

When the time comes, the conditions for determining the price and reimbursement rate of the Company's products will be a key factor in their commercial success. The Company's ability to receive royalties from its industrial partner(s) on the sale of its treatments will depend on these pricing and reimbursement conditions. If delays in price negotiations result in a significant delay in the marketing of a product or if one of the Company's products does not obtain an appropriate level of reimbursement, its profitability would be reduced.

Nor can the Company guarantee that it will be able to maintain the price level of its drugs over time or the accepted rate of reimbursement. Under these conditions, its revenues, profitability and outlook could be significantly affected.

Finally, products already approved may prove to be unsafe and may be withdrawn from the market at the request of health authorities, or may produce effects different from those initially anticipated, which could limit or prohibit their commercial use. The occurrence of some or all of these events could have a material adverse effect on the Company's business, results and prospects.

Although the Company is considering the advanced development of SENS-401 in partnership, the Phase 2 and Phase 3 clinical trials, as well as the preparation of its market launch and strict manufacturing conditions, require and will continue to require from Sensorion and its partners significant investments of time and financial resources, as well as the special attention of the Company's most qualified personnel. As a result, if Sensorion or its partner(s) do not receive marketing authorization in the targeted indications by the end of these steps, the Company's financial condition, results and prospects will be materially and adversely affected.

### 3.3.4. Risks related to patent and license portfolios

***The protection offered by patents and other intellectual property rights is uncertain.***

The Company's business plan, and in particular the development of its drug candidates, depends, among other things, on its ability to obtain, maintain and enforce against third parties the protection of its patents and patent applications, trademarks and related applications, as well as its other intellectual property or similar rights (such as trade secrets, business secrets and know-how) or those it is authorized to use in the course of its business.
It is also important for the success of its business that the Company be able to obtain similar protection for all of its intellectual property rights in a sufficiently large geographical area, i.e. in Europe, the United States and other key countries (Canada, Japan, China and Korea). The Company devotes significant financial and human resources to this effort and intends to pursue its policy of protecting its intellectual property rights by filing new patents whenever it deems it appropriate. The Company believes that its technology is currently effectively protected by patents and patent applications that it has filed, which it owns or co-owns, or for which it has an exclusive license, such as that granted by Inserm.

However, the Company may not be able to maintain the protection of its intellectual property rights. In such an event, the Company would lose its technological and competitive advantage.
The Company's intellectual property rights provide protection for a term that may vary (for example, in the case of patents, the term is 20 years from the date of filing of the patent applications).

In addition, the Company may encounter difficulties in the filing and examination of certain of its patent, trademark or other intellectual property rights applications currently under examination/registration. Indeed, at the time a patent application is filed, other patents or patent applications may constitute an opposable anteriority but may not yet be published or, even if published, may not be known to the Company. Despite the prior art searches and the monitoring it conducts, the Company cannot be certain that it is the first to have filed a patent application. In particular, patent applications are published 18 months after the filing of the applications themselves (to date, no opposition to a patent application has been filed). Similarly, when one of its trademarks is filed in a country where it is not covered, the Company may find that the trademark in question is not available in that country. A new trademark would then have to be sought for the given country or an agreement negotiated with the owner of the prior sign. There can therefore be no assurance that the Company's current and future applications for patents, trademarks and other intellectual property rights will result in grants/registrations and that such rights will be effectively protected.

As a result, given the recent nature of the patent families that the Company wholly owns, it is not possible to determine at this time the scope of protection that could reasonably be granted. Specific criteria are applicable in Europe to protect the therapeutic applications of known or new products. When only the therapeutic application is new compared to what was already known, or when the novelty of the application is new only in the context of treatment conditions (selection of sponsoring patient groups, particular administration regime...), the European Patent Office ("EPO") requires in principle that concrete elements in the form of experimental results be provided to grant protection to the application. In addition, the EPO sometimes asks for the demonstration of unexpected properties of the invention compared to what was known in the state of the art, in relation to related applications. These questions could arise in the course of the examination of the Company's patent applications. The scientific results obtained by the Company in the coming years may naturally support the arguments in favor of granting these patents.

The mere issuance of a patent, trademark or other intellectual property right does not guarantee its validity or enforceability. Any person with an interest in such rights could at any time challenge the validity or enforceability of patents, trademarks or related claims of the Company before a court or in other specific proceedings, which, depending on the outcome of such challenges, could reduce their scope or result in their invalidity.
Developments, changes or differing interpretations of the legal framework governing intellectual property in Europe, the United States or other countries could allow competitors to use the Company’s inventions or intellectual property rights and to develop the Company’s products and technologies without financial compensation. In addition, there are still certain

countries that do not protect intellectual property rights in the same way as in Europe or the United States, in which the effective procedures and rules necessary to ensure the protection of the Company's rights may not exist. There can therefore be no assurance that the Company's existing and future patents, trademarks and other intellectual property rights will not be challenged or invalidated, or that they will provide effective protection against competition and third-party patents covering similar inventions.

As a result, the Company's rights to its patents, trademarks, related applications and other intellectual property rights may not provide the expected protection against competition. The Company cannot guarantee that :

- the Company is able to obtain, at a reasonable cost and on terms acceptable to it, exclusive licensing rights to patents held in co-ownership by the co-owners;
- the Company can obtain licensing rights to patents owned by third parties on which its own patents or technologies are dependent, under financial terms and conditions acceptable to the Company. Otherwise, the Company may have to interrupt or modify certain activities or processes (development, sales, use), or even develop or obtain alternative technologies;
- applications for patents and other rights owned, co-owned or licensed to the Company that are under review, including recent patent applications by the Company, will effectively result in the issuance of patents, trademarks or other registered intellectual property rights within a reasonable time, or that are issued with the scope necessary to protect the technology, in one or more jurisdictions, including in all territories identified as strategic by the Company;
- the Company will succeed in developing new inventions that could be the subject of a patent application or grant;
- patents or other intellectual property rights issued to the Company will not be challenged, invalidated or circumvented;
- the scope of protection conferred by patents, trademarks and other intellectual property rights of third parties rights will be effective against competition and third party patents, trademarks and intellectual property rights covering competing devices, products, technologies or developments.

The occurrence of one or more of these risks could have a significant adverse effect on the Company's business, prospects, financial situation, results and development.

***The Company's ability to continue the development of some of its drug candidates is dependent on the continuation in force of the licenses entered into***

The Company has entered into partnership or license agreements, with:

- Inserm Transfert: exclusive license granted to Sensorion to exploit the 5HT3 patents resulting from Inserm research;
- Pasteur: partnership on gene therapy programs including aspects of intellectual property.

These partnerships or licenses are essential to the development and future commercial exploitation of certain of the Company's R&D programs. The loss or significant modification of one or more of these partnership or license agreements could prevent the Company from achieving its objectives and thus have a significant adverse effect on its business, results, financial position and prospects.

The license agreement concluded with Inserm Transfer provides in particular for the possibility for Inserm to terminate the exclusivity granted or to cancel the contract in the following cases:

- in the event of failure to comply with Sensorion's obligations under the agreement, in particular in the event of non-reimbursement of the costs of maintaining the patents covered by the license and non-payment of the lump sums or royalties due in the event of the achievement of milestones and the direct or indirect exploitation of the patents;
- in the event of an interruption of more than 12 months without cause of the development work on products using the licensed patents, which Sensorion would not seek to remedy within 3 months after formal notice from Inserm Transfert;
- in the total absence of sale of a product using the licensed patents within 12 months following its first marketing authorization, without cause, which Sensorion would not seek to remedy within 3 months after Inserm Transfert's formal notice;
- in the total absence of sale of a product using the licensed patents within 2 years following its first commercialization, without cause and without Sensorion having taken the necessary steps for commercialization, which Sensorion would not seek to remedy within 3 months after formal notice from Inserm Transfert.

Although the aforementioned conditions have been satisfied to date, there can be no guarantee that they will remain satisfied throughout the term of the license agreement and, consequently, that the Company will maintain a monopoly on the exploitation of patents for compounds or the use of these compounds in the treatment of diseases related to ototoxicity and/or vestibular disorders.

***The Company may infringe intellectual property rights held by third parties***

The Company's success will depend in part on its ability to develop products or technologies that do not infringe on patents or other rights belonging to third parties. It is important for the success of our business that the Company be able to freely exploit its products without infringing on patents or other intellectual property rights and, conversely, without third parties infringing on its intellectual property rights or those of its partners and other licensors necessary for the development and operation of the R&D programs of the Company.

As a result, the Company cannot guarantee:

- that there are no patents or other prior rights, in particular intellectual property rights of third parties that may cover certain products, processes, technologies, results or activities of the Company and that, as a result, third parties are acting in counterfeit or violation of their rights against the Company with a view to obtaining,

in particular, damages and/or the cessation of its manufacturing and/or marketing activities for products, processes and other products thus incriminated;
- that there are no trademark rights or other prior rights of third parties that could give rise to an action for infringement or liability against the Company; and/or
- that the Company's domain names will not be the subject of a UDRP ("Uniform Dispute Resolution Policy") or similar procedure or an infringement action by a third party that has prior rights (for example, trademark rights).

The growth of the research-based pharmaceutical industry and the corresponding increase in the number of patents filed increases the risk that the Company's products and technologies may infringe the rights of third parties, including intellectual property rights.

In the event of litigation regarding the intellectual property it uses, the Company may be required to:
- cease or cause to cease the development, sale or use of the product(s) that would depend on the disputed intellectual property ;
- revise the design of some of its products/technologies or, in the case of trademark applications, rename its products, in order to avoid infringing on the intellectual property rights of third parties, which may prove impossible or time-consuming and costly, and could, in fact, impact the marketing efforts of the products concerned by the Company and/or its partners.

The Company therefore continues to carry out, as it has done to date, the preliminary studies it deems necessary in light of the aforementioned risks before making investments to develop its various products/technologies. In particular, the Company keeps a close watch on the business (particularly in terms of patent applications) of its competitors.

However, to date, the Company has not been confronted with any of these situations nor has it been involved in any litigation relating to the rights, in particular intellectual property rights, held by third parties.

***The Company cannot guarantee the absence of infringement of intellectual property rights against it.***

Monitoring the unauthorized use of the Company's drug candidates and technology and the infringement of its own intellectual property and other rights is sensitive.

The Company cannot guarantee that it will be able to prevent and obtain compensation for misappropriation or unauthorized use of its drug candidates and technology, particularly in foreign countries where its rights would be less well protected due to the territorial scope of industrial property rights.

Third parties (or even employees of the Company) could use or attempt to use elements of the Company's technology that are protected by an intellectual property right, which would create a harmful situation for the Company. The Company could therefore be forced to take legal or administrative action against these third parties and/or employees in order to enforce its intellectual property rights (patents, trademarks, designs and models or domain names) in court.

Any litigation or dispute, regardless of its outcome, could result in substantial costs, affect the Company's reputation, adversely affect the Company's results and financial position and possibly not provide the protection or remedy sought. Competitors with greater resources than those of the Company may be better able to bear the costs of litigation.

However, to date, the Company has not been confronted with any of these situations nor has it been involved in any litigation relating to its rights, in particular intellectual property rights.

***The Company may not be able to prevent disclosure of information by third parties or employees that could have an impact on its future intellectual property rights.***

It is important for the Company to guard against the unauthorized use and disclosure of its confidential information, know-how and trade secrets. Indeed, non-patented and/or non-patentable proprietary technologies, processes, methods, know-how and data are considered trade secrets, which the Company tries to protect in part through confidentiality agreements. In addition, the rules governing the devolution to the Company of inventions that its employees have made or may make, as well as their compensation terms, are governed by article L.611-7 of the French Intellectual Property Code, which is a matter of public policy.

In the context of collaboration, partnership, research or other types of cooperation agreements entered into by the Company with researchers from academic institutions as well as with other public or private entities, subcontractors, or any other third party, various information and/or products may be entrusted to them, in particular in order to conduct certain tests and clinical trials. In such cases, the Company requires the signature of confidentiality agreements. In addition, the Company ensures that the collaboration, partnership or research contracts it signs give it full ownership or, at the very least, co-ownership of the results and/or inventions resulting from such collaboration, as long as it has effectively participated in the creation of the results and/or the invention. The Company also seeks, in the context of license agreements that it will sign with its partners, to maintain control over the management of patents or to grant licenses only in specific fields that it does not exploit.

It cannot be excluded that the agreements put in place to protect the Company's technology and trade secrets and/or the know-how put in place may not provide the protection sought or may be violated, that the Company may not have appropriate remedies against such violations, or that its trade secrets may be disclosed to or independently developed by its competitors. In addition, the Company has very limited control over the conditions under which the third parties with which it contracts, themselves use third parties, and protect its confidential information, regardless of the fact that the Company provides in its agreements with its co-contractors that they undertake to pass on these confidentiality obligations to their own co-contractors.

Such agreements therefore expose the Company to the risk that the third parties concerned may (i) claim the benefit of intellectual property rights on the Company's inventions or other intellectual property rights, (ii) fail to ensure the confidentiality of unpatented innovations or improvements to the Company's confidential information and know-how, (iii) disclose the

Company's trade secrets to its competitors or independently develop such trade secrets and/or (iv) violate such agreements, without the Company having an appropriate remedy against such violations.

As a result, the Company's rights to its confidential information, trade secrets and know-how may not provide the expected protection against competition and the Company cannot guarantee:

- that its know-how and trade secrets may not be obtained, usurped, circumvented, transmitted without its authorization or used by unauthorized third parties;
- that the Company's competitors have not already developed technology, products or devices similar or similar in nature or purpose to those of the Company;
- that no other party to an agreement will claim the benefit of all or part of the intellectual property rights to inventions, knowledge or results that the Company owns or co-owns, or for which it may be required to obtain a license; or
- that employees of the Company will not claim rights or payment of additional compensation or a fair price for inventions in which they participated.

The occurrence of one or more of these risks could have a significant adverse effect on the Company's business, prospects, financial situation, results and development.

### 3.3.5. Product Liability Risks

The Company could be exposed to liability risks during the clinical development of its products (in particular, product liability related to the testing of therapeutic products in humans and animals). Its liability could thus be incurred by patients participating in clinical trials in connection with the development of the therapeutic products tested and due in particular to the unexpected side effects that could result from the administration of these products.

The Company could also be held liable during the commercialization phase of its products. Civil or criminal proceedings could be instituted against the Company by patients, regulatory agencies, pharmaceutical companies and any other third party using or marketing its products. These actions may include claims resulting from the acts of its partners, licensees and subcontractors, over which the Company has little or no control.

The Company cannot guarantee that its current insurance coverage is sufficient to respond to actions that may be brought against it, or to respond to an unexpected situation.

If its liability or that of its partners, licensees and subcontractors were thus called into question, if it or its partners, licensees and subcontractors were unable to obtain and maintain appropriate insurance coverage at an acceptable cost, or if the Company were unable to protect itself in any way against liability claims, this would seriously affect the marketing of the Company's products and, more generally, adversely affect its business, results, financial position and development prospects.

### 3.3.6. Risks related to potential conflicts that may affect the company's relationship with potential licensees

As described in 3.1.4 above, the Company's strategy may involve licensing its drug candidates to pharmaceutical laboratories. The conclusion of such license agreements and their future could therefore be fundamental for the Company.

Conflicts may arise with licensees during the performance of the contracts between them and the Company, which could affect their continuation and, consequently, the manufacture and marketing of products developed by the Company. These conflicts may relate to the terms and conditions of the contracts or the proper performance by either party of its obligations under such contracts. Such conflicts of interest could significantly affect the Company's business, financial position, results, development and prospects.

### I.3.4. Financial risks

#### 3.4.1. Risks related to uncertain capital resources and uncertain additional financing

In the future, the Company will continue to experience significant financing requirements for developing its technology, pursuing its clinical development program as well as for producing and marketing its products. The Company may not be able to self-finance its growth, a position that would require it to seek other sources of financing, notably through further capital increases.

The level of the Company's financing requirements and their timing depend on factors that are largely beyond the Company's control such as:

- higher costs and slower progress than anticipated for its Research & Development programs and clinical studies;
- the cost of preparing, filing, defending and maintaining its patents and other intellectual property rights;
- the scope of prior research work and the timeframes required to sign licensing agreements with industrial partners;
- higher costs and longer timeframes than anticipated in obtaining regulatory market authorizations and access to social security reimbursement for its products, including the time it takes to prepare application files to submit to the competent authorities;
- new opportunities for developing new products or acquiring technologies, products or companies.

The Company may not be able to raise additional capital when required, or this capital may not be available on financial terms acceptable to the Company. If the necessary funds are not available, the Company may have to:

- delay, reduce or eliminate the number or scope of its pre-clinical and clinical trial programs;
- license its technologies to partners or third parties; or
- enter into new collaboration agreements on terms less favorable to it than those it might have obtained in a different situation.

In addition, as the Company raises capital by issuing new shares, the equity holdings of its shareholders could be diluted. Debt financing, insofar as it is available, may also include restrictive conditions for the Company and its shareholders.

The occurrence of one or more of these risks could have a significant adverse effect on the Company's business activity, outlook, financial position, results and prospects.

### 3.4.2. Risks related to historical and future losses

Since it was founded, the Company has recorded operating losses every year. The Company's net losses in IFRS financial statements for the years ended December 31, 2020 and December 31, 2019 amounted to €8,889,220 and €10,814,039 respectively. These losses reported in the annual Company financial statements under IFRS mainly result from internal and external research and development costs, in particular costs involved in conducting preclinical and clinical trials.

In the near future, the Company expects to record higher operating losses than in the past, mainly due to:

- Clinical study programs scheduled to develop the drug candidate SENS-401;
- Preclinical gene therapy programs as part of the agreement signed with Institut Pasteur;
- New preclinical and clinical trials conducted to address new market segments;
- The increase in regulatory requirements governing the manufacturing of its products;
- The pursuit of an active research and development policy that could involve the development or acquisition of new technologies, products or licenses.

The occurrence of one or more of these risks could have a significant adverse effect on the Company's business activity, outlook, financial position, results and prospects.

In addition, in view of its losses, the Company has never made a dividend distribution and does not plan to make a dividend distribution in the next three years. In subsequent years, the dividend distribution policy will depend on the results achieved and the assessment of the resources required to ensure the Company's development.

### 3.4.3. Risks related to access to the Research Tax Credit

To date, the Company benefits from Research Tax Credit (R&D tax credit) to contribute to the financing of its activities. This is a tax incentive mechanism to encourage French companies to develop their scientific and technical research effort through a tax credit. Research expenditure eligible for the R&D tax credit includes, but is not limited to, salaries and remuneration paid to researchers and research technicians, amortization of fixed assets allocated to research activities, the provision of services subcontracted to approved research bodies (public or private) and the costs of applying for and maintaining patents.

At the request of the tax authorities, companies must substantiate the amount of the R&D tax credit receivable and the eligibility of the research work to qualify for the scheme. The tax authorities recommend that companies compile a guide containing the supporting documents necessary for auditing this tax credit. In June 2019, the R&D tax credit filed for 2017 amounting to a total of 1,885,964 euros was repaid to the Company. The R&D tax credit filed for 2018 amounting to a total of 2,215,003 euros was repaid to the Company in April 2020. In June 2020,

the R&D tax credit filed for 2019 amounting to a total of 2,456,672 euros was repaid to the Company.

The company will request refund of the Research Tax Credit 2020 during the year 2021 for an amount of €1,851,221.

With regard to 2021 and future years, it cannot be ruled out that the tax authorities may challenge the methods used by the Company to calculate R&D expenses in order to determine research tax credit figures. As a result, the risk of these R&D tax credits being contested cannot be ruled out, it being specified that the right of recapture is effective until the end of the third year following the year during which the special disclosure provided for calculating R&D tax credit is filed.

R&D tax credit variations from one year to the next are linked both to variations in research costs and the impact of the collection/reimbursement of public aid for innovation (subsidies or repayable advances).

If the R&D tax credit were to be challenged by a change in regulations or by the tax authorities, this could have an adverse effect on the Company's results.

#### 3.4.4. Risks related to the future use of tax loss carryforwards

At December 31, 2020, after recognizing the net loss for the year, the Company had a deficit carried forward amounting to 69,066,440 euros. To date, this deficit can be carried forward indefinitely and applied to future profits.

In France, for financial years ending on or after December 31, 2012, the allocation of these losses is capped at 1 million euros plus 50% of the profit fraction in excess of this ceiling. The unused balance of the loss may be carried forward to subsequent financial years and is chargeable under the same conditions without any time limit.

It cannot be ruled out that future developments in corporate taxation may wholly or partly challenge the practice of charging past losses to future profits or to limit it in time.

If this situation were to occur, it could have an adverse effect on the Company's earnings.

#### 3.4.5. Risks related to access to public advances

The Company has collected various grants and subsidies, notably in connection with:

- the development of a neuromodulation therapy to treat vertigo (Eureka/Eurostars grant for the project "H4 INVEST: Histamine H4 receptor antagonists, an innovative therapy for the treatment of vestibular disorders”);
- the in vitro and in vivo POC of new vestibuloplegic compounds and investigation of their potential protective effects against vestibular deficits (repayable advance ADI-2010 from Bpifrance and the Languedoc-Roussillon Region);
- the development of an innovative therapeutic solution to protect against inner ear injuries (repayable advance ADI-2014 from Bpifrance and the Languedoc-Roussillon Region)
- the development of the high-content screening platform (zero-interest pro-innovation loan from Bpifrance and the Occitanie Region).

- The establishment of a medicine dedicated to the management of noise-related safety by coupling the development of new diagnostic approaches (subsidy to the research and development project structuring for competitiveness "PATRIOT")
- The development of therapy for neurosensory congenital hearing loss (“AUDINNOVE”)

In the future, the Company intends to continue to apply for grants or subsidies with a view to accelerating its development.

Although it is not currently essential for the Company’s development to obtain grants or subsidies, the Company cannot guarantee that it will have the necessary additional financial resources, time, or the possibility of replacing these particular financial resources with others.

### 3.4.6. Dilution risks

*Founders’ warrants, equity warrants and Stock-Options*

As part of its policy to motivate its managers and employees who play a significant role in the Company’s development, the Company has, since its incorporation, issued and allocated founders’ share warrants, equity warrants and Stock-Options.

At December 31, 2020, outstanding founders’ share warrants, equity warrants and Stock-Options gave their holders the right to subscribe, under certain conditions, to 2,721,739 shares.

To date, outstanding founders’ share warrants, equity warrants and Stock-Options give their holders the right to subscribe, under certain conditions, to 2,760,109 shares.

*OCABSA Yorkville*

The Company had set up a financing plan with a fund managed by Yorkville amounting to a total of 20 million euros through the issue of convertible bonds plus a possible 3.75 million euros if the equity warrants were exercised. The Company obtained 11 million euros through the exercise of 3 tranches. The contract ended on November 18, 2018.

All of the OCABSAs issued under the three tranches and subscribed by Yorkville Advisors Global LP were converted and generated the creation of 2,632,079 new shares.

As part of the first two tranches of the OCABSA financing underwritten by Yorkville Advisors Global LP, the Company issued 170,755 warrants. To date, no warrants have been exercised. 59,148 warrants issued under the first tranche expired on November 19, 2020.

*OC 0321*

On March 11, 2019, the Company launched a bond issue (OC 0321) for a nominal value of 4.7 million euros, consisting of (i) a convertible bond issue (CB) for a face value of 3.4 million euros

subscribed by several new European investors and (ii) an ordinary bond (OB) for a face value of 1.3 million euros subscribed by these same European investors for an amount of 1 million euros and by the Company's management. Thus, 3,440,862 CBs and 1,290,325 OBs were issued and subscribed.

The convertible bonds and ordinary bonds were subscribed for at 93% of their face value, do not bear interest and matured on March 7, 2021. The conversion price of the convertible bonds is based on the stock market price at the time of conversion. The conversion price of the CBs is equal to the lowest value between €1.30 and a weighted average share price of the Sensorion share prior to the decision to convert the CBs, minus a 10% discount in compliance with the limits of the authorizations.

In 2019, 4,516,133 bonds (OC 0321) were converted, generating the issue of 4,482,048 new shares.

At December 31, 2020, 215,054 bonds (OC 0321) were still valid.

At maturity date on March 7, 2021, the OC 0321 bonds had matured and the 215,054 OC 0321 bonds not converted had been redeemed.

*OC 0624*

On June 18, 2019, Sensorion issued convertible bonds (OC 0624) with compulsory conversion into ordinary shares of the Company with a face value of 20 million euros to Invus Public Equities LP and Sofinnova Crossover I SLP, both of which are committed as long-term partners to Sensorion's transformation. The convertible bond issue with a face value of €20,000,000 is represented by 20,000,000 convertible bonds with a face value of one euro each, fully subscribed for a unit price of one euro. These bonds do not bear interest and will be mandatorily converted into shares on the maturity date (June 13, 2024).

On September 26, 2019, a capital increase of a total amount of 18.1 million euros was carried out, backed by Invus, Sofinnova Partners and two additional Chinese companies, Wuxi AppTec and 3SBio. All investors were subject to a lock-up until June 30, 2020.

On February 10, 2020, Invus Public Equities LP converted into ordinary shares all of the 12,500,000 convertible bonds subscribed in June 2019. On February 13, 2020, Sofinnova Crossover I SLP converted all of the 7,500,000 convertible bonds issued in June 2019 into ordinary shares.

**Dilution table**

Dilution tables as of December 31, 2020 and as of the date of this report are provided in paragraph VI.5 of this report.

**I.3.5. Market risks**

3.5.1. Liquidity risks

*Background:*

Since its creation, the Company has financed its growth by bolstering its shareholder equity through successive capital increases, issuing a convertible bond, obtaining government innovation subsidies and grants in the form of refundable advances, claiming research tax credit receivables and setting up a research tax credit pre-financing loan (PREFICIR) with an 18-month principal repayment deferral.

Except the loans taken out as part of the State Guaranteed Loans (PGE) linked to the Covid-19 crisis for a total of two million euros (see note 10.4 to the accounts), the Company has not, to date, made use of bank loans.

*Refundable innovation grants and repayment schedules:*

The Company is not exposed to an immediate liquidity risk, since the contracts covering the refundable advances received (ADI-2010 and ADI-2014) do not provide for early repayment.

On June 30, 2018, under the terms of the ADI-2010 refundable advance agreement, the Company completed the repayment of grants awarded by Bpifrance and the Languedoc-Roussillon region, the total value of which was €303,525. The remaining balance of the advance, a sum of €38,525, was paid in full in 2018.

Under the terms of the ADI-2014 refundable advance agreement, the Company received €860,000 (€300,000 from the Languedoc-Roussillon Region and €560,000 from Bpifrance). These advances will be repaid according to a quarterly schedule running from June 30, 2018 to September 30, 2023. As of December 31, 2020, the Company had repaid €300,000 of the grants awarded by Bpifrance and the Languedoc-Roussillon region. The total amount still to be repaid in quarterly installments stands at €560,000, including €170,000 to be paid between March 31, 2021 and December 31, 2021.

The Company is the beneficiary of an innovation grant (PTZI-2016) awarded by Bpifrance and the Occitanie Region to increase the High Content Screening (HCS) capacity of Sensorion's preclinical platform. This €950,000 grant (an equal portion of which was provided by each of the two financing parties) was paid in January 2017 in the form of an interest-free loan. This loan will be repayable in annual installments from December 31, 2021 to December 31, 2023 (given that 2019 and 2020 installments have already been repaid).

In 2020, Sensorion received €3,000,000 loans including €2,000,000 guaranteed by the French government and €1,000,000 of Research, Development and Innovation loan from Bpifrance. The company expect to begin reimbursement of these loans in 2022 and for a repayment period of 4 years.

*Current liquidity risk*

On August 16, 2016, acting under the sub-delegation granted on July 18, 2016 by the meeting of the Board of Directors, itself acting under the delegation granted by the General Meeting of April 29, 2016, the Chief Executive Officer issued 500 warrants for bonds convertible into shares with attached warrants (OCABSA) to YA GLOBAL MASTER SPV Ltd, resulting in the issuance of

500 bonds with a unit price of €10,000, equating to a bond issue with a maximum face value of €5 million.

On June 30, 2017, the Board of Directors issued YA II PN, Ltd (formerly YA GLOBAL MASTER SPV Ltd) with 500 bonds convertible into shares resulting from the exercise, on the same day, of 500 OCABSA warrants subscribed by YA II PN, Ltd and amounting to €5 million.

On May 18, 2018, the Company carried out a capital increase restricted to certain categories of investor. The capital increase totaled €8.65 million gross and was obtained through institutional investors.

On March 11, 2019, the company launched a bond issue (OC 0321) with a face value of €4.7 million comprising (i) a convertible bond issue with a face value of €3.4 million subscribed by several new European investors and (ii) an ordinary bond issue with a face value of €1.3 million subscribed by these same European investors (€1 million) and by the Company's management: Mr. Patrick Langlois, Chairman of the Board of Directors, and Ms. Nawal Ouzren, Chief Executive Officer. In 2019, 4,516,133 bonds (OC 0321) were converted, resulting in the issuance of 4,482,048 new shares.

On June 18, 2019, Sensorion issued convertible bonds (OC0624) - with mandatory conversion into ordinary shares in the Company and a face value of €20 million - to Invus Public Equities LP and Sofinnova Crossover I SLP, both of which are long-term partners in Sensorion's transformation.

On September 26, 2019, a capital increase worth a total of €18.1 million was carried out, backed by Invus, Sofinnova Partners and two Chinese companies, Wuxi AppTec and 3SBio. All investors were subject to a lock-up until June 30, 2020.

On February 10, 2020, Invus Public Equities LP converted all the 12,500,000 convertible bonds ("CBs") it had subscribed for in June 2019 into ordinary shares in the Company. The conversion was undertaken on a price basis of €0.76 per share. Following this operation, Invus held 20,591,259 ordinary shares and 42.29% of the share capital and voting rights in Sensorion.

On February 13, 2020, Sofinnova Crossover I SLP converted all the 7,500,000 convertible bonds ("CBs") it had subscribed for in June 2019 into ordinary shares in the Company. The conversion was undertaken on a price basis of €0.76 per share. Following this operation, Sofinnova Crossover I SLP held 11,822,258 ordinary shares and 20.19% of the share capital and voting rights in Sensorion.

On September 18, 2020, Sensorion successfully raised €31 million of gross proceeds before deducting underwriting commissions and estimated expenses payable by the Company.

On December 15, 2020, Sensorion announced that Sonova Holding AG (headquarters in Switzerland), a leading provider of hearing solutions, acquired a 3.7% ownership stake in Sensorion by way of subscription to a reserved share capital increase for total gross proceeds of €5 million.

The Board of Directors considers that the Company remains a going concern. As of December 31, 2020, the Company had sufficient net working capital to meet its cash requirements. Following the various capital increases of the year 2020 and as of the current date, the company has the necessary cash to cover its running and expansion costs until the end of second half of 2022.

Substantial research and development expenses relating to clinical studies have been incurred since the Company's operations began, which have so far generated negative operating cash flows. The latter stood at -€14,168,534 and -€5,314,097 for the financial years ending December 31, 2019 and 2020.

As of December 31, 2020, the positive net cash position stood at €62,174,948.

*Measures taken to fund the Company:*

To cover future needs, the Company is considering or may consider taking one or more of the following measures to secure the necessary funding:

- Searching for financing solutions, primarily within the scope of industrial collaborations.
- Licensing agreements with one or more manufacturers for one or more of their candidate products.
- Agreements to secure grants and/or refundable advances specifically relating to the Company's research programs.

These financing solutions could also take the following forms:

- A debt, simple or bonded, which may or may not be convertible.
- A new capital increase conducted with historical shareholders.
- A search for investors via a fundraising round that may take the form of an immediate capital increase (reserved or not).

### 3.5.2. Credit risk

The Company manages its available cash prudently. The Company's cash and cash equivalents are comprised of term deposits. As of December 31, 2020, €62,174,948 in cash assets and term deposits held by the Company were invested in products available immediately or with a maturity of less than one month. Any credit risk to which the Company is subject relates to deposits with banks and financial institutions. The Company uses leading financial institutions for its cash investments. Its cash is therefore not exposed to any significant credit risk.

### 3.5.3. Interest rate risk

The Company's only exposure to interest rate risk relates to the investment of cash in cash equivalents, which in this case are comprised of term deposits. Given that little or no interest is currently earned on this type of investment, the Company considers that any change of +/-1% would not have a significant impact on its net income compared to the losses generated by its business operations. In addition, the Company has no variable-rate debt. Its debt repayments are not subject to interest rate risk.

### 3.5.4. Exchange risk

The Company's strategy is to use the euro as its preferred currency when signing contracts.

As of December 31, 2020, the Company considers that it is not exposed to foreign exchange risk, since only a relatively small proportion of its supplies are purchased outside the euro zone and invoiced in foreign currencies. Similarly, the Company's cash is invested exclusively in euro-denominated investment products. Given that the sums involved are not significant, the Company has not, at this stage in its business development, made any hedging arrangements to protect its business against exchange rate fluctuations. The Company cannot rule out the possibility that a significant upturn in its business volumes may result in greater exposure to foreign exchange risk. In this case, the Company will consider implementing an appropriate policy to mitigate such a risk.

#### 3.5.5. Equity risk

The Company holds no marketable investments or securities.

### I.3.6. Insurance and risk coverage

The Company believes that its insurance policies adequately cover the insurable risks inherent to its business and that its insurance arrangements are consistent with industry practices. The Company has taken out insurance policies with companies boasting a high financial rating and selected for their ability to support the Company's growth. The Company does not expect to encounter any particular difficulty in maintaining appropriate levels of insurance cover in the future, subject to market conditions.

However, the Company cannot guarantee that it will always be able to maintain, and if necessary obtain, similar insurance cover at an acceptable cost, meaning that it may be forced to accept more expensive insurance policies and/or assume a higher level of risk. This will be particularly true as its business expands. Should the Company be required to make one or more major insurance claims, even if these are covered by its policies this could seriously affect its operational and financial position, given the interruption of business that may result from such an event, possible delays in insurance payouts, the coverage limits applicable and the resulting increase in premiums. Its current insurance policies cover industrial risks, premises, the civil and criminal liability of its senior managers, professional and operational civil liability, clinical trials, employee vehicles during business trips, and personal assistance in the event of serious illness, injury or death, in accordance with the terms and conditions generally applicable in the profession.

### I.3.7. Extraordinary events and disputes

To the best of the Company's knowledge, during the 12-month period preceding this document's publication date, the Company has not been involved in any administrative, criminal, legal or arbitration proceedings that could have a material adverse effect not reflected in its financial statements on the Company, its business, its financial position, its results or its growth. In addition, to the Company's knowledge, no events of an extraordinary nature occurred

during said period that may have generated an additional risk or additional costs not covered by provisions.

### I.4. Progress already made or difficulties encountered

Progress made and difficulties encountered are presented paragraph I.1 above.

### I.5. Post-closing events

Since the end of the fiscal year, the key business updates are as follows:

- On January 5, 2021, Sensorion provided an **update on plans and progress made in the development of SENS-401** for the prevention of hearing loss. After encouraging efficacy data in preclinical models, the Company expects to begin a proof-of-concept clinical trial with SENS-401 to treat patients suffering from cisplatin-induced ototoxicity (CIO) in the second half of 2021. A natural history study of CIO in adult cancer patients is expected to start in the first half of 2021. Successful clinical findings would significantly expand Sensorion's target market for SENS-401: approximately 500,000 cancer patients are treated annually with cisplatin in the USA and EU5, a significant proportion of whom will experience severe hearing loss.

  At that time, Sensorion also announced a delay in the availability of the topline results from the Phase 2 study of SENS-401 in SSNHL to Q4 2021, due to the impact of COVID-19. Additionally, Sensorion indicated that it planned to review the study design and consider opportunities to aid its successful on-time completion. Following this review, an amendment to the statistical analysis plan (SAP), which would significantly reduce the sample size without compromising on the quality and potential outcome of the trial, has been submitted to the regulatory authorities. The responses from regulators so far have been encouraging and this increases the Company's confidence in being able to generate topline data this year

- On January 19, 2021, Sensorion announced positive preclinical data demonstrating the potential of SENS-401 to preserve residual hearing after cochlear implantation, in a **collaboration with Cochlear**, the global leader in implantable hearing solutions. Cochlear implants are very effective in treating severe to profound hearing loss, but preserving acoustic hearing in patients with residual hearing who receive cochlear implants could provide substantial benefit. Sensorion and Cochlear are making progress in the discussion around potential clinical study designs. Next steps are being discussed with Cochlear.

- On February 15, 2021, Sensorion announced a **third gene therapy collaboration with Institut Pasteur around the GJB2** gene targeting important pediatric and adult deafness markets. GJB2 mutations had already been widely recognized as the most prevalent cause of congenital deafness and now, new findings from Institut Pasteur have now

demonstrated that GBJ2 mutations also underlie a wide range of other instances of severe hearing loss in the adult population. Sensorion will pursue three initial GBJ2-related indications: congenital deafness, progressive childhood hearing loss and early onset of severe presbycusis in adults.

Section I.3.2.1 describes more specifically the risks incurred by the Company in relation to the Covid 19 pandemic.

**I.6. Foreseeable changes in the Company's situation and future prospects**

As of 31st December 2020, the Company had a €62 million cash position, boosted by a successful €31 million Reserved Offering conducted in September and the December investment of €5 million from Sonova. Sensorion intends to use the new funds to develop its current gene therapy programs (OTOF-GT, GJB2-GT and USHER-GT), to support its pharmacology and clinical studies of SENS-401 and for general corporate purposes.

Sensorion's strategy is to become one of the leading developers of innovative treatments for inner ear diseases. Sensorion will continue to actively develop its drug candidate that is in clinical trials, expand its gene therapy programs while conducting research in its screening technology platform.

Expected future milestones and estimated timelines:

- H1 2021 – Start of CIO Natural History Clinical Trial
- H1 2021 – Ongoing approvals of the protocol amendment to reduce sample size for the SENS-401 Phase 2 study in SSNHL
- H1 2021 – Discussion with regulatory authorities on potential OTOF-GT clinical study design
- H1 2021 – Generation of preclinical PoC studies in older mice for USHER-GT
- H2 2021 – Initiation of SENS-401 clinical study in adults with CIO
- Q4 2021 – Communication of top line data for the SENS-401 Phase 2 clinical study in SSNHL

Sensorion's strategy is to become one of the leading companies developing innovative treatments for inner ear diseases. Sensorion will continue to actively develop its drug candidate now in clinical trial, to advance its gene therapy programs while conducting research within its screening technology platform. The Company also expects to pursue its strategy of discovering new research programs using Sensorion's proprietary technology platform, alone or in partnership with other companies.

The Company has also conducted a specific review of its financing needs and believes that given the net cash available and the probable evolution of its financing needs to ensure the development of its clinical programs, it will be necessary, including during the next 12 months, to seek additional financing.

As of December 31, 2020, the Company had sufficient net working capital to meet its cash requirements. As a result of the various financial transactions carried out in 2020 and as of today, the Company has the necessary cash to cover its current and development expenses until the end of second half of 2022.

Like all biotechnology companies, the Company has sought, and continues to seek, financing solutions, primarily through industrial collaborations or licensing agreements with one or more manufacturers on one or more of its product candidates, but also through agreements for grants and/or repayable advances specifically related to the Company's research programs. These financing solutions could also take the following forms:

- debt, whether simple or debenture, convertible or not;

- new financing from historical shareholders;

- the search for investors in the context of a capital raising that could take the form of an immediate capital increase (reserved or not);

In addition, the Company may resize its operating plans, in particular by delaying or limiting the scope of its research and development programs.

### I.7. The Company's Research and Development Activities

Sensorion is a biotechnology company specializing in the research of new drugs for the treatment of inner ear diseases. Research and development is the Company's core business.

Most of the expenses incurred by the Company, since its creation, relate to the development of its technology, the development of new drugs and the acquisition and registration of licenses and patents protecting its activities.

#### I.7.1 Research and development expenses

Sensorion accounts for its research and development expenses in accordance with current accounting rules. Research and development costs are expensed and are not capitalized as fixed assets, since the chances of technical success and commercial profitability are not proven at the end of the 2020 fiscal year. It therefore recognizes them in the income statement in the period in which they are incurred.

Research and development expenses amounted to €7,679k in 2020 compared to €10,208k in 2019 mainly related to:

- Continuation of the clinical phase of SENS-401 currently underway in Canada, Europe, in patients with severe sudden hearing loss in partnership with external clinical research organizations (CROs)
- The start of research on two preclinical gene therapy programs targeting Usher syndrome type 1 and Otoferlin deficiency, two monogenic forms of hereditary deafness.

The portion of these costs eligible for the research tax credit for the 2020 financial year amounted to €6,171k net of subsidies and conditional grants received.

A research tax credit of €1,851k was accounted for in 2020.

**I.7.2 Patents and licenses**

Our ability to obtain patents in France, Europe, the United States and elsewhere in the world to protect our technologies, processes and products is fundamental to our ability to market our products on an exclusive basis. Sensorion's general policy is to strengthen its portfolio of technologies and products either by filing new patents itself or by gaining access, through collaborations and licensing agreements, to elements of technologies or products over which third parties may have rights. Where appropriate, the Company may also abandon patents when the costs of maintaining them exceed the expected future benefits or when the assumptions made therein are obsolete.

The Company currently has a portfolio of four patent families.

In its dealings with third parties, Sensorion also relies on confidentiality agreements to protect its technology, drug candidates and trade secrets.

## I.8. Debt Situation

The company's debts according to IFRS financial statements amount to €9,524,323 as of December 31, 2020 compared to €24,881,007 as of December 31, 2019. The main elements break down as follows:

- Loans and debts from credit institutions: €3,005,582 compared to €0 on December 31, 2019 (government guaranteed loans and research, development and innovation loan).
- Convertible bonds for €191,625 against €20,186,223 (including €20,000,000 converted in February 2020) on December 31, 2019.
- Loans and various financial debts: €1,681,340 compared to €1,392,691 on December 31, 2019. These are refundable advances in the context of funding research projects.
- Rental debts: €684,088 as of December 31, 2020 compared to €781,667 as of December 31, 2019
- Suppliers: €2,198,475 compared to €1,605,054 on December 31, 2019.
- Other current liabilities: €1,616,688 compared to €800,218 on December 31, 2019.

# II. ANNUAL PRESENTATION OF STATUTORY ACCOUNTS

Annual statutory accounts for the year-ended December 31st, 2020 which will be subjected to your approval have been prepared in accordance with the presentation rules and valuation methods provided by the regulation in force.

The presentation rules and valuation methods used are similar to those for the previous years.

Balance sheet, income statement and appendices are attached to this report.

Schedule including the results of the Company over the past 5 years is also attached in this report in accordance with the Article R. 225-102 of the French Commercial code (***Appendix 1***).

II.1. Economic and financial results

Main items in the income statement for the year-ended December 31st, 2020 are the following:

- revenue excluding VAT is zero as the previous year;
- total of operating expenses amounted to 644,938 euros compared to 14,410 euros in the previous year;
- operating expenses amounted to 11,097,600 euros compared to 12,758,282 euros for the previous year, which represents a decrease of 13% linked to lower research costs due to the completion of SENS-111 clinical trial in 2019 and a slow-down of SENS-401 activities linked to the global Covid-19 pandemic situation.
- operating result is -10,452,663 euros compared to -12,743,872 euros for the previous year, and represents an increase of 18 %;
- wages and salary amount 2,364,834 euros and 1,695,687 euros for the previous year, and represents an increase of 39% linked to an increase of headcounts;
- social charges amount 1,000,593 euros compared to 658,675 euros the previous year, it represents an increase of 52 %;
- headcount is 23 for the year 2020 and increased compared to prior year.

With a financial result of 41,553 euros compared to 14,653 euros in FY2019, result before tax in 2020 is -10,411,110 euros compared to -12,729,219 euros prior year.

Considering the items above, the extraordinary result of -43,081 euros compared to– 18,992 euros prior year and the research tax credit of 1,858,284 euros compared to2,456,672 euros prior year, the net result shows a loss of -8,595,907 euros compared to a 10,291,539 euros for prior year.

As of December 31, 2020, shareholders' equity amounted to 58,434,060 euros and total balance sheet of the Company amounted to 67,304,511 euros compared to 38,436,057 euros prior year.

**II.2. Non-tax deductible expenses**

Pursuant to the provisions of Articles 223 quater and 223 quinquies of the French General Tax Code, we hereby inform you that the financial statements for the past financial year do not include any non-deductible expenses or charges referred to in Article 39-4 of said Code.

**II.3. Appropriation of earnings**

We propose that you approve the annual financial statements as presented to you, which show a loss of € -8,595,907 and that you allocate this loss in full to the "Share premium" account, which would thus be reduced from € 59,055,944 to € 50,460,037.

**II.4. Reminder of paid dividends**

We remind you, in accordance with the provisions of Article 243 bis of the French General Tax Code, that no dividend has been paid since the Company's incorporation.

**II.5. Information on payment terms**

Pursuant the application of the French commercial code, we inform you about the breakdown, in accordance with the models established by the decree of March 20, 2017 of our suppliers and customers payment terms, with (i) the invoices received but not paid at the closing date of the fiscal year whose term is expired and (ii) the invoices issued but that were late in payment during the year.

| | Article D 441 I, 1° of the french Commercial Code<br>**Invoices received with VAT not paid at the closing date whose term is expired** | | | | |
|---|---|---|---|---|---|
| | **1 to 30 days** | **31 to 60 days** | **61 to 90 days** | **91 days and more** | **Total (1 days and more)** |
| (A) **Portion with late payment** | | | | | |
| **Number of invoices** | 115 | | | | |
| **Total amount of invoices** | 270,469.41 | 38,329.60 | 25,167.19 | 334,472.35 | 668,438.55 |
| **Percentage of the total amount of purchases** | 4% | 1% | 0% | 5% | 9% |
| **Percentage of revenue** | NOT APPLICABLE | | | | |
| (B) **Invoices excluded (A) related to litigious payables and receivables not recorded** | | | | | |
| **Number of invoices excluded** | NOT APPLICABLE | | | | |
| **Total amount of invoices excluded** | NOT APPLICABLE | | | | |
| (C) **Payment terms used (contractual or legal term)** | | | | | |
| **Payment terms used to calculate late payment** | 30 days (contractual terms) | | | | |

| | Article D 441 I, 1° of the french Commercial Code<br>**Invoices issued with VAT not paid at the closing date whose term is expired** | | | | |
|---|---|---|---|---|---|
| | **1 to 30 days** | **1 to 30 days** | **1 to 30 days** | **1 to 30 days** | **1 to 30 days** |
| (A) **Portion with late payment** | | | | | |

| | |
|---|---|
| **Number of invoices** | NOT APPLICABLE |
| **Total amount of invoices** | |
| **Percentage of the total amount of purchases** | |
| **Percentage of revenue** | |
| (A) **Invoices excluded (A) related to litigious payables and receivables not recorded** | |
| **Number of invoices excluded** | NOT APPLICABLE |
| **Total amount of invoices excluded** | NOT APPLICABLE |
| (B) **Payment terms used (contractual or legal term)** | |
| **Payment terms used to calculate late payment** | 30 days (contractual terms) |

## III. REPORT ON CORPORATE GOVERNANCE

### III.1. Terms and conditions of general management

In accordance with Article R 225-102 of the French Commercial Code, we remind you that your Board of Directors has decided to separate the functions of Chairman of the Board of Directors and Chief Executive Officer.

### III.2. Agreements entered into by an officer or significant shareholder of the Company with a subsidiary

As the Company does not own any subsidiaries, this statement is not applicable.

### III.3. Regulated agreements

The following agreement was entered into during the financial year ended December 31, 2020:

An amendment to the consulting agreement with PJL Conseils, concluded on May 14, 2020 of which Mr. Patrick Langlois executive officer, at the time was Chairman and Director of the Company, amending the consulting fees to €4,000 excluding VAT per month until December 31, 2020, after authorization by the Board of Directors on April 28, 2020. This amendment ended at the end of of Mr. Patrick Langlois' term of office as Chairman and Director, i.e. until July 3, 2020.

The regulated agreements previously authorized and which remained in force during the financial year ended December 31, 2020 are as follows:

- PJL Conseils consulting agreement
  The consulting agreement concluded with PJL Conseils, of which Mr. Patrick Langlois is executive officer, in February 2015, after authorization by the Board of Directors on January 19, 2015, as amended by an amendment concluded on February 2, 2016, after authorization by the Board of Directors on February 2, 2016, continued until the end of Mr. Patrick Langlois' term of office as Chairman and Director, i.e. until July 3, 2020.

- CEO mandate agreement

The CEO mandate agreement concluded with Mrs. Nawal Ouzren, after authorization by the Board of Directors on April 12, 2017, continued during the financial year ended December 31, 2020.

### III.4. Corporate Officers

#### 1) *Designation of Corporate Officers*

As of the date of this report, the Directors are:

- **Mr. Edwin Moses**, also Chairman,
- **Mrs. Nawal Ouzren**, also CEO,
- **Mr. Jean-François Morin**,
- **Bpifrance Investissement**, represented by Mrs. Chahra Louafi,
- **Health Opportunities**, represented by Mr. Eric Forquenot de la Fortelle,
- **Sofinnova Partners**, represented by Mr. Cédric Moreau,
- **Mr. John Furey**,
- **Mr. Khalil Barrage**,
- **Mr. Julien Miara**.

#### *2) Independent Directors*

The Company considers that it is independent in accordance with the independence criteria defined by the MiddleNext Code:

- Mr. Eric Forquenot de la Fortelle, representing Health Opportunities, and
- Mr. John Furey.

#### *3) Status of Directors' terms of office*

The term of office of **Mr. Jean-François Morin** was renewed pursuant to the decisions of the Shareholders' Meeting of May 28, 2019 for a period of three years, i.e. until the end of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the year ending December 31, 2021.

The terms of office of **Bpifrance Investissement**, **Mrs. Nawal Ouzren** and **Mr. Julien Miara**, were renewed pursuant to the decisions of the Shareholders' Meeting of May 20, 2020 for a period of three years, i.e. until the end of the Shareholders' Meeting to be held in 2023 to approve the financial statements for the year ending December 31, 2022.

**Sofinnova Partners** was appointed pursuant to the decisions of the Shareholders' Meeting of July 29, 2019 for a term of three years, i.e. until the end of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the year ending December 31, 2021.

**Mr. Khalil Barrage** was provisionally appointed as a Director by the Board of Directors on June 11, 2019 to replace Inserm Transfert Initiative, who resigned, for the remainder of the latter's term of office, i.e. until the end of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the year ending December 31, 2021; his provisional appointment was ratified pursuant to the decisions of the Shareholders' Meeting of July 29, 2019.

**Mr. John Furey** was provisionally appointed as a Director by the Board of Directors on September 6, 2019 to replace Mrs. Catherine Leveau, who resigned, for the remainder of the latter's term of office, i.e. until the end of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the year ending December 31, 2021; his provisional appointment was ratified pursuant to the decisions of the Shareholders' Meeting of May 20, 2020.

**Mr. Edwin Moses** was provisionally appointed as a Director by the Board of Directors on July 3, 2020 to replace Mr. Patrick Langlois, who resigned, for the remainder of the latter's term of office, i.e. until the end of the Shareholders' Meeting to be held in 2023 to approve the financial statements for the year ending December 31, 2022.

***We propose that you ratify the provisional appointment of Mr. Edwin Moses as Director (4th resolution).***

The term of office of **Health Opportunities**, appointed by the Board of Directors on July 3, 2019, on a provisional basis, as a Director to replace Mr. Eric Forquenot de la Fortelle, who resigned, for the remainder of the latter's term of office, whose provisional appointment was ratified pursuant to the decisions of the Shareholders' Meeting of May 20, 2020, expires at this Shareholders' Meeting.

***We propose that you renew the mandate of Health Opportunities, represented by Mr. Eric Forquenot de la Fortelle, for a new period of three (3) years, i.e. until the end of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the year ending December 31, 2023 (5th resolution).***

**4) *Status of the CEOs' term of office***

**Mrs. Nawal Ouzren** was appointed as Chief Executive Officer pursuant to the decisions of the Board of Directors on April 12, 2017 and her term of office was set at five (5) years, expiring at the end of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the year ending December 31, 2021.

**5) *Mandates and functions performed by corporate officers***

In accordance with the provisions of Article L. 225-37-4 1° of the French Commercial Code, the list of offices and positions held by corporate officers in other companies during the past financial year is set out in **Appendix 2** to this report.

**III.5. Specialist Committees**

**1) *Audit Committee***

Members of the Audit Committee are:

- **Mr. Eric Forquenot de la Fortelle**, also Chairman,
- **Mr. Jean-François Morin**,

renewed in their functions under the terms of the decisions of the Board of Directors on May 20, 2020 for a period of three years.

- **Mr. Julien Miara**,
  appointed under the terms of the decisions of the Board of Directors on July 3, 2019 for a period of three years.

- **Mr. Edwin Moses**,
  appointed under the terms of the decisions of the Board of Directors on October 20, 2020 for a period of three years.

**2) *Remuneration Committee***

Members of the Remuneration Committee are:

- **Mr. Edwin Moses**, also Chairman,
  appointed under the terms of the decisions of the Board of Directors on October 20, 2020 for a period of three years.

- **Mrs. Chahra Louafi**,
  renewed in their functions under the terms of the decisions of the Board of Directors on May 20, 2020 for a period of three years.

- **Mr. Khalil Barrage**,
- **Mr. Cédric Moreau**,
  appointed under the terms of the decisions of the Board of Directors on July 3, 2019 for a period of three years.

- **Mr. John Furey**,
  appointed under the terms of the decisions of the Board of Directors on September 6, 2019 for a period of three years.

### III.6. Stock-Options and free shares granted to Corporate Officers

The Board of Directors has not imposed any restrictions on the Stock-Options and free share grants, with the exception of the retention of shares by Mrs. Nawal Ouzren, Chief Executive Officer:

. at least 20% of the free shares granted until April 12, 2020,
. at least 10% of the free shares granted until the end of his term of office,
. at least 5% of the shares resulting from the exercise of Stock-Options until the end of his term of office.

### III.7. MiddleNext reference corporate governance code

In order to comply with the requirements of Article L. 225-37-4 of the French Commercial Code, the Company has designated the Corporate Governance Code as published in September 2016 by MiddleNext (the "*MiddleNext Code*") as its reference code.

The table below details the progress of the Company's reflections on the application of the

principles of the MiddleNext Code:

- the Company believes that it complies with the recommendations of the MiddleNext Code set out in the table under the heading "Applied";
- the Company is currently considering the recommendations of the MiddleNext Code with which it believes it does not currently comply and which are listed in the table under the heading "Not applied".

| MiddleNext Code recommendations | Applied | Not applied |
|---|---|---|
| **I. "Supervisory" body** | | |
| R1 : Conduct of Board members | X | |
| R2 : Conflicts of interest | X | |
| R3 : Composition of the Board – Presence of independent members on the Board | X | |
| R4 : Reporting to Board Members | X | |
| R5 : Organisation of Board and Committee meetings | X | |
| R6 : Board Committees | X | |
| R7 : Internal rules for the Board | X | |
| R8 : Selection of each Board member | X | |
| R9 : Terms of office of Board members | X | |
| R10 : Remuneration of Board members | X | |
| R11 : Assessment of the Board's work | | X (1) |
| R12 : Relations with shareholders | X | |
| **II. Executive power** | | |
| R13 : Definition and transparency of remuneration paid to executive corporate officers | X | |
| R14 : Succession planning for executives | | X (2) |
| R15 : Combination of an employment contract and role as corporate officer | X | |
| R16 : Severance pay | X | |
| R17 : Supplementary pension plan | NA | NA (3) |
| R18 : Stock-Options and bonus share awards | X | |
| R19 : Review of areas for attention | | X (4) |

(1) R11 : not yet applied ; the Board of Directors intends to implement such assessment in 2021.
(2) R14 : not yet applied ; the Board of Directors intends to review this point in 2021.
(3) R17 : the Company has not set up a supplementary pension plan for executives.
(4) R19 : not yet applied ; the Board of Directors intends to carry out this review in 2021.

### III.8. Delegations of authority and powers granted to the Board of Directors

In accordance with the provisions of article L. 225-37-4 of the French Commercial Code, a table summarizing the valid delegations of authority and powers granted by the Shareholders'

Meeting to the Board of Directors in connection with capital increases pursuant to articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code is attached as ***Appendix 3*** to this report, showing their use during the past financial year and since the beginning of the current financial year.

We remind you that in connection with the use of these delegations of authority, the Board of Directors has, in accordance with the provisions of Article R. 225-116 of the French Commercial Code, prepared additional reports, which are presented to you in the context of this meeting.

You will also be presented with the additional reports prepared by the Statutory Auditor on the use of these delegations.

### III.9. Special terms and conditions for shareholder participation in the meeting

Heading V of the bylaws, relating to shareholders' meetings, does not provide for any particular method of shareholder participation in the meeting.

## IV. STATUTORY AUDITOR

### IV.1. Status of the Statutory Auditor's mandates

The General Meeting of April 29, 2016 decided to appoint:

- ERNST & YOUNG as Statutory Auditor, and
- AUDITEX as Substitute Auditor,

for a period of six (6) financial years, expiring at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2021.

### IV.2. Audit of the Statutory Auditor

The Statutory Auditor will present his report on the annual accounts and on the regulated agreements.

## V. REMUNERATION OF DIRECTORS (EX ATTENDANCE FEES)

The general shareholders' meeting of May 31, 2018 set at €100,000 the amount of Directors' fees to be allocated to the members of the Board of Directors and the various committees for the financial year 2018, as well as for each subsequent financial year, until otherwise decided by the ordinary general shareholders' meeting.

The Board of Directors does not propose a different amount, as the maximum annual amount to be paid to the Directors and members of the various committees as remuneration, of €100,000, remains unchanged for the financial year 2021.

## VI. COMPOSITION OF SHARE CAPITAL

**VI.1. Share capital**

At December 31, 2020, the Company's share capital of €7,974,022.80 consisted of 79,740,228 shares with a par value of €0.10 each.

**VI.2. Voting rights**

In accordance with Article 14 of the Company's bylaws, no double voting rights are attached to shares, regardless of the length of time they have been held in registered form by a shareholder.

**VI.3. Identity of shareholders holding more than 5 %, 10 %, 15 %, 20 %, 25 %, 33 1/3 %, 50 %, 66 2/3 %, 90 % et 95 % of the share capital or voting rights as of December 31, 2020**

In accordance with the provisions of Article L. 233-13 of the French Commercial Code, and based on the information received pursuant to Articles L. 233-7 and L. 233-12 of the same Code, we disclose below the identity of shareholders holding more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90% and 95% of the share capital or voting rights at December 31, 2020.

| | Shares | Voting rights |
|---|---|---|
| - INVUS PUBLIC EQUITIES | > 25 % | > 25 % |
| - SOFINNOVA PARTNERS | > 15 % | > 15 % |
| - WUXI APPTEC | > 5 % | > 5 % |
| - 3SBIO | > 5 % | > 5 % |

**VI.4. Transactions carried out by managers on their securities**

In accordance with Articles L. 621-18-2 and R. 621-43-1 of the French Monetary and Financial Code, the Company has been informed of the following transactions in excess of €20,000 during the calendar year carried out on the Company's shares by directors, senior managers and related parties, namely:

- purchase of shares on the market by INVUS PUBLIC EQUITIES (related persons Mr. Khalil Barrage and Mr. Julien Miara):

. Total number over 2020: 39,096 shares

**VI.5. Securities giving access to the capital**

**Capitalization at December 31, 2020 :**

| | **Non-diluted basis** | | **Fully diluted basis** [(2)] | |
|---|---|---|---|---|
| | **Number of shares** | **Equity holding** | **Number of shares** | **Equity holding** |
| Inserm Transfert Initiative | 982 911 | 1.23% | 982 911 | 1.19% |

| | | | | |
|---|---|---|---|---|
| Innobio | 3 499 874 | 4.39% | 3 499 874 | 4.23% |
| Management, employees, directors [(1)] | 160 000 | 0.20% | 2 140 041 | 2.59% |
| Cochlear | 533 755 | 0.67% | 533 755 | 0.65% |
| Invus Public Equities LP | 26 490 415 | 33.22% | 26 490 415 | 32.02% |
| Sofinnova Partners | 15 469 458 | 19.40% | 15 469 458 | 18.70% |
| WuXi AppTec | 5 249 608 | 6.58% | 5 249 608 | 6.34% |
| SONOVA AG | 2 941 176 | 3.69% | 2 941 176 | 3.55% |
| 3SBio | 4 055 150 | 5.09% | 4 055 150 | 4.90% |
| Floating (including former officers and directors) | 20 357 881 | 25.53% | 21 376 612 | 25.84% |
| **Total** | **79 740 228** | **100.00%** | **82 739 000** | **100.00%** |

(1) Including 160,000 free shares allocated on May 29, 2018

(2) Including securities giving access to the capital and stock-options described below

At December 31, 2020, securities giving access to the capital and stock-options (described in paragraph VI.6) outstanding are as follows:

. founders' share warrants, equity warrants and Options giving the right to subscribe to 2,721,739 new shares
. equity warrants detached from convertible bonds (OCABSA) giving the right to subscribe to 111,607 new shares
. convertible bonds (OC 0321) giving the right to subscribe to 165,426 new shares (*conversion assumption at a price of €1.30*)

Dilution table at December 31, 2020

In respect of the table below and at December 31, 2020:

. the **Non-Diluted Reference** corresponds to shares in circulation only, i.e. **79,740,228** shares
. the **Diluted Reference** corresponds to **82,461,967** shares, i.e. Non-Diluted Reference and 2,721,739 shares resulting from the possible exercise of the founders' warrants, equity warrants and Options outstanding
. the **Fully Diluted Reference** corresponds to **82,739,000** shares, i.e. Diluted Reference and 111,607 shares resulting from the possible exercise of equity warrants detached from outstanding convertible bonds (OCABSA) and 165,426 shares resulting from the possible conversion of convertible bonds (OC 0321) (*conversion assumption at a price of €1.30*)

| **Description of dilutive instruments** | **Number of shares** | **Dilution as per Diluted Reference** | **Dilution as per Fully Diluted Reference** |
|---|---|---|---|
| outstanding founders' warrants, equity warrants and Options | 2 721 739 | 3.30% | 3.29% |
| equity warrants detached from outstanding convertible bonds (OCABSA) | 111 607 | 0.14% | 0.13% |
| convertible bonds OC 0321 | 165 426 | 0.20% | 0.20% |
| **TOTAL Dilutive instruments issued and valid** | **2 998 772** | **NA** | **3.62%** |

Dilution for a shareholder holding 1 % of the capital

| | Before dilution | After dilution |
|---|---|---|
| Diluted Reference | 1.00% | 0.97% |
| Fully Diluted Reference | 1.00% | 0.96% |

**Capitalization at the date of this report:**

| | Non-diluted basis | | Fully diluted basis [2] | |
|---|---|---|---|---|
| | Number of shares | Equity holding | Number of shares | Equity holding |
| Inserm Transfert Initiative | 982 911 | 1,23% | 982 911 | 1,19% |
| Innobio | 3 499 874 | 4,39% | 3 499 874 | 4,24% |
| Management, employees, directors [1] | 160 000 | 0,20% | 2 012 985 | 2,44% |
| Cochlear | 533 755 | 0,67% | 533 755 | 0,65% |
| Invus Public Equities LP | 26 490 415 | 33,22% | 26 490 415 | 32,07% |
| Sofinnova Partners | 15 469 458 | 19,40% | 15 469 458 | 18,73% |
| WuXi AppTec | 5 249 608 | 6,58% | 5 249 608 | 6,35% |
| SONOVA AG | 2 941 176 | 3,69% | 2 941 176 | 3,56% |
| 3SBio | 4 055 150 | 5,09% | 4 055 150 | 4,91% |
| Floating (including former officers and directors) | 20 357 881 | 25,53% | 21 376 612 | 25,88% |
| **Total** | **79 740 228** | **100,00%** | **82 611 944** | **100,00%** |

(1) Including 160,000 free shares allocated on May 29, 2018

(2) Including securities giving access to the capital and stock-options described below

At the date of this report, securities giving access to the capital and stock-options (described in paragraph VI.6) outstanding are as follows:

. founders' share warrants and equity warrants giving the right to subscribe to 2,760,109 new shares

. equity warrants detached from convertible bonds (OCABSA) giving the right to subscribe to 111,607 new shares

Convertible bonds (OC 0321) were cancelled following their repayment on the maturity date of March 7, 2021.

Dilution table at the date of this report

In respect of the table below and at the date of this report:

. the **Non-Diluted Reference** corresponds to shares in circulation only, i.e. **79,740,228** shares
. the **Diluted Reference** corresponds to **82,500,337** shares, i.e. Non-Diluted Reference and 2,760,109 shares resulting from the possible exercise of the founders' warrants and equity warrants outstanding
. the **Fully Diluted Reference** corresponds to **82,611,944** shares, i.e. Diluted Reference and 111,607 shares resulting from the possible exercise of equity warrants detached from outstanding convertible bonds (OCABSA)

| Description of dilutive instruments | Number of shares | Dilution as per Diluted Reference | Dilution as per Fully Diluted Reference |
|---|---|---|---|
| outstanding founders' warrants and equity warrants | 2 760 109 | 3,35% | 3,34% |
| equity warrants detached from outstanding convertible bonds (OCABSA) | 111 607 | 0,14% | 0,14% |
| convertible bonds OC 0321 | 0 | NA | NA |
| **TOTAL Dilutive instruments issued and valid** | **2 871 716** | **NA** | **3,48%** |

Dilution for a shareholder holding 1 % of the capital

| | Before Dilution | After Dilution |
|---|---|---|
| Diluted Reference | 1,00% | 0,97% |
| Fully Diluted Reference | 1,00% | 0,97% |

**VI.6. Special report on Stock-Options granted or exercised during the year**

In accordance with the provisions of Article L. 225-184 of the French Commercial Code, we hereby inform you of the transactions carried out pursuant to the provisions of Articles L. 225-177 to L. 225-186 of the French Commercial Code.

Four (4) Stock-Options plans for the subscription of new shares were set up in 2020.

**Stock subscription and purchase options granted or exercised in 2020 - Corporate Officers**

| | PLAN 2 | PLAN 4 |
|---|---|---|
| Grant date | 07/03/2020 | 08/22/2020 |
| Nature of stock-option | Subscription | Subscription |
| Number of beneficiaries | 1 | 1 |
| Number of stock-options/shares granted | 585 630 | 100 000 |
| Performance conditions | no | no |
| Condition of présence | yes | yes |
| Vesting time by 1/3 over 3 years | yes | yes |
| Strike price | 0.86 € | 1.197 € |
| Expiry date | 07/02/2027 | 08/21/2027 |
| Number of stock-options/shares exercised during the year | 0 | 0 |
| Number of stock-options/shares cancelled during the year | 0 | 0 |
| Number of stock-options/shares exercisable as of 12.31.2020 | 585 630 | 100 000 |

**Stock subscription and purchase options granted or exercised in 2020 – Top 10 employees**

| | PLAN 3 |
|---|---|
| Grant date | 07/30/2020 |
| Nature of stock-option | Subscription |
| Number of beneficiaries | 6 |
| Number of stock-options/shares granted | 165 000 |
| Performance conditions | no |
| Condition of présence | yes |
| Vesting time by 1/3 over 3 years | yes |
| Strike price | 0.9027 € |
| Expiry date | 07/29/2027 |
| Number of stock-options/shares exercised during the year | 0 |
| Number of stock-options/shares cancelled during the year | 0 |
| Number of stock-options/shares exercisable as of 12.31.2020 | 165 000 |

**Stock subscription and purchase options granted or exercised in 2020 – Other beneficiaries (former Corporate Officer)**

| | PLAN 1 |
|---|---|
| Grant date | 05/20/2020 |
| Nature of stock-option | Subscription |
| Number of beneficiaries | 1 |

| | |
|---|---|
| Number of stock-options/shares granted | 100 000 |
| Performance conditions | no |
| Condition of présence | no |
| Vesting time by 1/3 over 3 years | no |
| Strike price | 0.76 € |
| Expiry date | 05/19/2027 |
| Number of stock-options/shares exercised during the year | 0 |
| Number of stock-options/shares cancelled during the year | 0 |
| Number of stock-options/shares exercisable as of 12.31.2020 | 100 000 |

### VI.7. Grant of free shares

On May 30, 2017, the Board of Directors, pursuant to the authorization granted to it by the Shareholders' Meeting of April 29, 2016 under the terms of the 22nd resolution, proceeded with the allocation of 160,000 free shares to the benefit of Mrs. Nawal Ouzren, in her capacity as Chief Executive Officer.

The vesting period set at one (1) year ended on May 29, 2018, with definitive vesting having taken place on May 30, 2018.

Mrs. Nawal Ouzren shall retain:
. at least 20% of the free shares, i.e. 32,000 shares, until April 12, 2020,
. at least 10% of the free shares, i.e. 16,000 shares, until the end of his term of office.

## VII. PARTICIPATION OF EMPLOYEES IN THE CAPITAL

At the closing date of the past financial year, Employees did not hold any registered shares in the Company.

The Company has not set up a collective share management system.

## VIII. SUBSIDIARIES, AFFILIATES AND CONTROLLED COMPANIES

At the closing date of the past financial year, the Company did not own any subsidiaries or interests in other companies and did not control any other companies.

## IX. RECIPROCAL SHAREHOLDERS BETWEEN COMPANIES

We inform you that the Company does not hold any reciprocal interests.

## X. SHARE BUY BACKS PROGRAM

The shareholder’s general meeting of the company dated by May,20, 2020, approved the Board of Directors to implement for a period of eighteen (18) months after the general meeting, a

liquidity contract for the company under the terms of articles L. 225-209 and after of the French Commercial Code.

The Board of Directors used this delegation of authorities to implement this liquidity contract according to the code of ethics recognized by the AMF, signed with the company Kepler Cheuvreux.

During the year ended December 31st, 2020, the company proceeded to the following operations in the framework of the liquidity contract:

- ordinary shares purchased during the year 131 853
- ordinary shares sold during the year 143 187
- volume-weighted average share price of purchases 1.26 €
- volume-weighted average share price of sales 1.35 €
- amount of trading costs N/A
- number of shares hold by the company as of December 31, 2019 79 309
- number of shares hold by the company as of December 31, 2020 67 975
- nominal value of shares 0.10 €
- percentage of share capital as of December 31st, 2020 0.09%

As of June 30, 2020, in the half-year report of the liquidity contract, the following assets appeared on the liquidity account:

- 80 107 ordinary shares
- 8,849.,38 €

As of June 30, 2020, in the annual report of the liquidity contract, the following assets appeared on the liquidity account:

- 67 975 ordinary shares
- 33,243.51 €

## XI. RENEWAL OF THE AUTHORIZATION FOR THE COMPANY TO BUY BACK ITS OWN SHARES (*6th resolution*)

We remind you that the Shareholders' Meeting of May 20, 2020 authorized the Board of Directors to acquire, on one or more occasions, shares of the Company relating to a number of shares not exceeding 10% of the Company's share capital, in accordance with the provisions of Article L. 22-10-62 of the French Commercial Code (formerly Article L. 225-209).

This authorization, granted for 18 months, expires on November 19, 2021.

We therefore ask you to renew this authorization for the Company to repurchase its own shares under the same terms and conditions, i.e.:

(i) these acquisitions will be intended to enable the Company to pursue the following objectives:

- to favor the liquidity of shares and the regularity of trading in the Company's shares or to avoid price discrepancies not justified by market trends, under a liquidity contract entered into with an investment services provider, in accordance with the Code of Ethics approved by the AMF;
- honor obligations related to stock option programs, free share allocations, employee savings schemes or other allocations of shares to employees of the Company or of related companies or enterprises, including (i) the implementation of any Company stock option plan in accordance with Articles L. 225-177 *et seq.* of the French Commercial Code, (ii) the allocation of shares to employees resulting from the expansion of the company and the implementation of any company savings plan under the conditions provided for by law, in particular Articles L. 225-177 *et seq.* 3332-1 to L. 3332-8 *et seq.* of the French Labor Code or (iii) the allocation of free shares under the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- deliver the shares upon the exercise of rights attached to securities giving immediate or future rights, by redemption, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of shares in the Company, as well as carry out all hedging transactions with regard to the issuance of such securities, under the conditions provided for by the market authorities and at the times that the Board of Directors shall decide;
- retain the shares and subsequently remit them as payment or exchange in the context of any external growth, merger, demerger or contribution, in accordance with market practices accepted by the AMF;
- cancel all or part of the shares by way of a reduction in share capital (in particular to optimize cash management, return on equity or earnings per share), subject to the adoption by this general meeting of the 7th resolution.

(ii) The maximum amount of funds allocated to the share repurchase program is €1,000,000. These purchase, sale, exchange or transfer transactions may be carried out by any means, i.e. on the market or over-the-counter. These transactions may take place at any time, in compliance with the regulations in force, including during a public offer period, subject to the legal and regulatory provisions in force.

(iii) It is specified (i) that a maximum amount of 5% of the shares comprising the Company's share capital may be allocated to their retention and subsequent remittance in payment or exchange in the context of a merger, demerger or contribution, and (ii) that in the event of an acquisition under a liquidity contract, the number of shares taken into account for the calculation of the limit of 10% of the amount of the share capital mentioned above corresponds to the number of shares purchased minus the number of shares resold during the authorization period.

(iv) The maximum purchase price per share by the Company of its own shares may not exceed 125% of the volume-weighted average of the last ten (10) trading days preceding the date of acquisition, excluding acquisition costs.

(v) This authorization would be valid for a maximum period of 18 months from the date of this Meeting.

We inform you that the adoption of this resolution will void any previous delegation having the

same purpose (*10th resolution of the General Meeting of May 20, 2020*).

## PART TWO
## REPORT ON THE EXTRAORDINARY PART

### I. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO REDUCE THE COMPANY'S SHARE CAPITAL BY CANCELING SHARES (7$^{th}$ *resolution*)

In accordance with the provisions of Article L. 22-10-62 of the French Commercial Code, we ask you to authorize the Board of Directors to cancel, on one or more occasions, at the times it deems appropriate, for a period of eighteen (18) months from the date of this General Meeting, the shares acquired by the Company pursuant to the implementation of the authorization given to the Board of Directors to purchase shares, or any resolution having the same purpose and the same legal basis, within the limit of 10% of the Company's share capital per twenty-four (24) month period, and reduce the share capital accordingly, it being recalled that this percentage would apply to a share capital adjusted in accordance with transactions affecting it subsequent to the General Meeting.

We also request that you authorize the Board of Directors to charge the difference between the repurchase value of the cancelled shares and their par value to the "share premium" account or to any other available reserve account, including the legal reserve, up to a limit of 10% of the capital reduction carried out.

We present to you the Statutory Auditor's special report on this proposed authorization to be granted to the Board of Directors to cancel shares acquired under the share buyback program.

We inform you that the adoption of this resolution will void any previous delegation having the same purpose (*11th resolution of the Meeting of May 20, 2020*).

### II. PROPOSAL TO RENEW THE FINANCIAL DELEGATIONS GRANTED TO THE BOARD OF DIRECTORS *(8th to 12th resolutions*)

We call you back:

- that the General Meeting on May 28, 2019 delegated to the Board of Directors its authority to:

  . under the terms of the 11th resolution, decide to issue shares and/or securities giving immediate or future access to the capital or giving right to a debt security, with waiver of preferential subscription rights, without indication of beneficiaries and by a public offering,

  . under the terms of the 13th resolution, decide either to issue, with preferential subscription rights, shares and/or securities giving immediate or future access to the capital or giving right to a debt security, or to incorporate profits, reserves or premiums into the capital.

These authorizations, granted for a period of 26 months, expire on July 27, 2021.

- that the General Meeting on May 20, 2020 delegated to the Board of Directors its authority to:

  . under the terms of the 12th resolution, decide to issue shares and/or securities giving immediate or future access to the capital or giving right to a debt security, with waiver of shareholders' preferential subscription rights in favor of categories of beneficiaries.

This authorization, granted for a period of 18 months, expire on November 19, 2021.

We therefore ask you to renew these financial delegations approved under the terms of the 11th and 13th resolutions of the General Meeting on May 28, 2019 and under the terms of the 12th resolution of the General Meeting on May 20, 2020, which would allow the Board of Directors to issue shares or securities best suited to the market situation in order to finance its development.

We inform you that the financial delegation granted under the 13th resolution of the May 20, 2020 General Meeting (issue of shares and/or securities giving immediate or future access to the capital or giving right to a debt security, with waiver of preferential subscription rights in the context of an offer referred to in 1° of Article L. 411-2 of the French Monetary and Financial Code) remains in force until July 19, 2022.

We therefore submit to your vote three delegations of authority to be granted to the Board of Directors (8th to 10th resolutions), with the option to sub-delegate such authority in accordance with legal and regulatory conditions, to increase the Company's share capital by issuing new ordinary shares and/or securities giving access to the Company's capital (whether new or existing shares) or giving right to debt securities, namely:

1. The **8th resolution** concerns the issue of shares and/or any securities giving access to the capital or giving right to a debt security**, with waiver of the shareholders' preferential subscription right and public offer**, excluding the offers referred to in 1° of Article L. 411-2 of the French Monetary and Financial Code.

   As these securities are intended to be offered to the public, this resolution provides for the cancellation of shareholders' preferential subscription rights, without indication of the beneficiaries and by way of a public offering.

2. The **9th resolution** concerns issues of shares and/or any securities giving access to the capital or giving right to a debt security, **with waiver of the shareholders' preferential subscription right in favor of categories of beneficiaries**, with the following characteristics, namely:

   - investment companies and investment funds investing on a regular basis in growth companies (i.e. unlisted companies or companies whose market capitalization does not exceed €500 million when listed) having their headquarter or their management company in the European Union, Israel, Norway, the United States of America or Switzerland (including, in particular, any FCPR – subprime mutual funds, FCPI - Mutual Funds for Investment in Innovation, or FIP – Local Investment Funds) for a minimum individual subscription amount of €50,000 (share premium included);

- natural or legal persons, companies, organizations, institutions or entities of any form, French or foreign, investing in the pharmaceutical, biotechnological, medical technology or research fields;

- companies, institutions or entities of any form, French or foreign, exercising a significant part of their activity in these sectors;

- French or foreign investment service providers, or any foreign institution with equivalent status, that can guarantee the completion of issuance intended to be placed with the persons referred to above and, in this context, to subscribe to the securities issued.

3. The **10th resolution** relates to the issue of shares and/or any securities giving access to the capital or giving right to a debt security, **with retention of the shareholders' preferential subscription right**.

We draw your attention to the fact that if these delegations of authority are used, the decision to issue securities giving immediate or future access to the Company's capital will automatically entail the express waiver by the shareholders of their preferential subscription rights to the shares to which these securities will entitle them.

We also draw your attention to the following points:

With respect to capital increases with waiver of shareholders' preferential subscription rights without indication of the beneficiary and by public offering (point 1 above, 8th resolution), we propose that:

- for capital increases, the issue price of the new shares shall be set by the Board of Directors, in accordance with the provisions of Articles L.225-136-1° of the French Commercial Code and must be at least equal to 70% of the volume-weighted average price of the last twenty (20) trading days preceding the date on which it is set;

- for securities giving access to the capital, the issue price shall be set by the Board of Directors in such a way that the sums immediately received by the Company upon the issue of the securities in question, plus any sums that may subsequently be received by the Company for each share attached to and/or underlying the securities issued, shall be at least equal to the minimum price provided for above.

With respect to capital increases with waiver of shareholders' preferential subscription rights in favor of categories of beneficiaries (point 2 above, 9th resolution), we propose that:

- for capital increases, the issue price of the new shares will be set by the Board of Directors, in accordance with the provisions of Articles L.225-138-II of the French Commercial Code and must be at least equal to either (i) the weighted average share price on the day preceding the date on which the issuance price is set, minus a maximum discount of 20%, if applicable, or (ii) the volume-weighted average share price over the last twenty (20) trading days preceding the date on which the issuance price is set, minus a maximum discount of 20%, or (iii) the average of 5 consecutive listed prices (either the closing price or the weighted average price, for the 5 consecutive prices) of the share chosen from among the last 30 trading days preceding the setting of the issuance price, potentially reduced by a maximum discount of 20%;

- for securities giving access to the share capital, the issuance price shall be set by the Board of Directors in such a way that the sums immediately received by the Company at the time of issuance of the securities in question, increased by the sums likely to be received subsequently by the Company for each share attached to and/or underlying the securities issued, shall be at least equal to the minimum price provided for above.

With respect to capital increases with preferential subscription rights (point 3 above, 10th resolution), we inform you that:

If subscriptions by irrevocable entitlement and, where applicable, by entitlement subject to reduction, do not absorb the entire issue, the Board of Directors may use, under the conditions provided for by law and in the order it determines, one and/or other of the options set out below:

- limit the capital increase to the amount of subscriptions, provided that this amount reaches at least three-quarters of the issue decided upon;

- freely allot all or part of the shares or, in the case of securities giving access to the capital, the said securities whose issue has been decided but which have not been subscribed;

- offer all or some of the shares or, in the case of securities giving access to the capital, the said unsubscribed securities, to the public, by way of a public offering of financial securities, on the French market and/or abroad and/or on the international market.

The maximum nominal amount of the capital increases that may be carried out, immediately or in the future, pursuant to each of these three delegations, would be set at €4,000,000, within a global upper limit for authorizations to issue shares and securities provided for in the 12th resolution.

The maximum nominal amount of the bonds and other debt securities giving access to the share capital, pursuant to each of these two delegations, would be set at the sum of €20,000,000, the global upper limit applicable to bonds and other debt securities provided for in the 12th resolution.

The delegation of authority with waiver of preferential subscription rights in favor of categories of beneficiaries (point 2 above, 9th resolution) would be granted for a period of 18 months from the date of the General Meeting.

The delegations of authority in the context of a public offering (point 1 above, 8th resolution) and with retention of preferential subscription rights (point 3 above, 10th resolution) would be granted for a period of 26 months from the date of the General Meeting.

We will also ask you to grant the Board of Directors the greatest possible flexibility in implementing the delegations granted to it, in the interests of the Company. In particular, each of these delegations of authority would entail delegating to the Board of Directors, with the possibility of sub-delegating such powers in accordance with legal and regulatory requirements, the powers necessary to decide on the capital increase and determine the nature and characteristics of the securities to be issued, as well as the terms and conditions for exercising,

where applicable, the rights attached to the securities, and to decide on the amount of the capital increase, including the issue price, determine the rank, term, interest rate and other terms and conditions of issue of the debt securities, determine the dates and terms of issue and payment, and more generally take all steps to ensure the proper completion thereof, carry out all acts and formalities with a view to finalizing the corresponding capital increase(s) and issue of debt securities and make the corresponding amendments to the bylaws.

We inform you that when these delegations of authority are used, additional reports will have to be prepared by the Board of Directors and the Statutory Auditor, in accordance with the provisions of Article L.225-129-5 of the French Commercial Code. These reports would be made available to the shareholders at the registered office, at the latest within fifteen days following the meeting of the board of directors and brought to their attention at the next General Meeting.

Finally, you will be asked, under the terms of the 11th resolution, to allow the Company to increase the number of securities to cover any over-allotments within thirty (30) days of the closing of subscriptions, up to a limit of 15% of the initial issue, at the same price as that used for the initial issue, in accordance with the provisions of Article L.225-135-1 of the French Commercial Code.

The new common shares issued by the Board of Directors would be completely assimilated to the old common shares and subject to all the provisions of the articles of association and the decisions of the general meetings.

In order to comply with the provisions of Article R.225-113 of the French Commercial Code applicable to any capital increase, please refer to the summary of the Company's operations presented in Section I of Part I above.

When required, you will read the reports prepared by the Statutory Auditor on these authorizations and delegations.

Under the terms of the 12th resolution, we ask you to set at €4,000,000 the maximum nominal amount of the immediate and/or future share capital increases that may be carried out and at €20,000,000 the maximum nominal amount of the securities representing claims on the Company that may be issued pursuant to the delegations of authority that you may grant on the basis of the aforementioned proposals set forth in the 8th to 10th resolutions and in the 13th resolution of the General Meeting on May 20, 2020.

Please refer to ***Appendix 4*** to this report, which contains a summary table of the delegations and authorizations that you will be asked to vote on.

Please note that the adoption of these resolutions will void any previous delegation of authority having the same purpose.

### III. PROPOSAL TO RENEW THE DELEGATION GRANTED TO THE BOARD OF DIRECTORS TO ISSUE COMMON SHARE WARRANTS (*13th resolution*)

We call you back:

- that the General Meeting on May 20, 2020 delegated to the Board of Directors its authority to:

. under the terms of the 16th resolution, decide to issue warrants to subscribe for common shares with waiver of preferential subscription rights in favor of categories of persons.

This delegation, granted for a period of 18 months, expire on November 19, 2021.

- that a General Meeting was convened on March 24, 2021 in order to authorize the Board of Directors to grant stock subscription and/or purchase options (the "***Options 2021***") in favor of employees and corporate officers; the Options 2021 that would be granted may not give right upon exercise to a total number of common shares in excess of 3,000,000.

We therefore ask you to renew the delegation approved under the terms of the 16th resolution of the General Meeting on May 20, 2020 for the purpose of issuing common share warrants ("***BSA 2021***"), the content of which is presented below in the form of a table.

We inform you that the authorization granted to the Board of Directors under the 19th resolution of the General Meeting on May 28, 2019 to proceed with the allocation of free shares to be issued or existing shares in favor of the members of the salaried employees and executive officers, remains in force until July 27, 2022.

You may also refer to ***Appendix 4*** to this report, which contains a summary table of the delegation of authority on which you will be asked to vote.

| | |
|---|---|
| Duration of authorization | 18 months as of the General Meeting |
| Beneficiaries | (i) persons holding a seat on the Board of Directors or member of any other supervisory or control body or study committee or exercising the functions of a censor within the Company;<br>(ii) consultants or directors or partners of companies providing services to the Company that have entered into a consulting or service provision agreement with the Company in force at the time this delegation is used by the Board of Directors;<br>(iii) any employee and/or director of the Company;<br>(iv) any person participating significantly in the scientific or economic development of the company at the time of use of this delegation by the Board of Directors. |
| Number and type of shares to be subscribed by exercising the warrant | 1 common share with a par value of €0.10 € per BSA 2021 |
| Amount of the share capital increase | €100,000, to which could be added the nominal amount of the shares to be issued in order to preserve the rights of the holders of BSA 2021, in the event that this reservation is required,<br>it being specified that this limit will not be deducted from the amount of the global limit as set during this meeting or any other authorization set subsequently. |

| | |
|---|---|
| Warrant subscription price | Determined by the Board of Directors on the date of issuance of the said BSA 2021 according to the characteristics of the latter and will in any event be at least equal to 10% of the subscription price (share premium included) of the share to which the BSA 2021 will entitle the holder (the "*Exercise Price*"). |
| Trading - Transferability | Will not be the subject of a request for admission to any market and, moreover, will be non-transferable except to the benefit of the Company |
| Exercise Price | Determined by the Board of Directors at the time of allocation of the BSA 2021, must be at least equal to the volume-weighted average share price for the last 20 trading days preceding the date of allocation of the said BSA 2021 by the Board of Directors as long as the Company's shares are admitted to trading on a market or stock exchange |
| Common share plan | the common shares subscribed must be fully paid up at the time of the subscription, either by cash payment or by offsetting against liquid and payable debts |
| Validity period | 7 years as of their issuance by the Board of Directors |

We ask you to waive your preferential subscription right in favor of the beneficiaries. You will hear on this point the reading of the report prepared by the Statutory Auditor.

In the case of securities giving future access to the share capital, the delegation of authority on which you will be asked to vote would entail a waiver by you of your preferential subscription right to the common shares to be issued in the event of exercise of the warrants, in accordance with the provisions of Article L.225-132 of the French Commercial Code.

In addition, it is expressly agreed that the aggregate of shares (i) liable to be issued upon exercise of BSA 2021 that would be granted under this delegation (ii) liable to be issued upon exercise of BSPCE and BSA (iii) liable to be issued or acquired upon exercise of options subscription or purchase of shares and (iii) that would be allocated free, may not exceed ten per cent (10%) of the Company's share capital, said capital being appreciated on the day of the Board of Directors use this delegation, it being specified that the additional amount of shares to be issued will be added to this limit in order to preserve the rights of holders of securities and other rights giving access to shares.

In order to comply with the provisions of Article R.225-113 of the French Commercial Code applicable to any capital increase, please refer to the summary of the Company's business presented in section I of Part I above.

We inform you that additional reports will be prepared by the Board of Directors and the Statutory Auditor in accordance with the provisions of Article L.225-129-5 of the French Commercial Code, when these delegations of authority are used. These reports will be immediately made available to the shareholders at the registered office, at the latest within fifteen days following the meeting of the Board of Directors, and will be brought to their attention at the next general meeting.

Lastly, we inform you that the adoption of this resolution will void any previous delegation of authority having the same purpose.

## IV. DELEGATION TO BE CONFERRED TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL IN THE CONDITIONS PROVIDED FOR BY ARTICLE L.3332-18 OF THE FRENCH LABOR CODE (*14th resolution*)

In order to comply with legal requirements, we are submitting to your vote a draft capital increase in cash, reserved for employees under the conditions provided for in Articles L.3332-1 *et seq.* of the French Labor Code.

Indeed, Article L.225-129-6 of the French Commercial Code requires the Board of Directors to submit to the general meeting of shareholders, on the occasion of each capital increase in cash, a draft increase in capital reserved for employees, to be carried out under the conditions provided for in Articles L.3332-1 *et seq.* of the French Labor Code.

Delegations and authorizations submitted to your vote within the framework of this meeting entail an increase in the Company's capital in cash, in the long term, and therefore fall within the scope of the provisions of Article L.225-129- 6 of the French Commercial Code.

So, we ask you to delegate to the Board of Directors, for a period of eighteen (18) months, all powers to increase the share capital by a maximum nominal amount of €50,000, increase of capital that would be reserved for employees of the Company or companies linked to it within the meaning of Article L.225-180 of the French Commercial Code, members of the Company Savings Plan to be instituted at the initiative of the Company which the new shares thus issued would be subscribed by them within limits provided for by Article L.3332-18 of the French Labor Code.

We draw your attention to the fact that this limit is set independently and will not count against the global limit set in the 12th resolution.

In accordance with the provisions of Articles L. 225-138-1 of the French Commercial Code and L.3332-18 of the French Labor Code, the preferential subscription right of shareholders to new shares to be issued must be waived in favor of members of the Plan Company Savings. The Statutory Auditor has prepared a special report, which will give you his opinion on the cancellation of your preferential subscription right and which has been made available to you.

The new common shares would give their holders the same rights as the old common shares.

The issuance price of the shares will be determined by the Board of Directors under the conditions provided for in Articles L. 3332-19 *et seq.* of the French Labor Code.

We inform you that we consider that your vote in favor of this capital increase is not appropriate, as your Board considers that it does not fall within the framework of the profit-sharing policy that the Company intends to implement.

## V. POWERS TO COMPLETE FORMALITIES (*15th resolution*)

Finally, as an ordinary business, we ask you to grant full powers to the bearer of an original, copy or extract of the minutes of the General Meeting to carry out all publication and filing formalities required by applicable law.

* * *
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We remain at your disposal for any further information you may require and thank you for adopting the resolutions that we are submitting for your vote, with the exception of the resolution relating to the capital increase reserved for employees.

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For the Board of Directors
M. Edwin Moses

**APPENDIX 1**

## Table of the last five years results

*(Article r. 225-102 of the French Commercial Code)*

| **Nature of Indications / Periods** | **31/12/2020** | **31/12/2019** | **31/12/2018** | **31/12/2017** | **31/12/2016** |
|---|---|---|---|---|---|
| Duration of the financial year | **12 months** | **12 months** | **12 months** | **12 months** | **12 months** |
| **I - Financial position at year-end** | | | | | |
| a ) Share capital | 7 974 023 | 3 224 726 | 1 306 593 | 891 948 | 682 714 |
| b ) Number of shares outstanding | 79 740 228 | 32 247 263 | 13 065 932 | 8 919 476 | 6 827 140 |
| c ) Number of convertible bonds | 174 729 | 20.174.729 | 0 | 40 | 100 |
| **II - Comprehensive income from continuing operations** | | | | | |
| a ) Revenues excluding tax | | | | | |
| b ) Profit before tax, amortization & provisions | -10 209 825 | -12 259 505 | -13 895 598 | -9 569 133 | -8 714 147 |
| c ) Income tax | -1 858 284 | -2 456 672 | -2 219 940 | -1 885 792 | -1 662 243 |
| d ) Profit after tax, before amortization & provisions | -8 351 541 | -9 802 832 | -11 675 658 | -7 683 341 | -7 051 904 |
| e ) Profit after tax, amortization & provisions | - 8 595 907 | -10 291 539 | -12 022802 | -8 115 983 | -7 412 482 |
| f ) Amount of profit paid outs | | | | | |
| g ) Employee profit sharing | | | | | |
| **III - Earnings per share** | | | | | |
| a ) Profit after tax, before amortization & provisions | 0 | 0 | 0 | 0 | 0 |
| b ) Profit after tax, amortization & provisions | 0 | 0 | 0 | 0 | 0 |
| c ) Dividend per share | | | | | |
| **IV - Staff** | | | | | |
| a ) Number of employees | 28 | 20 | 18 | 21 | 15 |
| b ) Payroll expense | 2 364 834 | 1 695 687 | 1 587 537 | 1 919 689 | 1 457 133 |
| c ) Amount paid for employee benefits | 1 000 593 | 658 675 | 709 121 | 697 719 | 457 001 |

**APPENDIX 2**

**LIST OF MANDATES AND FUNCTIONS HELD BY CORPORATE OFFICERS**
*(ARTICLE L. 225-37-4 1° OF THE FRENCH COMMERCIAL CODE)*

| | Mandates in the Company | Mandates or functions held in other companies |
|---|---|---|
| Mr. Edwin Moses | Director and Chairman<br>Member and Chairman of the Remuneration Committee<br>Member of the Audit Committee | Non-executive Director and Chairman of Virion Biotherapeutics Ltd (United-Kingdom)<br>Non-executive Director and Chairman of Achilles Therapeutics Ltd (United-Kingdom)<br>Non-executive Director and Chairman of Avantium NV (Netherlands)<br>Non-executive Director and Chairman of Labgenius Ltd (United-Kingdom)<br>Operating Partner of Keensight Capital (United-Kingdom)<br>Member of Life Sciences Advisory Board of GIMV (Netherlands) |
| Mrs. Nawal Ouzren | CEO and Director | Director of Inventiva (France) |
| Mr. Eric Forquenot de la Fortelle | Representative of Health Opportunities (Director)<br><br>Member and Chairman of the Audit Committee | CEO of Opportunities GmbH (Switzerland)<br>Director of Axial Biotherapeutics (United-States)<br>Director of Limm THerapeutics SA (France)<br>Director of A-Mansia SA (Belgium)<br>Director of Siolta Therapeutics (United-States)<br>Director of Mint Solutions Holding BV(Netherlands)<br>Director of Maat Pharma SA (France)<br>Director of TargEDys SA (France)<br>Director of Dermala (United-States)<br>Censor of Day Two (Israel)<br>Censor of Anaeropharma Science (United-States) |
| Health Opportunities GmbH | Director | None |
| Mrs. Chahra Louafi | Representative of Bpifrance Investissements (Director)<br><br>Member of the Remuneration Committee | Director of VectiBio<br>Representative of Bpifrance Investissement :<br>- Director of Medday (SA)<br>- Director of GMPO (SA)<br>- Director of Inivox<br>- Director of Nouveal<br>- Director of Incepto Medical<br>- Director of Lucine |
| | | |

| | Mandates in the Company | Mandates or functions held in other companies |
|---|---|---|
| Bpifrance Investissement | Director | Director of Eyevensys (SAS)<br>Director of Pixium Vision (société cotée)<br>Director of MedDay (SA)<br>Director of Enyo Pharma (SA)<br>Director of Gecko (SA)<br>Director of Sparing Vision (SA)<br>Director of GMPO (SA)<br>Director of BrainEver (SAS) |
| Mr. Jean-François Morin | Director<br>Member of the Audit Committee | Censor of GMP Orphan (France)<br>Director of AELIS Farma (France)<br>Director of ONA Therapeutics (Espagne) |
| Mr. Julien Miara | Director<br>Member of the Audit Committee | Director of Onxeo (France) |
| Mr. Khalil Barrage | Director<br>Member of the Remuneration Committee | Director of Protagenic therapeutics Inc. (United-States)<br>Director of Orthobond (United-States) |
| Mr. Cédric Moreau | Representative of Sofinnova Partners (Director)<br>Member of Remuneration Committee | Director of Gensight (France)<br>Director of France Biotech |
| Sofinnova Partners | Director | |
| Mr. John Furey | Director<br>Member of Remuneration Committee | CEO and Director of Imvax<br>Dierctor of Adapimune (ADAP) |

## APPENDIX 3

**SUMMARY TABLE OF DELEGATIONS VALIDLY GRANTED TO THE BOARD OF DIRECTORS IN CONNECTION WITH AN INCREASE IN SHARE CAPITAL**

*(ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE)*

| Resolution reference | Purpose of the resolutions of the General Meeting on May 28, 2019 | Upper limit (nominal value) | Validly period | Use |
|---|---|---|---|---|
| 11th Resolution | Delegation of authority granted to the Board of Directors in accordance with article L. 225-129-2 of the French Commercial Code to issue shares and/or any securities giving access to the capital or giving right to a debt security, **with waiver of the shareholders' preferential subscription right, without specifying the beneficiaries, by way of a public offering.** | Nominal amount of capital increases: €3,000,000 *<br><br>Nominal amount of bonds and other debt securities: €20,000,000 ** | 26 months<br><br>Until July 27, 2021 | no |
| 13th Resolution | Delegation of authority granted to the Board of Directors to decide whether to issue, **with preferential subscription rights**, shares and/or securities giving immediate or future access to the capital or giving right to a debt security, or to incorporate profits, reserves or premiums into the capital | Nominal amount of capital increases: €3,000,000 *<br><br>Nominal amount of bonds and other debt securities: €20,000,000 ** | 26 months<br><br>Until July 27, 2021 | no |
| 19th Resolution | Authorization granted to the Board of Directors to proceed with the allocation of free shares to be issued or existing shares in favor of the members of the salaried employees and executive officers (**AGA 2019**) | €15,000 ***<br>Upper common limit | 38 months<br><br>Until July 27, 2022 | no |

* The nominal amount of the authorized capital increase upper limit will be deducted from the global authorized upper limit of €4,000,000 in the 15th Resolution of the General Meeting on May 20, 2020.

** The nominal amount of the upper limit of the bonds and other debt securities giving access to the capital authorized will be deducted from the global authorized upper limit of €20,000,000 in the 15th Resolution of the General Meeting on May 20, 2020

*** The use of these delegations may not result in the total number of shares resulting from the exercise of BSPCEs, BSAs, Stock-Options and free shares held by the Company’s employees, directors, corporate officers and consultants representing more than 10% of the share capital on a fully diluted basis

**APPENDIX 4**

**SUMMARY TABLE OF THE DELEGATIONS PROPOSED HEREIN GENERAL MEETING OF SHAREHOLDERS**

| Resolution reference | Purpose of the resolution | Upper limit (nominal value) | Method of determing the issue price | Validly period |
|---|---|---|---|---|
| 6th Resolution | Authorization to be given to the Board of Directors **to purchase the Company's own shares** in accordance with Article L. 22-10-62 of the French Commercial Code (formerly Article L. 225-209) | €1,000,000 (within the limit of 10% of the capital) | The price per share may not exceed 125% of the volume-weighted average of the last 10 trading days preceding the date of acquisition | 18 months<br><br>Until November 17, 2022 |
| 7th Resolution | Authorization to be given to the Board of Directors **to reduce the Company's share capital by cancelling shares** | 10% of the Company's share capital per 24-months period | - | 18 months<br><br>Until November 17, 2022 |
| 8th Resolution | Delegation of authority to be granted to the Board of Directors to issue shares and/or any securities giving access to the capital or giving right to a debt security, **with waiver of the shareholders' preferential subscription right, without specifying the beneficiaries, by way of a public offering,** excluding the offers referred to in 1° of Article L. 411-2 of the French Monetary and Financial Code | Nominal amount of capital increases: €4,000,000 *<br><br>Nominal amount of bonds and other debt securities: €20,000,000 ** | At least equal to 70% of the volume-weighted average of the last 20 trading sessions prior to the day on which it is set | 26 months<br><br>Until July 17, 2023 |
| 9th Resolution | Delegation of authority to be granted to the Board of Directors to decide to issue shares and/or securities giving immediate or future access to the capital or giving right to a debt security, **with waiver of shareholders' preferential subscription rights in favor of categories of beneficiaries** | Nominal amount of capital increases: €4,000,000 *<br><br>Nominal amount of bonds and other debt securities: €20,000,000 ** | Note 1 | 18 months<br><br>Until November 17, 2022 |

| Resolution reference | Purpose of the resolution | Upper limit (nominal value) | Method of determing the issue price | Validly period |
|---|---|---|---|---|
| 10th Resolution | Delegation of authority to be granted to the Board of Directors to decide to issue, **with preferential subscription rights**, shares and/or securities giving immediate or future access to the capital or giving right to a debt security | Nominal amount of capital increases: €4,000,000 *<br><br>Nominal amount of bonds and other debt securities: €20,000,000 ** | - | 26 months<br><br>Until July 17, 2023 |
| 11th Resolution | Authorization to the Board of Directors to increase the number of securities issued in accordance with the provisions of Article L.225-135-1 of the French Commercial Code, in the event of implementation of the delegations of authority with retention or waiver of the preferential subscription right as the case may be (**over-allotments option**) | 15% of the initial issue | - | 26 months<br><br>Until July 17, 2023 |
| 13th Resolution | Delegation of authority to be granted to the Board of Directors to decide to issue warrants to subscribe for common shares (**BSA 2021**) in favor of categories of persons (Note 2) | €100,000 *** | Note 2 | 18 months<br><br>Until November 17, 2022 |
| 14th Resolution | Delegation of powers to be granted to the Board of Directors to decide on a capital increase reserved for employees | Nominal amount: €50,000 € | In accordance with the provisions of Articles L.3332-19 to L.3332-23 of the French Labor Code | 18 months<br><br>Until November 17, 2022 |

* The nominal amount of the authorized capital increase upper limit will be deducted from the global authorized upper limit of €4,000,000 in the 12th Resolution.

** The nominal amount of the upper limit of the bonds and other debt securities giving access to the capital authorized will be deducted from the global authorized upper limit of €20,000,000 in the 12th Resolution.

*** The use of delegations may not result in the total number of shares resulting from the exercise of BSPCE, BSA, Stock-Options and free shares representing more than 10% of the share capital.

Note 1 : For capital increases, the issue price of the new shares will be set by the Board of Directors, in accordance with the provisions of Articles L.225-138-II of the French Commercial Code and must be at least equal to either (i) the weighted average share price on the day preceding the date on which the issuance price is set, minus a maximum discount of 20%, if applicable, or (ii) the volume-weighted average share price over the last twenty (20) trading days preceding the date on which the issuance price is set, minus a maximum discount of 20%, or (iii) the average of 5 consecutive listed prices (either the closing price or the weighted average price, for the 5 consecutive prices) of the share chosen from among the last 30 trading days preceding the setting of the issuance price, potentially reduced by a maximum discount of 20%;

Note 2 : The subscription of the BSA 2021 is reserved for the benefit of individuals or legal entities meeting one of the following characteristics:

(i) persons holding a seat on the Board of Directors or member of any other supervisory or control body or study committee or exercising the functions of a censor within the Company;
(ii) consultants or directors or partners of companies providing services to the Company that have entered into a consulting or service provision agreement with the Company in force at the time this delegation is used by the Board of Directors;
(iii) any employee and/or director of the Company;
(iv) any person participating significantly in the scientific or economic development of the company at the time of use of this delegation by the Board of Directors.

The price of the BSA 2021 must be at least equal to 10% of the subscription price of the share to which the BSA 2021 will give right.
The exercise price of the BSA 2021 must be at least equal to the volume-weighted average share price of the last 20 trading days preceding the date of allocation of said BSA 2021 by the Board, as long as the Company's shares are admitted to trading on a market or stock exchange.

# 2. Annual accounts as of December 31, 2020 in accordance with IFRS and report of the statutory auditor

Statutory auditor's report on the annual financial statements prepared in accordance with the IFRS as adopted by the European Union

To the Chief Executive Officer,

In our capacity as statutory auditor of Sensorion and in accordance with your request, we hereby report to you on the audit of the accompanying annual financial statements prepared in accordance with the IFRS as adopted by the European Union, for the year ended December 31, 2020.

These annual financial statements were prepared under the responsibility of your Board of Directors on March 17, 2021, on the basis of the elements available at that date, in the evolving context of the health crisis related to Covid-19. Our role is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement. An audit involves performing procedures, by audit sampling and other means of testing, to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the annual financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

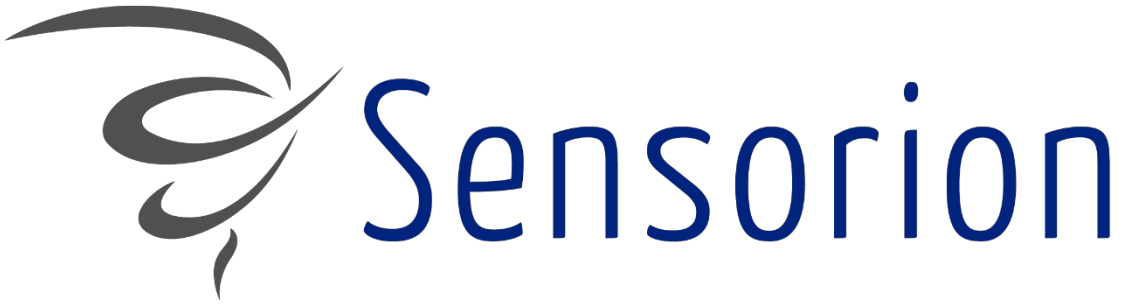
In our opinion, the annual financial statements in accordance with the IFRS as adopted by the European Union, present fairly, in all material respects, the assets, liabilities and financial position of the Company at December 31, 2020 and the results of its operations for the year then ended, in accordance with the IFRS as adopted by the European Union.

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim or dispute resulting from the engagement letter or the present report or any related matters. Each party irrevocably waives its right to oppose any action being brought before French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Montpellier, March 18, 2021

The Statutory Auditor
French original signed by
ERNST & YOUNG Audit

Marie-Thérèse Mercier



A French *société par actions simplifiée* (simplified corporation) with share capital of €7,974,022.80

Registered office: 375 rue du Professeur Joseph Blayac

34080 Montpellier

*financial statements as of December 31, 2020 presented in accordance with IFRS*

## STATEMENT OF FINANCIAL POSITION

(Amounts in euros)

| | Note | 12/31/2020 | 12/31/2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible Assets | **3** | 589,552 | 720,640 |
| Property, Plant and Equipment | **4** | 174,844 | 190,772 |
| Use rights | **5** | 670,888 | 774,101 |
| Non-current financial assets | **6** | 38,835 | 38,835 |
| **Total non-current assets** | | **1,474,119** | **1,724,348** |
| | | | |
| **Currents assets** | | | |
| Other current assets | **7** | 4,254,909 | 5,946,864 |
| Cash and cash equivalents | **8** | 62,174,948 | 30,428,319 |
| **Total current assets** | | **66,429,858** | **36,375,183** |
| | | | |
| **TOTAL ASSETS** | | **67,903,976** | **38,099,532** |
| | | | |
| **LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | **9** | 7,974,023 | 3,224,726 |
| Additional paid-in-capital | **9** | 59,055,944 | 21,361,349 |
| Reserves | | 327,775 | 728,630 |
| Net income | | (8,978,089) | (12,096,181) |
| **Total equity** | | **58,379,653** | **13,218,525** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current conditional advances | **10** | 1,511,340 | 1,237,691 |
| Long term debts | **10** | 3,005,582 | - |
| Non-current rental liabilities | **5** | 584,540 | 684,088 |
| Non-current provisions | **11** | 144,946 | 115,154 |
| **Total non-current liabilities** | | **5,246,408** | **2,036,933** |
| | | | |
| **Current liabilities** | | | |
| Convertible bonds | **10** | 191,625 | 20,186,223 |
| Current conditional advances | **10** | 170,000 | 155,000 |
| Short term debt | | 1,569 | - |
| Current rental liabilities | **5** | 99,548 | 97,579 |
| Trade payable and related accounts | **12.1** | 2,198,485 | 1,605,054 |
| Other current liabilities | **12.2** | 1,616,688 | 800,218 |
| **Total current liabilities** | | **4,277,915** | **22,844,074** |
| | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **67,903,976** | **38,099,532** |

## STATEMENT OF COMPREHENSIVE INCOME

(Amounts in euros)

| | Note | As of December 31 2020 | 2019 |
|---|---|---|---|
| **Operating revenue** | | | |
| Other revenue | | 2,421,267 | 2,522,717 |
| **Total revenue** | **14** | **2,421,267** | **2,522,717** |
| | | | |
| **Operating expenses** | | | |
| Research and development | | 7,679,365 | 10,208,520 |
| Overhead expenses | | 3,631,123 | 3,128,236 |
| **Total expenses** | **15** | **11,310,488** | **13,336,756** |
| | | | |
| **Operating income** | | **(8,889,220)** | **(10,814,039)** |
| | | | |
| Financial income | | 43,428 | 39,035 |
| Financial expenses | | (132,296) | (1,321,176) |
| **Financial income** | **17** | **(88,869)** | **(1,282,141)** |
| | | | |
| **Pre-tax current income** | | **(8,978,089)** | **(12,096,181)** |
| Corporate income tax | | - | - |
| **Net profit (loss)** | | **(8,978,089)** | **(12,096,181)** |
| | | | |
| **Othe non-recyclable items of comprehensive income** | | | |
| Actuarial gains/losses on pension plans | | 2,689 | (7,779) |
| | | | |
| **Comprehensive income** | | **(8,975,400)** | **(12,103,960)** |
| | | | |
| Weighted average number of shares | | 60,760,952 | 18,649,422 |
| | | | |
| **Net earnings per share** | | **(0.15)** | **(0.65)** |
| | | | |
| **Diluted earnings per share** | | **(0.15)** | **(0.65)** |

**STATEMENT OF CASH FLOWS**

(Amounts in euros)

| | Note | As of December 31 2020 | 2019 |
|---|---|---|---|
| **Cash flows associated with operational activities** | | | |
| Net income for the period | | (8,978,089) | (12,096,181) |
| **Reconciliation of net income and cash used for operating activities** | | | |
| Depreciation/amortization and impairment | | 311,944 | 310,257 |
| Expenses on share-based payments | **16** | 358,963 | 758,373 |
| Othe items excluded from cash and cash equivalents | | 14,896 | 1,513 |
| Lease agreement | | 103,213 | 119,700 |
| Provisions for pension liabilities | | 32,481 | 30,523 |
| **Operating cash flow before financial income and taxes** | | **(8,156,592)** | **(10,875,815)** |
| Trade receivables | | - | - |
| Other receivables | | 1,697,357 | (1,403,919) |
| Suppliers | | 593,431 | (1,903,498) |
| Other current liabilities | | 551,706 | 14,699 |
| **Net cash flow associated with operational activities** | | **(5,314,097)** | **(14,168,534)** |
| **Cash flows associated with investment activities** | | | |
| Acquisitions of property, plant and equipment | | (75,820) | (22,650) |
| Acquisitions of intangible assets | | (89,107) | (51,849) |
| Acquisitions of financial assets | | - | (13,755) |
| Other cash flows from investment transactions | | - | - |
| **Net cash flow from investment activities** | | **(164,927)** | **(88,254)** |
| **Cash flows from financing activities** | | | |
| Bonds convertible into shares | | (20,000,000) | 21,229,833 |
| Increase/(decrease) of financial liabilities | | 3,000,000 | - |
| Collection/(disbursement) of repayable advances | | 554,000 | (182,500) |
| Payment of lease liabilities | | (97,579) | (112,134) |
| Treasury shares | | (3,387) | 2,763 |
| Capital increases | | 53,772,620 | 21,035,928 |
| **Net cash flow from financing activities** | | **37,225,654** | **41,973,890** |
| Cash and cash equivalent at the start of the period | | 30,428,319 | 2,711,217 |
| Cash and cash equivalent at the end of the period | | 62,174,948 | 30,428,319 |
| **(Decrease)/Increase in cash position** | | **31,746,629** | **27,717,102** |

## STATEMENT OF CHANGES IN EQUITY

(Amounts in euros)

| | Share capital | | | | | |
|---|---|---|---|---|---|---|
| | **Number of shares** | **Amount** | **Additional paid-in capital** | **Reserves** | **Net income** | **Total equity** |
| **As of January 1, 2019** | **13,065,932** | **1,306,593** | **40,350,764** | **(25,797,020)** | **(12,350,021)** | **3,510,317** |
| Appropriation of net income | | | | (12,350,021) | 12,350,021 | - |
| Capital increase | 19,181,331 | 1,918,133 | 20,413,443 | | | 22,331,576 |
| Setoff against retained earnings | | | (38,109,973) | 38,109,973 | | - |
| Neutralization of treasury shares | | | | 2,763 | | 2,763 |
| Expenses deducted from issue premium | | | (1,296,485) | | | (1,296,485) |
| Recalculation of reimbursable advances | | | | 12,340 | | 12,340 |
| Issue of BSA warrants | | | 3,600 | | | 3,600 |
| Actuarial gains/losses | | | | (7,779) | | (7,779) |
| Net income | | | | | (12,096,181) | (12,096,181) |
| Share-based payments | | | | 758,373 | | 758,373 |
| **As of December 31, 2019** | **32,247,263** | **3,224,726** | **21,361,349** | **728,630** | **(12,096,181)** | **13,218,525** |
| Appropriation of net income | | | | (12,096,181) | 12,096,181 | - |
| Capital increase | 47,492,965 | 4,749,297 | 51,251,903 | | | 56,001,199 |
| Setoff against retained earnings | | | (10,291,539) | 10,291,539 | | - |
| Neutralization of treasury shares | | | | (3,387) | | (3,387) |
| Expenses deducted from issue premium | | | (3,265,768) | 1,037,189 | | (2,228,579) |
| Recalculation of reimbursable advances | | | | 8,333 | | 8,333 |
| Actuarial gains/losses | | | | 2,689 | | 2,689 |
| Net income | | | | | (8,978,089) | (8,978,089) |
| Share-based payments | | | | 358,963 | | 358,963 |
| **As of December 31, 2020** | **79,740,228** | **7,974,023** | **59,055,945** | **327,775** | **(8,978,089)** | **58,379,654** |

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1: Significant Events

### 1. The Company

Sensorion is a pioneering clinical stage biotechnology company which specializes in the development of novel therapies to restore, treat and prevent hearing loss. It was founded in 2009 on the basis of research work carried out by Inserm.

Its portfolio includes one Phase 2 product, SENS-401 (Arazasetron), for sudden sensorineural hearing loss (SSNHL).

In our laboratories we have developed a unique R&D platform to expand our understanding of the pathophysiology and etiology of inner ear diseases. This approach enables us to select the best therapeutic targets and most appropriate action mechanisms for our drug candidates. We are also working on identifying biomarkers to improve diagnosis of these underserved or inadequately treated diseases. In the second half of 2019, Sensorion launched two preclinical gene therapy programs aimed at correcting hereditary monogenic forms of deafness, including Usher Syndrome Type 1 and deafness caused by a mutation of the gene encoding for Otoferlin. In early 2021, Sensorion expanded its gene therapy portfolio with the addition of a third program focused on the GJB2 gene mutation (see post-closing event).

Due to our R&D platform and our pipeline of drug candidates we are uniquely positioned to make a lasting improvement in the quality of life of hundreds of thousands of people who suffer from inner ear disorders, a largely unmet medical need in the world today.

### 2. Financing

On February 10, 2020, Invus Public Equities LP converted into ordinary shares of the Company all of the 12,500,000 convertible bonds ("CBs") for which it had subscribed in June 2019. The conversion was made on the basis of a reference price of €0.76 per share.

At the conclusion of this transaction, Invus held 20,591,259 shares and 42.29% of the capital and voting rights of Sensorion.

On February 13, 2020, Sofinnova Crossover I SLP converted into ordinary shares of the Company all of the 7,500,000 convertible bonds ("CBs") for which it had subscribed in June 2019. The conversion was made on the basis of a reference price of €0.76 per share. At the conclusion of this transaction, Sofinnova Crossover I SLP held 11,822,258 shares and 20.19% of the capital and voting rights of Sensorion.

On September 18, 2020, Sensorion announced that, as a result of its capital increase, it had placed 18,236,000 new ordinary shares with a nominal value of €0.10 each for a total gross amount of

approximately €31 million by means of an accelerated bookbuild offering reserved for specified categories of persons (the "Reserved Offering").

Following the issue of the new shares, the Company's share capital will total €7,974,022.80, i.e., 79,740,228 shares with a nominal value of €0.10 each.

The available cash of the company amounts to 62,175 thousand euros as of December 31, 2020, compared to 30,428 thousand euros as of December 31, 2019.

Based on its expenditure forecasts and taking into account cash on hand as of June 30, 2020 and the net proceeds of this offering, the Company believes it will be able to finance its activities until the end of the second half of 2022.

## 3. Research and development

In fiscal 2020, the Company has continued to develop new therapies to restore hearing, treat and prevent hearing loss. Clinical and preclinical projects are progressing, in particular the collaboration with Institut Pasteur in gene therapy.

### Gene therapy collaboration with Institut Pasteur on hearing loss

On June 9, 2020, Sensorion announced positive preliminary preclinical data in non-human primates for its gene therapy program targeting Otoferlin deficiency (OTOF-GT), showing that it could deliver an intracellular marker to the inner hair cells at levels that reflect the future clinical requirements. The Company plans to discuss its OTOF-GT program with regulatory authorities in H1 2021.

Additionally, Sensorion announced an agreement with Novasep on October 27, 2020, for the development and manufacturing of adeno-associated viruses (AAV) gene therapy products for the Company's OTOF-GT program. Under the terms of the agreement, Novasep will be in charge of developing and manufacturing (cell culture, AAV expression, purification, aseptic distribution and quality control) the two AAV vectors designed for the Sensorion OTOF-GT project and will supply Drug Product batches to support preclinical and clinical studies.

### Technology platform

Sensorion has built a unique R&D technology platform over the years to deepen the understanding of the pathophysiology and etiology of inner ear related diseases. The platform is being actively deployed to select targets, identify biomarkers and to optimize small molecules and gene therapy candidates.

The strengthened platform includes in-vitro assays encompassing the key cochlear cell types, systems to investigate explant tissue and advanced electrophysiological methods for assessing neuronal activity.

On the in-vivo side, Sensorion is developing a suite of validated preclinical models reflecting specific pathologies or inner ear lesions, as well as advancing the use of techniques such as auditory brainstem response (ABR) and distortion product oto-acoustic emission (DPOAE) audiometry for measuring and analysing hearing parameters in those models.

The last pillar of the Company's technology platform focuses on developing biomarkers to improve diagnosis and guide treatment in the key areas of unmet medical needs of hearing loss.

**Drug candidate SENS-401**

Our clinical program with small molecule SENS-401 continued to progress in 2020.

Sensorion is conducting a Phase 2 clinical trial of SENS-401 in the treatment of Sudden Sensorineural Hearing Loss (SSNHL) in adults. This Phase 2, randomized, double-blinded, placebo-controlled study is being conducted in multiple countries in Europe and Canada.

On February 17, 2020, Sensorion received Ethics Committee approval to include new military sites in this study, allowing clinical investigators to recruit volunteer military personnel who have suffered from acute hearing loss.

On March 13, 2020, Sensorion provided an update on the recruitment schedule for the ongoing SENS-401 Phase 2 study for the treatment of SSNHL. Due in part to the impact of COVID-19 on patient enrolment, the availability of topline data was expected to be delayed to Q4 2021 (see below in 2021 announcements).

On June 5, 2020, the independent Data Safety Monitoring Board (DSMB) confirmed the absence of safety concerns and recommended continuation of the Phase 2 trial as scheduled.

Having demonstrated otoprotective activity in several preclinical models, SENS-401 is being studied as a potential option to preserve residual hearing in people with cochlear implants under a collaboration with Cochlear, the world leader in implantable hearing solutions. Positive preclinical data were announced on January 5, 2021 (see below in 2021 announcements). Next steps are being discussed with Cochlear.

On December 15, 2020, Sensorion and Sonova Holding AG, a leading provider of hearing solutions, announced that Sonova had acquired a 3.7% equity stake in Sensorion via an investment of €5 million. At the same time, the two companies signed a letter of intent to exclusively explore potential plans for a strategic collaboration in the field of innovative diagnostic and therapeutic solutions for certain types of hearing loss. Discussions between Sensorion and Sonova are ongoing.

**Post-Year-End Events**

Since the end of the fiscal year, the key business updates are as follows:

- On January 5, 2021, Sensorion provided an update on plans and progress made in the development of SENS-401 for the prevention of hearing loss. After encouraging efficacy data in preclinical models, the Company expects to begin a proof-of-concept clinical trial with SENS-401 to treat patients suffering from cisplatin-induced ototoxicity (CIO) in the second half of 2021. A natural history study of CIO in adult cancer patients is expected to start in the first

half of 2021. Successful clinical findings would significantly expand Sensorion's target market for SENS-401: approximately 500,000 cancer patients are treated annually with cisplatin in the USA and EU5, a significant proportion of whom will experience severe hearing loss.

At that time, Sensorion also announced a delay in the availability of the topline results from the Phase 2 study of SENS-401 in SSNHL to Q4 2021, due to the impact of COVID-19. Additionally, Sensorion indicated that it planned to review the study design and consider opportunities to aid its successful on-time completion. Following this review, an amendment to the statistical analysis plan (SAP), which would significantly reduce the sample size without compromising on the quality and potential outcome of the trial, has been submitted to the regulatory authorities. The responses from regulators so far have been encouraging and this increases the Company's confidence in being able to generate topline data this year

- On January 19, 2021, Sensorion announced positive preclinical data demonstrating the potential of SENS-401 to preserve residual hearing after cochlear implantation, in a collaboration with Cochlear, the global leader in implantable hearing solutions. Cochlear implants are very effective in treating severe to profound hearing loss, but preserving acoustic hearing in patients with residual hearing who receive cochlear implants could provide substantial benefit. Sensorion and Cochlear are making progress in the discussion around potential clinical study designs. Next steps are being discussed with Cochlear.

- On February 15, 2021, Sensorion announced a third gene therapy collaboration with Institut Pasteur around the GJB2 gene targeting important pediatric and adult deafness markets. GJB2 mutations had already been widely recognized as the most prevalent cause of congenital deafness and now, new findings from Institut Pasteur have now demonstrated that GBJ2 mutations also underlie a wide range of other instances of severe hearing loss in the adult population. Sensorion will pursue three initial GBJ2-related indications: congenital deafness, progressive childhood hearing loss and early onset of severe presbycusis in adults.

Expected future milestones and estimated timelines:

- H1 2021 – Start of CIO Natural History Clinical Trial
- H1 2021 – Ongoing approvals of a protocol amendment to reduce sample size for the SENS-401 Phase 2 study in SSNHL
- H1 2021 – Discussion with regulatory authorities on potential OTOF-GT clinical study design
- H1 2021 – Generation of preclinical PoC studies in older mice for USHER-GT
- H2 2021 – Initiation of SENS-401 clinical study in adults with CIO
- Q4 2021 – Communication of top line data for the SENS-401 Phase 2 clinical study in SSNHL

**Going Concern**

The Board of Directors applied the going concern assumption. As of December 31, 2020, the Company had sufficient net working capital to meet its cash needs.

Following the capital increase in September 2020, as of this date the Company has sufficient cash to cover its current and development expenses until the end of the second half 2022.

The Company plans to use its cash to develop its current gene therapy programs (OTOF and USHER), potentially expand its gene therapy pipeline, support its clinical and pharmacological studies for the development of Phase 3 of SENS-401, and for working capital and general corporate purposes.

**Note 2: Accounting Policies**

***2.1 Accounting Standards***

The financial statements are presented in euros.

The balance sheet date of the annual financial statements is December 31.

The annual financial statements were submitted to the Board of Directors on March 10, 2021.

***New IFRS standards***

In accordance with European Regulation No. 1606/2002 adopted on July 19, 2002 by the European Parliament and European Council, the Company's financial statements as of June 30, 2020 were prepared in compliance with International Financial Reporting Standards (IFRS), as approved by the European Union at the reporting date of these financial statements.

The IFRS standards as adopted by the European Union differ in certain respects from the IFRS standards published by the IASB. However, the Company has ensured that the financial information for the periods presented would not have been materially different if the IFRS standards as published by the IASB had been applied.

International standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

These financial statements are a supplemental set of financial statements to the Company's historical financial statements, which are prepared in accordance with French accounting principles.

The financial statements have been prepared in accordance with the IFRS standards adopted by the European Union and in force on December 31, 2020 for all periods presented.

The IFRS standards 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

These financial statements also comply with the standards and interpretations adopted by the IASB as of the same date.

The new IFRS standards applicable to the years ended December 31, 2020, have no impact on the

company's financial statements.

***2.2 Intangible Assets***

In accordance with IAS 38, intangible assets acquired are recognized as assets on the balance sheet at their acquisition cost.

*Research and Development Costs*

Research costs are systematically expensed.

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

(a) the technical feasibility needed to complete the development project is established;

(b) the Company's intention is to complete the project and use it;

(c) the Company has the ability to use the intangible asset;

(d) the Company is able to demonstrate that the asset will generate probable future economic benefits;

(e) the Company has the technical, financial and other resources to complete the project; and

(f) the development costs are measured reliably.

Due to the risks and uncertainties associated with regulatory authorizations and the research and development process, the Company deems that the six criteria established by IAS 38 for recognizing intangible assets are not yet met for ongoing projects.

*Patents*

Costs in connection with the acquisition of patents are capitalized on the basis of acquisition costs incurred.

These costs are amortized on a straight-line basis over the period of use, which is estimated at five years.

*Software*

Costs in connection with the acquisition of software licenses are capitalized on the basis of the costs incurred to acquire relevant software and place it in service.

Software is amortized applying the straight-line method over a period of one year.

*Licenses*

Costs in connection with the acquisition of licenses are capitalized on the basis of costs incurred to acquire the rights of use.

These costs are amortized on a straight-line basis over a period equal to their legal protection or their useful life, whichever is shorter.

### ***2.3. Property, Plant and Equipment***

Property, plant and equipment are recognized at their acquisition cost or, if applicable, their production cost.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Improvements to leased premises are depreciated over the shorter of their specific useful lives or the term of the lease.

The following depreciation periods are applied:

| | |
|---|---|
| Fixtures and improvements to buildings .... | 3 years |
| Laboratory equipment ……. | 3 to 5 years |
| Furniture ……5 years | |
| Office and computer equipment ……. | 3 years |

### ***2.4 Financial Instruments***

IFRS 9 “Financial Instruments,” which has been effective since fiscal year 2018, addresses the three aspects of accounting for financial instruments: (a) classification and measurement,

(b) impairment and (c) hedge accounting.

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

Changes in fair value are recognized in other items of comprehensive income.

### ***2.5. Recoverable Amount of Non-Current Intangible and Tangible Assets***

Tangible and intangible assets with a finite life are tested for impairment if the recoverability of their carrying amount is in doubt due to indications of impairment. Impairment is recognized in the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

### ***2.6. Cash and Cash Equivalents***

Cash equivalents are held for the purpose of meeting short-term cash obligations, rather than for investment or other purposes. They are readily convertible to a known cash amount and are exposed to an insignificant risk of changes in value. Cash and cash equivalents consist of immediately available cash, term investments that can be used immediately and without penalty, and marketable securities (short-term money market funds).

Marketable securities are readily convertible to a known cash amount and are exposed to an insignificant risk of changes in value. They are measured at fair value and changes in value are reported in financial income.

### ***2.7 Capital***

Ordinary shares are classified as equity. The costs of capital transactions directly attributable to issues of shares or options that meet the definition of equity instruments are recognized in equity and deducted from the proceeds of the issue net of tax.

### ***2.8 Share-Based Payments***

Since its creation, the Company has set up several equity-settled compensation plans under which “founders’ warrants” (BSPCEs) are granted free of charge to employees and/or officers, “share

warrants" (BSAs) are granted to scientific consultants or service providers, and "free shares" (AGAs) are granted to employees.

In accordance with IFRS 2 "Share-Based Payment," these instruments are measured at fair value on the grant date. This fair value is determined by applying the most appropriate measurement model based on the characteristics of each plan.

The fair value of the grants is spread on a straight-line basis over each milestone comprising the vesting period (the period between the grant date and the maturity date of the plan) and is recognized in the income statement with a corresponding increase in equity. This value is reported in payroll expense and is allocated by purpose depending on the analytical attachment of each beneficiary.

On each balance sheet date, the Company reviews the number of rights that may be acquired, i.e., the number of shares potentially distributable. If necessary, the impact of a revised estimate is recognized on the income statement with a corresponding adjustment to equity.

The characteristics of the instruments are described in greater detail in Note 9.2.

### ***2.9 Grants and Conditional Advances***

The Company receives a certain amount of government assistance in the form of conditional advances. Details of this assistance are provided in Note 10.1.

Grants are recognized when there is reasonable assurance that:

- the Company will comply with the conditions attached to the grants; and
- the grants will be received.

A government grant receivable either as compensation for expenses or losses already incurred or as immediate financial support to the Company with no future related costs is recognized as revenue in the period in which it becomes receivable.

A grant is recognized on the income statement based on the actual progress of the projects for which it is awarded and is possibly adjusted to the schedule provided for in the contract. More specifically, the grant is recognized as prepaid income and reported on the income statement based on the progress of the projects, which is assessed by taking into account, firstly, the time spent by employees and, secondly, subcontracting expenses allocated to the projects and covered by the grant.

A loan that is forgivable under certain conditions is treated as a government grant if there is reasonable assurance that the Company will meet the conditions for forgiveness of the loan. Otherwise, it is classified as a liability and measured at amortized cost. The difference between the amortized cost of the loan and its nominal value is recognized in income and spread over the duration of the project financed.

Similarly, the benefit derived from a government loan at a below-market interest rate is treated as a government grant, equal to the difference between the proceeds received and the fair value of the loan determined on the basis of the then prevailing market interest rate. This benefit, which is determined by

applying a discount rate equal to the Company's estimated indebtedness, is recognized as prepaid income and reversed over the repayment period of the advances.

In the event of a change in the calendar of repayments for repayable advances, the Company recalculates the net carrying amount of the debt by discounting the new anticipated future cash flows at the original effective interest rate. The resulting adjustment is recognized on the income statement in the period in which the change occurs.

### ***2.10. Provisions***

*Contingency and loss provisions*

Provisions for contingencies and litigation correspond to obligations arising from litigation and miscellaneous risks, the timing and amount of which are uncertain.

A provision is recognized if the Company has a legal or constructive obligation to a third party as a result of a past event that is probable or certain to result in an outflow of resources to the third party, without at least equivalent consideration expected from the third party, and the future outflow of resources can be reliably estimated.

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation.

*Retirement Benefit Obligations*

The Company's employees are entitled to the retirement benefits required by law in France:

- a retirement allowance, paid by the Company, when they retire (defined benefit plan);
- a retirement pension paid by Social Security, which is financed by contributions from companies and employees (State defined contribution plan).

For defined benefit plans, the cost of retirement benefits is estimated using the projected credit units method. Under this method, the cost of pensions is recognized in the income statement and spread over the length of service of employees. Pension obligations are measured at the present value of estimated future payments using, for discounting purposes, the market rate based on long-term bonds of first-rate companies with a term equal to that estimated for the payment of benefits.

The Company uses external actuaries to perform an annual review of the valuation of these plans.

The difference between the amount of the provision at the start of a period and the amount at year-end is recognized as a payroll expense for the services rendered component, as a financial expense for the

financial interest component, and as other comprehensive income for the actuarial gains and losses component.

The Company's payments for defined contribution plans are recognized as an expense in the income statement in the period to which they relate.

### ***2.11 Revenue from Ordinary Operations***

The Company does not yet have revenue from ordinary operations.

### ***2.12 Other Revenue***

*Research Tax Credit*

The tax authorities grant companies a Research Tax Credit (CIR) to encourage them to conduct technical and scientific research. Companies that can substantiate expenditures meeting the required criteria (research costs in France or, since January 1, 2005, within the European Community or in another State that is a party to the agreement on the European Economic Area and has signed a tax treaty with France containing an administrative assistance clause) are eligible for a tax credit that can be used to pay the corporate income tax owed for the fiscal year in which the expenses are incurred and the following three fiscal years, or may be refunded the excess share of the tax credit, if any. The expenses taken into account for the calculation of the research tax credit are restricted to research expenses.

The Company has been entitled to a research tax credit since its inception.

In 2020, the Company received a refund of the research tax credit for 2018 and 2019 for respectively €2,215k and €2,457k. The refund of the 2020 research tax credit of €1,803k is expected in 2021 pursuant to the Community SME scheme.

### ***2.13 Leases***

The impact of the adoption of IFRS 16 "Leases," effective January 1, 2019, is described below.

IFRS 16 supersedes IAS 17 and associated interpretations (IFRIC 4, SIC 15 and SIC 27).

The new standard eliminates the distinction between operating and finance leases and requires the lessee to recognize an asset representing the right to use the leased asset in return for a liability representing the obligation to pay for that right.

Leases, as defined by IFRS 16, are reported on the balance sheet, which leads to the recognition of:

An asset representing a right to use the asset leased during the term of the contract; A liability representing the payment obligation.

**Measurement of the Right to Use Assets**

At the effective date of a lease, the right of use asset is measured at cost and comprises:

- the initial amount of the liability, plus advance payments made to the lessor, if any, less incentives received from the lessor, if any;
- if applicable, any initial direct costs incurred by the lessee to enter into the contract. These are incremental costs that would not have been incurred if the contract had not been entered into;
- estimated costs for uninstalling and restoring the leased asset in accordance with the terms of the contract. At the date of initial recognition of the right of use, the lessee will add to these costs the discounted amount of the restoration and/or uninstallation expenses, offsetting a restoration liability or provision.

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

**Measurement of the lease liability**

On the effective date of the contract, the lease liability is measured at the present value of the lease payments over the term of the contract.

The amounts included in lease payments for purposes of measuring the liability are:

- fixed lease payments (including in-substance fixed lease payments whose form may contain some variability but that are, in substance, unavoidable);
- variable lease payments that depend on an index or rate on the effective date of the contract;
- amounts expected to be payable by the lessee under residual value guarantees;
- penalties to be paid if an option to terminate or not renew the lease is exercised, if the lease term is determined assuming the lessee will exercise the option.

Changes in the lease liability are measured as follows:

- it is increased by the amount of interest expense calculated by applying the discount rate to the liability at the beginning of the period; and
- decreased by the amount of payments made.

Interest expense for the period, and variable payments not included at the time of the initial measurement of the liability and incurred during the period, are recognized as financial expenses.

Furthermore, the liability may be remeasured in the following situations:

- a change in the lease term;

- a change due to an assessment that the exercise of an option is reasonably certain (or not);
- a revaluation in relation to residual value guarantees;
- a revision of the rates or indices on which lease payments are based when lease payments are adjusted.

A discount rate of 2% was used for the initial measurement of the lease liability.

The application of IFRS 16 of January 1, 2019 resulted in the recognizing as of June 30, 2020 as an asset for net user rights for €722,000 and as a rental debt liability for €733,000.

As of December 31, 2020, the net user rights, in the company's assets, amounted to €617,000.

The financial debt resulting from IFRS 16, amounts, to the liabilities of the company, to €684,000.

Contracts or assets with the following characteristics are not eligible for accounting treatment under IFRS 16:

- Contracts that do not exceed twelve months, including any renewal options containing financial incentives.
- Contracts with a purchase option are excluded from this category.
- Assets that can be used alone (or with readily available resources) and that are not dependent on or closely associated with other assets.
- Underlying asset with a low replacement value on an absolute basis (< USD 5,000 new).

**Types of Capitalized Leases**

“Real Estate” Leases

The Company has identified leases within the meaning of the standard concerning leases of office premises and leases of premises dedicated to research and development activities. The lease term corresponds to the non-terminable period of the lease; the contracts do not provide renewal options.

The discount rate used to calculate the lease liability for all properties is determined based on the marginal rate of indebtedness at the date of commencement of the lease. This rate is equal to the interest rate that the lessee would be charged, at the inception of the lease, to borrow the funds necessary to acquire the asset, assuming a similar term, security interests and economic environment. This rate was obtained from the Company’s bank and is specific to the purpose of the financing, the amount of the loan, the nature of the loan, and the term of the loan.

### ***2.14 Taxes***

*Corporate Income Tax*

Deferred taxes are recognized for all timing differences arising from the difference between the tax and accounting bases of assets and liabilities in the financial statements. The main timing differences relate to tax loss carryforwards. The statutory tax rates on the balance-sheet date are used to calculate deferred taxes.

Deferred tax assets are recognized only to the extent that it is probable that future earnings will be sufficient to absorb losses carried forward. Due to its stage of development and the uncertainties as to when a taxable profit will be earned, the Company has not recognized any deferred tax assets on the balance sheet.

### ***2.15 Segment Reporting***

The Company does business in a single operating segment: conducting research and development to discover drugs to treat inner ear disorders with a view to their future marketing. The assets, liabilities and operating loss realized are located in France.

### ***2.16 Other Items of Comprehensive Income***

Revenue and expense items for the period that are not recognized in income as required by the applicable standards, if any, are presented in "Other comprehensive income."

### ***2.17 Material Accounting Estimates and Judgments***

The estimates and judgments that management makes in applying the accounting policies described above are based on historical information and other factors, including expected future events deemed reasonable under the circumstances. These estimates and judgments concern primarily:

- The fair value of founders' warrants granted to employees and/or officers and of share warrants granted to non-employee members of the Board of Directors, scientific consultants and service providers is measured using actuarial models. These models require that the Company make certain calculation assumptions, such as the expected volatility of the security. See Note 16.
- Useful life estimates, identification of indications of impairment and, if necessary, performing impairment tests on intangible assets. See Note 2.2.

**Note 3: Intangible Assets**

Intangible assets break down as follows:

**INTANGIBLE ASSETS**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Patents, licenses, trademarks | 1,523,409 | 1,488,203 |
| Software | 43,162 | 32,522 |
| **Total historical cost** | **1,566,570** | **1,520,725** |
| Accumulated amortization of patents, licenses, trademarks | 944,652 | 769,362 |
| Accumulated amortization of software | 32,367 | 30,723 |
| **Accumulated amortization** | **977,019** | **800,085** |
| **Net total** | **589,552** | **720,640** |

Over the two financial years presented, acquisitions of intangible assets comprise primarily the capitalized costs of filing and maintaining patents.
No impairment losses in application of IAS 36 were recognized in the financial years presented.

## Note 4: Property, Plant and Equipment

property, plant and equipment break down as follows:

| | 1/1/2020 | Increases | Decreases | 12/31/2020 |
|---|---|---|---|---|
| Industrial and laboratory equipment | 608,572 | 45,104 | - | 653,676 |
| Building fixtures and fittings | - | - | - | - |
| Computer equipment | 49,405 | 30,716 | - | 80,121 |
| Office furniture | 21,890 | - | - | 21,890 |
| **Gross total** | **679,867** | **75,820** | **-** | **755,686** |
| Accumulated amortization of industrial and laboratory equipment | 439,351 | 80,087 | - | 519,438 |
| Accumulated amortization of building fixtures and fittings | - | - | - | - |
| Accumulated amortization of computer equipment | 27,854 | 11,661 | - | 39,515 |
| Accumulated amortization of office furniture | 21,890 | - | - | 21,890 |
| **Total accumulated amortization** | **489,095** | **91,747** | **-** | **580,842** |
| **Net total** | **190,772** | | | **174,844** |

| | 1/1/2019 | Increases | Decreases | 12/31/2019 |
|---|---|---|---|---|
| Industrial and laboratory equipment | 608,572 | - | - | 608,572 |
| Building fixtures and fittings | - | - | - | - |
| Computer equipment | 60,336 | 22,650 | 33,581 | 49,405 |
| Office furniture | 21,890 | - | - | 21,890 |
| **Gross total** | **690,798** | **22,650** | **33,581** | **679,867** |
| Accumulated amortization of industrial and laboratory equipment | 351,675 | 87,676 | - | 439,351 |
| Accumulated amortization of building fixtures and fittings | - | - | - | - |
| Accumulated amortization of computer equipment | 48,120 | 13,315 | 33,581 | 27,854 |
| Accumulated amortization of office furniture | 21,890 | - | - | 21,890 |
| **Total accumulated amortization** | **421,684** | **100,991** | **33,581** | **489,095** |
| **Net total** | **269,113** | | | **190,772** |

Property, plant and equipment comprise laboratory and technical equipment, as well as computer equipment and furniture.

## Note 5: Leases

Movements relating to lease use rights during the financial year break down as follows:

**USE RIGHTS**
(Amounts in euros)

| Real estate | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Leases | 877,315 | 877,315 |
| **Gross total** | **877,315** | **877,315** |
| Amortization | 206,427 | 103,214 |
| **Total amortization** | **206,427** | **103,214** |
| **Net total** | **670,888** | **774,101** |

Movements relating to lease liabilities during the financial year break down as follows:

**LEASE LIABILITIES**
(Amounts in euros)

| as of December 31, 2020 | Non-current | Current | Total |
|---|---|---|---|
| Real estate lease liabilities | 584,540 | 99,548 | 684,088 |
| **Gross total** | **584,540** | **99,548** | **684,088** |

| as of December 31, 2019 | Non-current | Current | Total |
|---|---|---|---|
| Real estate lease liabilities | 684,088 | 97,579 | 781,667 |
| **Gross total** | **684,088** | **97,579** | **781,667** |

On December 31, 2020, real estate use rights were measured at a gross amount of €877k and a net amount of €671k.

As of December 31, 2020, their residual term was six and a half years.

The depreciation charge on rights of use during the 2020 financial year amounts to €103k, the capital repayment of rental liabilities at €98k and financial interest amounted to €15k. The cancellation of the associated lease liability linked and paid during the year is €112k.

No finance lease transactions were entered into during the first six months of the period. No sublease agreements were in effect during the first six months of the period.

The Company's leases do not include any restrictions or covenants.

Expenses recognized for short-term leases and leases of low-value assets not restated in accordance with IFRS 16 were not material in the year.

**Note 6: Non-Current Financial Assets**

Non-current financial assets comprise only the security deposit paid in connection with the lease of the Company's premises.

**Note 7: Other Current Assets**

Other current assets break down as follows:

**OTHER CURRENT ASSETS**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Advances and down payments | 13,253 | 7,975 |
| State, Research Tax Credit | 1,863,221 | 4,676,612 |
| State, VAT | 646,536 | 689,314 |
| Liquidity agreement | 33,244 | 6,446 |
| Prepaid expenses | 1,697,156 | 566,518 |
| Other | 1,500 | - |
| **Net total** | **4,254,909** | **5,946,865** |

As of December 31, 2020, prepaid expenses correspond to the 2021 portion of annual contracts fully paid in 2020.

As of December 31, 2019, prepaid expenses correspond to the 2020 portion of annual contracts fully paid in 2019.

The increase in this position is mainly related to upfront payment related to manufacturing contracts signed during 2020.

**CHANGES IN THE RESEARCH TAX CREDIT RECEIVABLE**

(Amounts in euros)

| | Montant |
|---|---|
| **Receivable as of 1/1/2020** | **4,676,612** |
| Operating revenue | 1,851,221 |
| Payment received | (4,671,675) |
| CIR correction 2018 | (4,937) |
| **Receivable as of 12/31/2020** | **1,851,221** |
| Other income from receivables State Tax Reduction | 12,000 |
| **Receivable as of 12/31/2020** | **1,863,221** |

| | Montant |
|---|---|
| **Receivable as of 1/1/2019** | **4,105,904** |
| Operating revenue | 2,456,672 |
| Payment received | (1,885,964) |
| **Receivable as of 12/31/2019** | **4,676,612** |

*Research Tax Credit*

The Company qualifies for the provisions of Articles 244 *quater* B and 49 *septies* F of the French Tax Code on the research tax credit. In accordance with the principles described in Note 2.12 of the notes to the IFRS financial statements prepared as of December 31, 2020, the research tax credit is recognized in "Other revenue" in the year to which the qualifying research expenses relate.

The refund of the 2018 and 2019 research tax credit, in the total amount of €4,671,675, was received during fiscal year 2020 pursuant to the Community SME scheme. The refund of the 2020 research tax credit, of which, 1,851.2 thousand euros, will be requested in May 2021 for a refund expected in 2021.

## Note 8: Cash and cash equivalents

The cash and cash equivalents item break down as follows:

**CASH AND CASH EQUIVALENTS**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Cash and cash equivalents | 50,159,997 | 25,428,319 |
| Term deposits | 12,014,951 | 5,000,000 |
| **Net total** | **62,174,948** | **30,428,319** |

Term deposits have an initial term of less than 18 months and can be withdrawn monthly.

## Note 9: Capital

### *9.1 Capital Issued*

As of December 31, 2020, the share capital totaled €7,974,022.80 (seven million nine hundred seventy-four thousand eight hundred twenty-two euros and eighty cents). It is divided into 79,740,228 fully subscribed and paid-in shares with a nominal value of €0.10 each.

This number excludes share warrants (BSAs), founders' warrants (BSPCEs) and stock options (SOs) granted to certain individuals who may or may not be Company employees.

All shares confer on their holders the right to a proportional share of the Company's results and net assets.

The table below shows the history of the capital during the two periods presented:

**Balance of Capital as of December 31, 2020**

| Date | Types of transactions | Capital | Issue premium | Number of shares | Nominal value |
|---|---|---|---|---|---|
| | **Balance as of January 1, 2019** | **1,306,593.20 €** | **40,320,263.67 €** | **13,065,932** | 0.10 € |
| April 1, 2019 | Capital increase by conversion of convertible bonds | 22,400.00 € | 163,600.00 € | 224,000 | 0.10 € |
| April 5, 2019 | Capital increase by conversion of convertible bonds | 122,100.00 € | 900,900.00 € | 1,221,000 | 0.10 € |
| May 28, 2019 | Imputation of retained earnings on share premium | | -38,109,973.00 € | | 0.10 € |
| June 20, 2019 | Capital increase by conversion of convertible bonds | 295,317.60 € | 2,595,686.00 € | 2,953,176 | 0.10 € |
| July 1ç, 2019 | Capital increase by conversion of convertible bonds | 8,387.20 € | 98,969.00 € | 83,872 | 0.10 € |
| Septmber 30, 2019 | Capital increase by issuing ordinary shares | 1,469,928.30 € | 16,654,288.00 € | 14,699,283 | 0.10 € |
| | **Sub-total as of December 31, 2019** | **3,224,726.30 €** | **22,623,733.67 €** | **32,247,263** | 0.10 € |
| | Expenses deducted from issue premium | | -1,296,485.00 € | | |
| | **Balance as of December 31, 2019** | **3,224,726.30 €** | **21,327,248.76 €** | **32,247,263** | 0.10 € |
| February 7, 2020 | Capital increase by conversion of convertible bonds | 1,644,736.80 € | 10,855,263.20 € | 16,447,368 | 0.10 € |
| February 12, 2020 | Capital increase by conversion of convertible bonds | 986,842.10 € | 6,513,157.90 € | 9,868,421 | 0.10 € |
| May 20, 2020 | Retained earnings set off against issue premium | | -10,291,539.34 € | | |
| September 22, 2020 | Capital increase by issuing ordinary shares | 1,823,600.00 € | 29,177,600.00 € | 18,236,000 | 0.10 € |
| December 22, 2020 | Capital increase by issuing ordinary shares | 294,117.60 € | 4,705,881.60 € | 2,941,176 | 0.10 € |
| | **Sub-total as of December 31, 2020** | **7,974,022.80 €** | **62,287,612.12 €** | **79,740,228** | 0.10 € |
| | Expenses deducted from issue premium | | -3,265,767.75 € | | |
| | **Balance as of December 31, 2020** | **7,974,022.80 €** | **59,021,844.37 €** | **79,740,228** | 0.10 € |

The issue premium is understood to mean, excluding the share subscription warrants account for €34k.

### *9.2 Share warrants, founders' warrants and stock option*

The Company issued share warrants (BSAs) and founders' warrants (BSPCEs) as follows:

*BSA Warrants:*

| Type | Date | Number of warrants issued | Number of warrants exercised | Number of warrants lapsed | Number of outstanding warrants | Number of potential shares |
|---|---|---|---|---|---|---|
| BSA 2011 | 4/30/2014 | 1,000 | - | - | 1,000 | 10,000 |
| BSA 2015 | 9/28/2015 | 5,000 | - | - | 5,000 | 5,000 |
| BSA 2016 | 4/26/2016 | 3,750 | - | - | 3,750 | 3,750 |
| BSA 2016 | 5/19/2017 | 20,000 | - | 5,000 | 15,000 | 15,000 |
| BSA2018 | 7/30/2019 | 30,000 | - | - | 30,000 | 30,000 |
| **Total as of 12/31/2020** | | **59,750** | **-** | **5,000** | **54,750** | **63,750** |

BSA warrants issued on June 17, 2014

Each BSA warrant entitles its holder to subscribe for ten ordinary shares at a subscription price of €2.40 per share.

The BSA warrants issued on June 17, 2014 were issued at a price of €2.40 per warrant.

The warrants may be exercised for ten full years from the date they were granted, without any continued employment or performance conditions.

BSA warrants issued on September 28, 2015

Each BSA warrant entitles its holder to subscribe for one ordinary share at a subscription price of €10.78 per share.

The BSA warrants issued on September 28, 2015 were issued at a price of €1.07 per warrant.

The warrants may be exercised for seven full years from the date they were granted. The following conditions for exercising the warrants apply:

- 1/3 at the time of subscription
- 1/3 on September 28, 2016
- 1/3 on September 28, 2017

BSA warrants issued on April 26, 2016

Each BSA warrant entitles its holder to subscribe for one ordinary share at a subscription price of €6.31 per share.

The warrants may be exercised until February 2, 2023. The following conditions for exercising the warrants apply:

- 16.67% on February 2, 2017
- 16.67% on February 2, 2018
- 16.67% on February 2, 2019
- 25% in the event of an external growth operation before February 2, 2019
- 25% if the Company's market capitalization exceeds €150 million

BSA warrants issued on May 19, 2017 and May 30, 2017

Each BSA warrant entitles its holder to subscribe for one ordinary share at a subscription price of €4.31 per share.

The warrants may be exercised until May 18, 2024. The following conditions for exercising the warrants apply:

- 16.67% on May 19, 2018
- 16.67% on May 19, 2019
- 16.67% on May 19, 2020
- 25% in the event of an external growth operation before May 31, 2020
- 25% if the Company's market capitalization exceeds €175 million

BSA warrants issued on July 30, 2018

Each BSA warrant entitles its holder to subscribe for one ordinary share at a subscription price of €1.20 per share.

The warrants may be exercised until April 28, 2026. The following conditions for exercising the warrants apply:

- 35% in the event an agreement is signed with Institut Pasteur
- 22.5% if the Company obtains financing of €12.5 million before 7/31/2019 - Part 1
- 22.5% if the Company obtains financing of €12.5 million before 12/31/2019 - Part 2
- 10% if a partnership on SENS-401 is approved before 12/31/2020
- 10% if a partnership on SENS-111 is approved before 12/31/2020

*BSPCE warrants:*

| Type | Date | Subscription price per share | Number of warrants issued | Number of warrants exercised | Number of warrants lapsed | Number of outstanding warrants | Number of potential shares |
|---|---|---|---|---|---|---|---|
| BSPCE 2009 | 10/12/2010 | 2.40 € | 3,500 | - | 3,500 | - | - |
| BSPCE 2011 | 1/17/2012 | 2.40 € | 2,500 | - | - | 2,500 | 25,000 |
| BSPCE 2012 | 03/05/2012 | 2.40 € | 13,029 | - | - | 13,029 | 130,290 |
| BSPCE 2013 | 1/18/2013 | 2.40 € | 9,350 | - | - | 9,350 | 93,500 |
| BSPCE 2014-2 | 6/17/2014 | 2.40 € | 900 | - | 600 | 300 | 3,000 |
| BSPCE 2014-M | 11/20/2014 | 2.40 € | 13,600 | - | - | 13,600 | 136,000 |
| BSPCE 2014-3 | 07/07/2015 | 4.54 € | 4,000 | - | - | 4,000 | 4,000 |
| BSPCE 2014-3 | 9/28/2015 | 10.00 € | 178,334 | - | - | 178,334 | 178,334 |
| BSPCE 2014-3 | 02/02/2016 | 6.31 € | 60,000 | - | - | 60,000 | 60,000 |
| BSPCE 2014-3 | 02/02/2016 | 6.31 € | 37,500 | - | 12,500 | 25,000 | 25,000 |
| BSPCE 2014-3 | 3/15/2016 | 6.31 € | 19,500 | - | 12,000 | 7,500 | 7,500 |
| BSPCE 2016 | 5/19/2017 | 4.31 € | 106,000 | - | 34,500 | 71,500 | 71,500 |
| BSPCE 2017 | 5/30/2017 | 4.31 € | 260,000 | - | 65,000 | 195,000 | 195,000 |
| BSPCE 2017 | 5/30/2017 | 2.50 € | 67,500 | - | 42,000 | 25,500 | 25,500 |
| BSPCE 2018 | 4/29/2019 | 1.20 € | 452,500 | - | 36,500 | 416,000 | 416,000 |
| BSPCE 2019 | 09/06/2019 | 1.28 € | 347,235 | - | 10,500 | 336,735 | 336,735 |
| **Total as of 12/31/2020** | | | **1,575,448** | **-** | **217,100** | **1,358,348** | **1,707,359** |

General conditions for exercising warrants:

The BSPCE warrants may be exercised within 10 years from the date of issue, with the exception of the BSPCE 2014-3 warrants issued on September 28, 2015, which have a term of 7 years.

The BSPCE warrants issued between October 12, 2010 and November 20, 2014 entitle their holders to subscribe for ten ordinary shares at a subscription price of €2.40 per share.

The BSPCE 2014-2 warrants issued on July 7, 2015 entitle their holders to subscribe for ten ordinary shares at a subscription price of €4.54 per share.

The BSPCE 2014-3 warrants issued on July 7, 2015 entitle their holders to subscribe for one ordinary share at a subscription price of €4.54 per share.

The BSPCE 2014-3 warrants issued on September 28, 2015 entitle their holders to subscribe for one ordinary share at a subscription price of €10.00 per share.

The BSPCE 2014-3 warrants issued on February 2, 2016 and March 15, 2016 entitle their holders to subscribe for one ordinary share at a subscription price of €6.31 per share.

The BSPCE 2016 warrants issued on May 19, 2017 entitle their holders to subscribe for one ordinary share at a subscription price of €4.31 per share.

The BSPCE 2017 warrants issued on May 30, 2017 entitle their holders to subscribe for one ordinary share at a subscription price of €4.31 per share.

The BSPCE 2017 warrants issued on May 30, 2018 entitle their holders to subscribe for one ordinary share at a subscription price of €2.50 per share.

The BSPCE 2018 warrants issued on April 29, 2019 entitle their holders to subscribe for one ordinary share at a subscription price of €1.20 per share.

The BSPCE 2019 warrants issued on September 6, 2019 entitle their holders to subscribe for one ordinary share at a subscription price of €1.28 per share.

The impact of share-based payments on the net result is presented in Note 9.

*SOs:*

| Type | Date | Subscription price per share | Number of instruments issued | Number of instruments exercised | Number of instruments lapsed | Number of outstanding instruments |
|---|---|---|---|---|---|---|
| SO 2020 | 5/20/2020 | 0.76 € | 100,000 | - | - | 100,000 |
| SO 2020 | 7/3/2020 | 0.86 € | 585,630 | - | - | 585,630 |
| SO 2020 | 7/30/2020 | 0.90 € | 165,000 | - | - | 165,000 |
| SO 2020 | 8/22/2020 | 1.20 € | 100,000 | - | - | 100,000 |
| **Total as of 12/31/2020** | | | **950,630** | **-** | **-** | **950,630** |

On May 20, 2020, the Company's Board of Directors awarded 100,000 stock options to a single beneficiary. These options entitle their holder to subscribe for one ordinary share at a subscription price of €0.76 per share.

These options may be exercised until May 19, 2027 without any conditions.

On July 3, 2020, the company's board of directors awarded 585,630 stock options for a single beneficiary. these options entitle their holder the right to subscribe to one ordinary share at a subscription price of €0.86 per share.

These options may be exercised until July 2, 2027. The following conditions for exercising the warrants apply:

- 33,33% from July 3, 2021
- 33,33% from July 3, 2022
- 33,33% from July 3, 2023

On July 30, 2020, the company's board of directors awarded 165,000 stock options for six beneficiaries. These options entitle their holder the right to subscribe to one ordinary share at a subscription price of €0.90 per share.

These options may be exercised until July 29, 2027. The following conditions for exercising the warrants apply:

- 33,33% if the SENS 401 phase II study is completed by June 30, 2021
- 11,11% from July 30, 2021
- 11,11% from July 30, 2022
- 16,7% if the OTOF project clinical study request is submitted before December 31, 2022
- 11,11% from July 30, 2023
- 16,7% if the USHER project clinical study request is submitted before December 31, 2024

On August 22, 2020, the company's board of directors awarded 100,000 stock options for a single beneficiary. these options entitle their holder the right to subscribe to one ordinary share at a subscription price of €1.20 per share.

These options may be exercised until August 21, 2027. The following conditions for exercising the warrants apply:

- 33,33% from August 22, 2021
- 33,33% from August 22, 2022
- 33,33% from August 22, 2023

The impact on net income of share-based payments is presented in note 16.

On February 2, 2021, Board of Directors meeting decided to remove all performance conditions attached to the following plans: BSA 2014-3_Plan 2 / BSPCE 2019 / Optoins_2020 Plan 33. Time presence remains the only condition.

**Note 10: Borrowings and financial liabilities**

***10.1 Reimbursable Advances***

Conditional advances have been received from public authorities under contracts with Bpifrance Financement (formerly OSEO Innovation) and the Languedoc-Roussillon region.

As of December 31, 2020, the Company benefits from two advance contracts. These advances do not incur interest and are fully repayable at their nominal value in the event of technical and/or commercial success.

The portion of conditional advances to be repaid in more than one year is recognized in non-current liabilities, and the portion to be repaid within one year is recognized in current liabilities.

The table below shows the breakdown of liabilities reported on the balance sheet (amounts in euros):

| Amount in Euros | BPI France | PATRIOT |
|---|---|---|
| Debt balance sheet as of 12/31/2019 | 457,096 | 0 |
| Collections | 0 | 724,000 |
| Reimbursements | -75,000 | 0 |
| Income recognized in advance at closing | | -312,628 |
| Financial expenses | 67,511 | 10,986 |
| Debt balance sheet as of 12/31/2020 | 449,61 | 422,358 |

On July 27, 2014, Bpifrance Financement and the Languedoc-Roussillon region awarded Sensorion a grant of €860,000 for a study to develop an innovative therapeutic solution to protect against inner ear injuries. The following are the principal stages of this advance:

- €680,000 (€240,000 from the Languedoc-Roussillon region's innovation plus fund and €440,000 from Bpifrance funds) was paid to the Company in July 2014 when the contract was signed;

- €180,000 (€60,000 from the Languedoc-Roussillon region's innovation plus fund and €120,000 from Bpifrance funds) was paid to the Company in August 2016 when the program was completed.

The total amount of reimbursable advances repaid by Sensorion totaled €300,000 as of December 31, 2020.

The nominal value of the balance of this innovation aid must be repaid as follows:

| Repayment amounts | Repayment due dates |
|---|---|
| 40,000 € | 31/03/2021 |
| 40,000 € | 30/06/2021 |
| 40,000 € | 30/09/2021 |
| 50,000 € | 31/12/2021 |
| 50,000 € | 31/03/2022 |
| 50,000 € | 30/06/2022 |
| 50,000 € | 30/09/2022 |
| 60,000 € | 31/12/2022 |
| 60,000 € | 31/03/2023 |
| 60,000 € | 30/06/2023 |
| 60,000 € | 30/09/2023 |

BPI France Financement granted SENSORION a refundable advance within the framework of its participation in the R&D project structuring the "PATRIOT" competitiveness clusters.

This subsidy of a maximum amount of €4,833,248 breaks down as follows:

- First payment upon signing the contract: €724,000 (payment received in august 2020)
- Key step number one: €1,293,000 from October 1, 2021,
- Key step number two: €898,000 from July 1, 2022,
- Key step number three: €762,000 from July 1, 2023,
- Key step number four: €430,000 from July 1, 2024
- Balance subsidy: €726,748 from July 1, 2025

The refundable advance will be refund according to the following provisional schedule:

- from December 31, 2027: €1,250,000
- from December 31, 2028: €1,250,000
- from December 31, 2029: €1,250,000
- from December 31, 2030: €1,250,000

After refund of the refundable advance, Sensorion could make additional payments for a period of five years of up to €2,450,000 depending on the achievement of a cumulative turnover of €40,000,000.

### *10.2 Zero-Interest Innovation Loan*

On January 13, 2017, the Company received a zero-interest innovation loan (PTZI), which was granted jointly by Bpifrance Financement and the Occitanie region. This loan of €950,000 is repayable in 20 quarterly installments of €47,500. The first installment was reimbursed in December 2019 and the second installment was reimbursed in September 2020 following a six-month deferral of all payments to Bpifrance pursuant to the COVID-19 measures implemented by the French government. A third installment was reimbursed in December 2020.

As of December 31st 2020, this loan liability amounts €807,500.

### *10.3 Innovation Loan R&D*

The Company received an innovation loan R&D issued by Bpifrance Financement in the amount of €1,000,000 as part of strengthening of cash flow linked to the COVID-19 crisis.The annual interest rate is 2,25%. A financial expense is recognized on a straight-line basis over a period of 5 years.

The loan will be repaid according to the following provisional schedule:

- December 31, 2021: €200,000
- December 31, 2022: €200,000
- December 31, 2023: €200,000
- December 31, 2024: €200,000
- December 31, 2025: €200,000

As of December 31, 2020, the balance of this loan represents €807,500.

### *10.4-3 Government Guaranteed Loans*

The Company received two Government Guaranteed Loans (GGL) in the context of the COVID-19 crisis.

On October 1, 2020, the company has obtained a GGL from Société Générale and CIC for an amount of €1,500,000.

This loan, with an initial term of 12 months, can be rescheduled from 1 to 5 years. The annual interest rate is 0.25%.

On October 8, 2020, the company has obtained a GGL from CIC for an amount of €500,000.

This loan, with an initial term of 12 months, can be rescheduled from 1 to 5 years. The annual interest rate is 0.25%.

### *10.5 Bonds convertible into shares (OCAs)*

**OCA 2019: OC0321**

On March 11, 2019, Sensorion carried out a bond issue for a nominal amount of €4.7 million, consisting of (i) a convertible bond issue for a nominal amount of €3.4 million (3,440,862 convertible bonds with a nominal value of €1 each), which was subscribed by several new European investors, and (ii) an ordinary bond issue for a nominal amount of €1.3 million (1,290,325 ordinary bonds with a nominal value of €1 each). No application for admission to trading on Euronext Growth has been submitted for the bonds.

The convertible bonds and ordinary bonds were subscribed at 93% of their nominal value, yielding proceeds of €4.4 million. They are not interest-bearing and will mature on March 7, 2021. The conversion price of the convertible bonds will be based on the stock market price at the time of conversion. The conversion price of the convertible bonds will be equal to the lower of €1.30 and a

weighted average share price of the Sensorion share prior to the decision to convert the convertible bonds, less a 10% discount, in compliance with authorization restrictions. The bonds are secured by a pledge granted by the Company over the intellectual property rights the Company owns. The pledge was granted subject to the licenses and use rights granted or to be granted by the Company over the rights pledged.

At its meeting on June 11, 2019, the Board of Directors, using the authorizations granted by the shareholders at a shareholders' meeting, resolved to authorize the conversion of the ordinary bonds issued in March 2019 into convertible bonds under the same terms as the OC 0321 (issued on March 11, 2019).

At the date of this report, the OC 0321 bonds had matured and the 215,054 OC 0321 bonds not converted had been redeemed.

**OCA 2019: OC0624**

On June 18, 2019, Sensorion completed an issue of bonds convertible into ordinary shares of the Company with a nominal value of €20 million to Invus Public Equities LP and Sofinnova Crossover I SLP as long-term partners in Sensorion's transformation. The convertible bond issue with a nominal amount of €20,000,000 is represented by 20,000,000 convertible bonds with a nominal value of €1 each, all fully subscribed for a price of €1 each. These bonds are not interest-bearing and are required to be converted into shares on the maturity date (June 13, 2024). No application for admission to trading on Euronext Growth has been submitted for the bonds.

On February 10, 2020, Invus Public Equities LP converted into ordinary shares all of the 12,500,000 convertible bonds for which it had subscribed in June 2019. On February 13, 2020, Sofinnova Crossover I SLP converted into ordinary shares all of the 7,500,000 convertible bonds for which it had subscribed in June 2019.

***10.6 Maturity of Financial Liabilities***

**FINANCIAL LIABILITIES**

(Amount in euros)

| As of December 31, 2020 | Gross amount | Less than one year | From one to five years | More than 5 years |
|---|---|---|---|---|
| Non-current conditional advances | 1 511 340 | - | 1 088 982 | 422 358 |
| Non-current rental liabilities | 584 540 | - | 418 697 | 165 843 |
| Long term debts | 3 005 582 | - | 3 005 582 | - |
| Provisions non courantes | 144 946 | - | - | 144 946 |
| Convertible bonds | 191 625 | 191 625 | - | - |
| Current conditional advances | 170 000 | 170 000 | - | - |
| Short term debts | 1 569 | 1 569 | - | - |
| Current rental liabilities | 99 548 | 99 548 | - | - |
| Trade payables and related accounts | 2 198 485 | 2 198 485 | - | - |
| Other current liabilities | 1 616 688 | 1 616 688 | - | - |
| **Total financial liabilities** | **9 524 323** | **4 277 915** | **4 513 261** | **733 147** |

**FINANCIAL LIABILITIES**

(Amount in euros)

| As of December 31, 2019 | Gross amount | Less than one year | From one to five years | More than 5 years |
|---|---|---|---|---|
| Non-current conditional advances | 1,237,691 | - | 1,237,691 | - |
| Non-current rental liabilities | 684,088 | - | 410,413 | 273,675 |
| Provisions non courantes | 115,154 | - | - | 115,154 |
| Convertible bonds | 20,186,223 | 20,186,223 | - | - |
| Current conditional advances | 155,000 | 155,000 | - | - |
| Current rental liabilities | 97,579 | 97,579 | - | - |
| Trade payables and related accounts | 1,605,054 | 1,605,054 | - | - |
| Other current liabilities | 800,218 | 800,218 | - | - |
| **Total financial liabilities** | **24,881,007** | **22,844,074** | **1,648,104** | **388,829** |

## Note 11: Non-Current Provisions

Non-current provisions break down as follows:

**NON-CURRENT PROVISIONS**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Pension liabilities | 144,946 | 115,154 |
| **Net total** | **144,946** | **115,154** |

***Retirement allowances obligation***

| | Amounts (€) |
|---|---|
| **As of January 1, 2019** | (84,631) |
| Cost of services rendered (operating expense) | (21,414) |
| Interest expense | (1,330) |
| Allowances paid | - |
| Actuarial gains/losses | (7,779) |
| **As of December 31, 2019** | **(115,154)** |
| Cost of services rendered (operating expense) | (31,594) |
| Interest expense | (887) |
| Allowances paid | - |
| Actuarial gains/losses | 2,689 |
| **As of December 31, 2020** | **(144,946)** |

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

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Social charges rate | 45% | 45% |
| Salary increase | 2% | 2% |
| Discount rate | 0.34% | 0.77% |

- Retirement age: 67 years old (executives) 62 years old (non-executives)
- Departure terms: voluntary departure
- Mortality table: INSEE 2015
- Collective agreement: collective agreement for the pharmaceutical industry
- Degressive staff turnover based on age

These discount rates are taken from IBOXX Corporates AA rates (indexo.com).

No retirement was recorded over the two financial years presented.

## Note 12: Trade payables and other current liabilities

### *12.1 Trade payables and related accounts*

No discounting was applied to trade payables because none of the amounts have payment terms exceeding one year at the end of each period presented.

Trade payables and related accounts break down as follows:

**TRADE PAYABLES AND RELATED ACCOUNTS**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Trade payables and related accounts | 2,198,485 | 1,605,054 |
| **Net total** | **2,198,485** | **1,605,054** |

### *12.2 Other current liabilities*

Other current liabilities break down as follows:

**OTHER CURRENT LIABILITIES**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Social security liabilities | 1,118,546 | 674,902 |
| Tax liabilities | 57,729 | 5,911 |
| Other debts | 10,357 | 10,357 |
| Prepaid income | 430,055 | 109,048 |
| **Net total** | **1,616,688** | **800,218** |

Prepaid income includes advances received following the award of a grant and revenue generated by discounting reimbursable advances.

## Note 13: Financial instruments recorded on the balance sheet

**FINANCIAL INSTRUMENTS RECORDED ON THE BALANCE SHEET AND EFFECT RESULT**

(Amounts in euros)

| As of December 31, 2020 | Balance sheet value | Term deposits | Fair valur through profit and loss | Loans and receivables | debt at amortized cost |
|---|---|---|---|---|---|
| **FINANCIAL ASSET** | | | | | |
| Non-current financial assets | 38,835 | | | 38,835 | |
| Other current assets | 4,254,909 | | | 4,254,909 | |
| Cash and cash equivalent | 62,174,948 | 12,014,951 | 50,159,997 | | |
| **Total financial assets** | **66,468,693** | **12,014,951** | **50,159,997** | **4,293,744** | **-** |
| **FINANCIAL LIABILITIES** | | | | | |
| Non-current conditional advances | 1,511,340 | | | | 1,511,340 |
| Long term debts | 3,005,582 | | | | 3,005,582 |
| Non-current provisions | 144,946 | | | | 144,946 |
| Current conditional advances | 170,000 | | | | 170,000 |
| Short term debts | 1,569 | | | | 1,569 |
| Trade payables and related accounts | 2,198,485 | | | | 2,198,485 |
| Other current liabilities | 1,616,688 | | | | 1,616,688 |
| **Total financial liabilities** | **8,648,609** | **-** | **-** | **-** | **8,648,609** |

**FINANCIAL INSTRUMENTS RECORDED ON THE BALANCE SHEET AND EFFECT RESULT**

(Amounts in euros)

| As of December 31, 2019 | Balance sheet value | Term deposits | Fair valur through profit and loss | Loans and receivables | debt at amortized cost |
|---|---|---|---|---|---|
| **FINANCIAL ASSET** | | | | | |
| Non-current financial assets | 38,835 | | | 38,835 | |
| Other current assets | 5,946,864 | | | 5,946,864 | |
| Cash and cash equivalent | 30,428,319 | 5,000,000 | 25,428,319 | | |
| **Total financial assets** | **36,414,018** | **5,000,000** | **25,428,319** | **5,985,699** | - |
| **FINANCIAL LIABILITIES** | | | | | |
| Non-current conditional advances | 1,237,691 | | | | 1,237,691 |
| Non-current provisions | 115,154 | | | | 115,154 |
| Current conditional advances | 97,579 | | | | 97,579 |
| Trade payables and related accounts | 1,605,054 | | | | 1,605,054 |
| Other current liabilities | 800,218 | | | | 800,218 |
| **Total financial liabilities** | **3,855,696** | - | - | - | **3,855,696** |

## Note 14: Operating revenue

Operating revenue breaks down as follows:

**OTHER REVENUE**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Research tax credit | 1,846,284 | 2,456,672 |
| Grants | 505,801 | - |
| Reimbursable advances | 69,182 | 66,045 |
| **Net total** | **2,421,267** | **2,522,717** |

## Note 15: Operating expenses

Research and development costs break down as follows:

**R&D COSTS**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Payroll expense | 2,022,320 | 1,762,767 |
| Preclinical and clinical studies | 4,089,209 | 6,994,356 |
| Patent royalties | 31,721 | 83,798 |
| Fees | 782,442 | 639,429 |
| Real estate leases and tenancy charges | 177,724 | 178,302 |
| Research supplies | 172,610 | 111,381 |
| Conventions, Travel costs | 41,487 | 63,367 |
| Provision allowances and depreciation/amortization | 288,104 | 299,648 |
| Other | 73,748 | 75,472 |
| **Net total** | **7,679,365** | **10,208,520** |

A breakdown of overhead expenses by type is shown below:

**OVERHEAD EXPENSES**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Staff | 1,776,264 | 1,376,885 |
| Fees | 1,109,299 | 1,111,623 |
| Entertainment and travel expenses | 330,257 | 282,288 |
| Bank fees | 20,377 | 18,875 |
| Directors' fees | 119,000 | 69,000 |
| Provision allowances and depreciation/amortization | 23,839 | 4,199 |
| Postage and telecommunication costs/data room | 74,370 | 65,246 |
| Real estate leases and tenancy charges | 117,519 | 98,363 |
| Insurance | 19,412 | 21,425 |
| Administrative supplies, minor equipment | 5,662 | 6,660 |
| Other | 35,123 | 73,673 |
| **Net total** | **3,631,123** | **3,128,236** |

*Payroll expense*

The Company employed 28 persons on December 31, 2020, compared with 18 persons on December 31, 2019. Payroll expense breaks down as follows:

**PAYROLL EXPENSE**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Salaries and wages | 2,364,834 | 1,695,687 |
| Social contributions | 1,043,194 | 664,177 |
| Contributions on pension liabilities | 31,594 | 21,414 |
| Share-based payments | 358,963 | 758,373 |
| **Net total** | **3,798,585** | **3,139,652** |

## Note 16: Share-based payments

Share-based payments relate to all warrants (BSPCE and BSA warrants) and stock options (SOs) awarded to employees and non-employee members of the Board of Directors.

The table below provides the calculation results:

| | December 31, 2020 | | | December 31,2019 | | |
|---|---|---|---|---|---|---|
| In euros | R&D | G&A | Total | R&D | G&A | Total |
| **BSA** | **0** | **(9,682)** | **(9,682)** | **0** | **(14,379)** | **(14,379)** |
| 26/04/2016 | 0 | 0 | **0** | 0 | (93) | **(93)** |
| 19/05/2017 | 0 | (3,677) | **(3,677)** | 0 | (11,209) | **(11,209)** |
| 30/05/2017 | 0 | 0 | **0** | 0 | 9,528 | **9,528** |
| 30/07/2019 | 0 | (6,005) | **(6,005)** | 0 | (12,604) | **(12,604)** |
| **BSPCE** | **(9,321)** | **(167,485)** | **(176,806)** | **(150,892)** | **(593,103)** | **(743,995)** |
| 02/02/2016 | | | **0** | 0 | 16,411 | **16,411** |
| 02/02/2016 | | | **0** | 0 | (916) | **(916)** |
| 15/03/2016 | | | **0** | (3,022) | (252) | **(3,273)** |
| 19/05/2017 | 4,380 | (10,510) | **(6,130)** | (69,047) | 177 | **(68,870)** |
| 30/05/2017 | 0 | (10,340) | **(10,340)** | 0 | (386,749) | **(386,749)** |
| 30/05/2018 | (2,653) | (125) | **(2,778)** | (17,189) | (733) | **(17,922)** |
| 29/04/2019 | (7,496) | (70,571) | **(78,067)** | (53,569) | (190,050) | **(243,619)** |
| 06/09/2019 | (3,552) | (75,940) | **(79,491)** | (8,064) | (30,992) | **(39,057)** |
| **SO** | **(26,627)** | **(145,848)** | **(172,475)** | **0** | **0** | **0** |
| 20/05/2020 | 0 | (42,000) | **(42,000)** | | | |
| 03/07/2020 | 0 | (80,501) | **(80,501)** | | | |
| 30/07/2020 | (26,627) | (1,718) | **(28,345)** | | | |
| 22/08/2020 | 0 | (21,629) | **(21,629)** | | | |
| **Total** | **(35,948)** | **(323,015)** | **(358,963)** | **(150,892)** | **(607,482)** | **(758,373)** |

The main assumptions used to determine the expense resulting from share-based payments by applying the Black-Scholes warrant valuation model are as follows:

- Risk-free interest rate: 0.18% to 0.20%
- Dividends: none
- Volatility: 72.32%, corresponding to the average historical volatility of a panel of comparable listed companies
- Maturity: 2 to 7 years

Detailed information on the number of options by category and strike price is provided in Note 9.2.

**Note 17: Financial Income and Expenses**

Financial income and expenses break down as follows:

**FINANCIAL INCOME AND EXPENSES**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Financial income | 43,428 | 39,035 |
| Financial expenses | (132,296) | (1,321,176) |
| **Net total** | **(88,869)** | **(1,282,141)** |

Financial expenses paid in 2019 include the payment of commissions relating to financial transactions carried out during the year.

**Note 18: Corporate taxes**

According to the legislation in force, the company has tax losses that can be carried forward indefinitely in France for a total amount of €69,066k as of December 31, 2020 (€58,667,306 at December 31, 2019).

The income tax rate applicable to the company is the rate in force in France, i.e., 28%. The tax rate will be raised to 26.50% for all profits in 2021 then to 25% on all profits in 2022.

**Note 19: Off-balance sheet commitments**

*Commitments given*

The Company has not identified any material off-balance sheet commitments as of December 31, 2020.

*Commitments received*

The company received a 90% state guarantee on two guaranteed loans of €1,800,000.

**Note 20: Related-Party Transactions**

The remuneration shown below, which was paid to the members of the Company's Board of Directors, was expensed during the periods presented:

**RELATIONSHIP WITH RELATED PARTIES**

(Amounts in euros)

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Wages and treatments | 677,316 | 484,949 |
| Attendance fees | 119,000 | 22,000 |
| Share-based payments | 306,716 | 607,769 |
| **Net total** | **1,103,033** | **1,114,718** |

## Note 21: Result per share

*Basic result*

The basic result per share is calculated by dividing the net profit attributable to the shareholders of the company by the weighted average number of ordinary and preferably shares in circulation during the year. The weighted average number of shares is 60.760.952 as of December 31, 2020 and 18,649,422 as of December 31, 2019.

**EARNINGS PER SHARE**

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Loss of the year (in euros) | (8,978,089) | (12,096,181) |
| Weighted average number of shares outstanding | 60,760,952 | 18,649,422 |
| **Net loss per share (in euros)** | **(0.15)** | **(0.65)** |

These instruments giving rights to capital on a deferred basis are considered to be anti-dilutive because they lead to an increase in result per share. These instruments are presented in detail in note 16. Thus, diluted result per share is identical to basic result per share.

**Note 22: Financial risk management**

The main financial instruments of the Company consist of financial assets, cash and investment securities. The objective of the management of these instruments is to allow the financing of the activities of the Company. The Company's policy is not to subscribe to financial instruments for the purpose of speculation. The Company does not use any derivative financial instrument.

The main risks to which the Company is exposed are interest rate risk and credit risk.

*Liquidity risk*

The Company may need to strengthen its equity or resort to additional financing in order to ensure its development.

Since its creation, the Company has financed its growth by strengthening its equity through successive capital increases, and repayment of Research Tax Credit receivables, but has never had recourse to bank loans. Consequently, the Company is not exposed to a liquidity risk resulting from the possible implementation of early repayment clauses for such loans.

Significant research and development efforts have been undertaken since the start of the Company's activity, which has generated negative operating cash flows to date.

The Company will continue to have significant financing needs in the future for the development of its technology, the pursuit of its clinical development program as well as in the future for the production and commercialization of its products. The Company may be unable to self-finance its growth, which would lead it to seek other sources of financing, in particular through new capital increases.

The level of the Company's financing needs and their staggering over time depend on elements that are largely beyond the Company's control, such as:

- higher costs and slower progress than anticipated for its research and development and clinical studies programs;

- costs of preparing, filing, defending and maintaining its patents and other intellectual property rights;

- higher costs and longer delays than those anticipated for obtaining regulatory authorizations for the marketing of its products as well as their access to reimbursement, including the time required to prepare claims with the competent authorities;

- new opportunities for the development of new products or the acquisition of technologies, products or companies.

The Company may not be able to raise additional capital when it needs it, or such capital may not be available on financial terms acceptable to the Company. If the necessary funds are not available, the Company may have to:

- delay, reduce or eliminate the number or extent of its program of preclinical and clinical trials;
- grant licenses on its technologies to partners or third parties; or
- conclude new collaboration agreements on terms less favorable for it than those it could have obtained in a different context.

In addition, to the extent that the Company raises capital by issuing new shares, the participation of its shareholders could be diluted. Debt financing, to the extent that it would be available, could also include restrictive conditions for the Company and its shareholders.

The occurrence of one or more of these risks could have a significant unfavorable effect on the Company, its activity, its financial situation, its results, its development and its prospects.

*Interest Rate Risk*

The Company's exposure to interest rate risk relates mainly to investment securities. These are made up of term deposits. Changes in interest rates have a direct impact on the rate of return on these investments and the cash flows generated.
The Company has no variable rate debt. The repayment flows of its debts are not subject to an interest rate risk.

To date, the Company has not contracted loans with credit institutions and is therefore only slightly exposed to interest rate risk.

*Credit Risk*

The credit risk related to cash, cash equivalents and current financial instruments is not significant compared to the quality of the co-contracting financial institutions.

## Note 23: Subsequent events

Since the end of the fiscal year, the key business updates are as follows:

- On January 5, 2021, Sensorion provided an update on plans and progress made in the development of SENS-401 for the prevention of hearing loss. After encouraging efficacy data in preclinical models, the Company expects to begin a proof-of-concept clinical trial with SENS-401 to treat patients suffering from cisplatin-induced ototoxicity (CIO) in the second half of 2021. A natural history study of CIO in adult cancer patients is expected to start in the first half of 2021. Successful clinical findings would significantly expand Sensorion’s target market for SENS-401: approximately 500,000 cancer patients are treated annually with cisplatin in the USA and EU5, a significant proportion of whom will experience severe hearing loss.

At that time, Sensorion also announced a delay in the availability of the topline results from the Phase 2 study of SENS-401 in SSNHL to Q4 2021, due to the impact of COVID-19. Additionally, Sensorion indicated that it planned to review the study design and consider opportunities to aid its successful on-time completion. Following this review, an amendment to the statistical analysis plan (SAP), which would significantly reduce the sample size without compromising on the quality and potential outcome of the trial, has been submitted to the regulatory authorities. The responses from regulators so far have been encouraging and this increases the Company's confidence in being able to generate topline data this year

- On January 19, 2021, Sensorion announced positive preclinical data demonstrating the potential of SENS-401 to preserve residual hearing after cochlear implantation, in a collaboration with Cochlear, the global leader in implantable hearing solutions. Cochlear implants are very effective in treating severe to profound hearing loss, but preserving acoustic hearing in patients with residual hearing who receive cochlear implants could provide substantial benefit. Sensorion and Cochlear are making progress in the discussion around potential clinical study designs. Next steps are being discussed with Cochlear.

- On February 15, 2021, Sensorion announced a third gene therapy collaboration with Institut Pasteur around the GJB2 gene targeting important pediatric and adult deafness markets. GJB2 mutations had already been widely recognized as the most prevalent cause of congenital deafness and now, new findings from Institut Pasteur have now demonstrated that GBJ2 mutations also underlie a wide range of other instances of severe hearing loss in the adult population. Sensorion will pursue three initial GBJ2-related indications: congenital deafness, progressive childhood hearing loss and early onset of severe presbycusis in adults.

The company's next catalyst points are:

- H1 2021 – Start of CIO Natural History Clinical Trial
- H1 2021 – Ongoing approvals of the protocol amendment to reduce sample size for the SENS-401 Phase 2 study in SSNHL
- H1 2021 – Discussion with regulatory authorities on potential OTOF-GT clinical study design
- H1 2021 – Generation of preclinical PoC studies in older mice for USHER-GT
- H2 2021 – Initiation of SENS-401 clinical study in adults with CIO
- Q4 2021 – Communication of top line data for the SENS-401 Phase 2 clinical study in SSNHL

**COVID-19**

Sensorion continues to closely monitor the COVID-19 pandemic and is actively managing the potential impact on the Company's activities.

We observed a negative impact in the recruitment of the SENS-401 Phase 2 trial in SSNHL driven by a reallocation of emergency room resources and restrictions in the movement of people. In order to avoid overloading healthcare facilities, to ensure the safety of new potential patients, to avoid major protocol deviations due to missed follow-up visits and to minimize contact between patients and investigational staff, new patient recruitment in the study was temporarily suspended during the past year. Recruitment re-started progressively following the reduction in social restrictions. It is difficult to predict the evolution of the pandemic and how local restrictions on individuals or additional governmental measures could impact future recruitment of patients in the ongoing Phase 2 clinical study and in line with our press release of January 5, 2021, we have taken further mitigation steps including by seeking approvals for a protocol amendment which will significantly reduce the number of patients required for the study.

For patients already in the SENS-401 Phase 2 study, there is a risk that some participants may not be able to attend follow-up visits as per study protocol due to government or local restrictions. The Company is seeking to mitigate this risk through the use of teleconferences and videoconferences. Furthermore, the pandemic might cause delays in the preclinical gene therapy studies that are part of the collaboration with Institut Pasteur.

The pandemic could also impact our organization more generally where restrictions impede our ability to meet and collaborate in a timely manner or interact with external parties on our various collaborations across academia, clinical centers or sub-contractors. This could delay our preclinical work for the three ongoing programs. We had previously experienced delays in March 2020 and January 2021 and in light of the evolving situation, there is a risk of another guidance change on the availability of the Phase 2 results with SENS-401 in SSNHL, though as indicated previously we are seeking to minimize this possibility. Such an eventuality could, however, have a significant adverse impact on the Company's business, results, and financial position.

As recommended by the French government, all the employees at Sensorion for which remote working was possible were working remotely until December 2020. The health and safety of the Company’s employees is and continues to be a key priority for Sensorion.

4. Annual accounts as of December 31, 2020 in accordance with the French accounting framework and report of the statutory auditor

## Sensorion

Year ended December 31, 2020

**Statutory auditor's report on the financial statements**

To the Annual General Meeting of Sensorion,

## Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Sensorion for the year ended December 31, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

## Basis for Opinion

### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

### Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics *(Code de déontologie)* for statutory auditors for the period from January 1, 2020 to the date of our report.

## Justification of Assessments

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you that, in our professional judgment, the most significant assessments we made were related to the appropriateness of the accounting policies used and to the reasonableness of the significant accounting estimates and to the overall presentation of the financial statements.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

## Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

- **Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders**

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code (*Code de commerce*).

- **Report on Corporate Governance**

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Article L. 225-37-4 of the French Commercial Code (*Code de commerce*).

- **Other information**

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

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The financial statements were approved by the Board of Directors.

## Statutory Auditor's Responsibilities for the Audit of the Financial Statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements.

- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Montpellier, March 18, 2021

The Statutory Auditor
*French original signed by*
ERNST & YOUNG Audit

Marie-Thérèse Mercier

# Balance sheets and P&L

| ASSETS | Gross Amount 31/12/20 | Gross to net 31/12/20 | Net amount 31/12/20 | Net amount 31/12/19 | Variation in Value | Variation in % |
|---|---|---|---|---|---|---|
| **Uncalled subscribed capital** | | | | | | |
| **FIXED ASSETS** | | | | | | |
| **Intangible assets** | | | | | | |
| Preliminary expenses | | | | | | |
| Research and development costs | | | | | | |
| Concessions-patents & similar assets | 1 559 371 | -977 019 | 582 352 | 720 640 | -138 289 | -19,19 |
| Goodwill (1) | | | | | | |
| Other intangible assets | | | | | | |
| Intangible fixed assets in progress | | | | | | |
| Payments on account in advance | 7 200 | | 7 200 | | 7 200 | |
| **Tangible fixed assets** | | | | | | |
| Land | | | | | | |
| Buildings | | | | | | |
| Indus.fit. machines equipmt, tooling | 653 676 | -519 438 | 134 238 | | -34 983 | -20,67 |
| Other tangible fixed assets | 102 011 | -61 405 | 40 606 | | 19 056 | 88,42 |
| Tangible fixed assets in progress | | | | | | |
| Payments on account in advance | | | | | | |
| **Long term loans & trade investments (2)** | | | | | | |
| Investment in related companies or subsidiaries | | | | | | |
| Loans to group and related companies | | | | | | |
| Investment in securities | | | | | | |
| Other investment | | | | | | |
| Loans | | | | | | |
| Other financial assets | 142 483 | | 142 483 | 112 297 | 30 185 | 26,88 |
| **TOTAL (I)** | **2 464 741** | **-1 557 862** | **906 878** | **1 023 710** | **-116 831** | **-11,41** |
| **CURRENT ASSETS** | | | | | | |
| **Inventories** | | | | | | |
| Raw materials and supplies | | | | | | |
| Work in progress (goods and services) | | | | | | |
| Finished goods and by - products | | | | | | |
| Merchandise | | | | | | |
| **Payments on account in advance** | | | | | | |
| **Receivables (3)** | | | | | | |
| Trade accounts receivable (3) | | | | | | |
| Other (3) | 2 524 510 | | 2 524 510 | 5 373 901 | -2 849 392 | -53,02 |
| Shares of the company | | | | | | |
| Other securities | | | | | | |
| **Available funds** | | | | | | |
| **AVAILABILITY** | 62 174 948 | | 62 174 948 | 30 428 319 | 31 746 629 | 104,33 |
| **Charges recorded in advance (3)** | 1 697 156 | | 1 697 156 | 566 518 | 1 130 638 | 199,58 |
| **TOTAL (II)** | **66 396 614** | | **66 396 614** | **36 368 738** | **30 027 876** | **82,57** |
| **Expenses to spread/several years (III) Premiums on redemption (IV) Exchange rate differences - Assets (V)** | 1 018 | | 1 018 | 1 043 610 | -1 042 591 | -99,90 |
| **GENERAL TOTAL (I+II+III+IV+V)** | **68 862 373** | **-1 557 862** | **67 304 511** | **38 436 057** | **28 868 453** | **75,11** |
| *(1) Including leasehold premium* | | | | | | |
| *(2) Including amounts due within 1 year* | | | | | | |
| *(3) Including amounts due over a year* | | | | | | |

| LIABILITIES | Net amount 31/12/20 | Net amount 31/12/19 | Variation in Value | Variation in % |
|---|---|---|---|---|
| **SHAREHOLDERS' FUNDS** | | | | |
| **Share capital** | 7 974 023 | 3 224 726 | 4 749 297 | 147,28 |
| paid amount : 7 974 023 | | | | |
| **Share premium account (issue-merger...)** | 59 055 944 | 21 361 349 | 37 694 596 | 176,46 |
| **Revaluation variance** | | | | |
| **Equity method evaluation difference** | | | | |
| **Reserves** | | | | |
| Required by law | | | | |
| Stautory or contractual reserves | | | | |
| Restricted reserves | | | | |
| Other reserves | | | | |
| **P&L carried forward** | | | | |
| **Result for the financ. period. Profit or Loss** | -8 595 907 | -10 291 539 | 1 695 633 | 16,48 |
| **NET EQUITY** | **58 434 061** | **14 294 536** | **44 139 525** | **308,79** |
| **Investment grants** | | | | |
| **Special provisions for tax purposes** | | | | |
| **TOTAL (I)** | **58 434 060** | **14 294 536** | **44 139 525** | **308,79** |
| **OTHER EQUITY** | | | | |
| **Product od issues of equity securities** | | | | |
| **Special advances** | | | | |
| **TOTAL (I) *Bis*** | | | | |
| **PROVISIONS** | | | | |
| **Provision for contingencies** | | | | |
| **Provision for probable liabilities** | 144 946 | 115 154 | 29 792 | 25,87 |
| **TOTAL (II)** | **144 946** | **115 154** | **29 792** | **25,87** |
| **LIABILITIES (1)** | | | | |
| **Convertible debenture loans** | 192 644 | 20 192 644 | -20 000 000 | -99,05 |
| **Other debenture loans** | | | | |
| **Borrowings / credit institution (2)** | 3 003 444 | | 3 003 444 | |
| **Other borrowings (3)** | 2 091 500 | 1 537 500 | 554 000 | 36,03 |
| **Advances and deposit received on orders in hand** | | | | |
| **Trade accounts payable** | 2 198 485 | 1 605 054 | 593 431 | 36,97 |
| **Taxes and social debts** | 1 176 275 | 680 813 | 495 463 | 72,78 |
| **Fixed assets and related liabilities** | | | | |
| **Other liabilities** | 10 357 | 10 357 | | |
| **Financial instruments** | | | | |
| **Income recorded in advance** | 52 799 | | 52 799 | |
| **TOTAL (III)** | **8 725 505** | **24 026 368** | **-15 300 863** | **-63,68** |
| **Exchange rate diff. Liabilities (IV)** | | | | |
| **TOTAL GENERAL (I+II+III+IV)** | **67 304 511** | **38 436 057** | **28 868 453** | **75,11** |
| *(1) Amounts due over a year* | *4 731 500* | *21 385 144* | | |
| *(1) Amounts due within 1 year* | *3 994 005* | *2 641 224* | | |
| *(2) Including common bank facilities and credit bank balances* | | | | |
| *(3) Including participating borrowing* | | | | |

| | 01/01/20 to 31/12/20 | 01/01/19 to 31/12/19 | Variation in Value | Variation in % |
|---|---|---|---|---|
| **OPERATING INCOME (1)** | | | | |
| Sales of purchased goods | | | | |
| *export :* | | | | |
| Sales of manufactured goods and services | | | | |
| *export :* | | | | |
| **Net sales** | | | | |
| Charges in stock of manufactured goods | | | | |
| Production of fixed assets capitalised | | | | |
| Trading incentive grants | 505 801 | | 505 801 | |
| Write-back of provisions and transferred charges | 128 270 | 12 238 | 116 033 | 948,15 |
| Other income | 10 866 | 2 173 | 8 694 | 400,18 |
| **TOTAL OPERATING INCOME ( I )** | **644 938** | **14 410** | **630 527** | |
| **Operating expenses (2)** | | | | |
| Purchase of goods | | | | |
| Variation in stocks of purchased goods | | | | |
| Purchases of raw materials and other supplies | 138 341 | 71 024 | 67 317 | 94,78 |
| Variation in inventory of raw materials and supplies | | | | |
| Other purchases and expenses | 7 025 664 | 9 641 141 | -2 615 478 | -27,13 |
| Taxes | 54 187 | 23 954 | 30 233 | 126,21 |
| Wages and salaries | 2 364 834 | 1 695 687 | 669 147 | 39,46 |
| Social security charges | 1 000 593 | 658 675 | 341 918 | 51,91 |
| Depreciation and provisions | | | | |
| On fixed assets : depreciation | 319 005 | 467 022 | -148 017 | -31,69 |
| On fixed assets : provisions | | | | |
| On current assets : provisions | | | | |
| For possible and probable liabilities : provisions | 29 792 | 30 523 | -731 | -2,39 |
| Other expenses | 165 185 | 170 256 | -5 071 | -2,98 |
| **TOTAL OPERATING EXPENSES ( II )** | **11 097 600** | **12 758 282** | **-1 660 682** | **-13,02** |
| **OPERATING RESULT (I - II)** | **-10 452 663** | **-12 743 872** | **2 291 209** | **17,98** |
| **Share of joint venture operations :** | | | | |
| Profit or loss transferred **(III)** | | | | |
| Loss or profit transferred **(IV)** | | | | |
| *(1) Including income rel.to prior acc.periods* | | *2 809* | | |
| *(2) Including expenses rel.to prior acc.periods* | | | | |

| | 01/01/20 to 31/12/20 | 01/01/19 to 31/12/19 | Variation in value | Variation in % |
|---|---|---|---|---|
| **FINANCIAL INCOME** | | | | |
| From shares in group companies (3) | | | | |
| From other investments included among fixed assets(3) | | | | |
| Interests and similar charges (3) | 19 046 | 2 538 | 16 508 | 650,53 |
| Write-back of provisions and charges transferred | 24 382 | 36 497 | -12 115 | -33,19 |
| Profit on exchange | | | | |
| Net profit on disposals of financial current investments | | | | |
| **TOTAL FINANCIAL INCOME ( V )** | **43 428** | **39 035** | **4 393** | **11,25** |
| **FINANCIAL EXPENSES** | | | | |
| Increase of provisions against financial assets | | 24 382 | -24 382 | -100,00 |
| Interests payable and similar charges (4) | 1 875 | | 1 875 | |
| Loss on exchange | | | | |
| Net losses on disposals of trade investments | | | | |
| **TOTAL FINANCIAL EXPENSES ( VI )** | **1 875** | **24 382** | **-22 507** | **-92,31** |
| **NET FINANCIAL RESULT (V - VI)** | **41 553** | **14 653** | **26 900** | **183,58** |
| **RESULT OF ORD.OPERS before tax/profit (I-II+III-IV+V-VI)** | **-10 411 110** | **-12 729 219** | **2 318 109** | **18,21** |
| **EXTRAORDIANARY INCOME** | | | | |
| On operating items | | 2 809 | -2 809 | -100,00 |
| On capital items | 36 124 | 3 468 | 32 656 | 941,61 |
| Write-back of provisions and charges transferred | | | | |
| **TOTAL EXTRAORDINARY INCOME ( VII )** | **36 124** | **6 277** | **29 847** | **475,47** |
| **EXTRAORDINARY EXPENSES** | | | | |
| On operating items | 25 045 | | 25 045 | |
| On capital items | 30 321 | 21 993 | 8 328 | 37,87 |
| Provisions | 23 839 | 3 277 | 20 562 | 627,52 |
| **TOTAL EXTRAORDINARY EXPENSES (VIII)** | **79 205** | **25 270** | **53 935** | **213,44** |
| **RESULT OF EXTRAORDINARY ITEMS** | **-43 081** | **-18 992** | **-24 089** | **-126,83** |
| **Employees' profit share (IX)** | | | | |
| **Corporation tax on profit (X)** | -1 858 284 | -2 456 672 | 598 388 | 24,36 |
| **TOTAL INCOME (I+III+V+VII)** | **724 489** | **59 722** | **664 767** | **1 113,10** |
| **TOTAL EXPENSES (II+IV+VI+VIII+IX+X)** | **9 320 396** | **10 351 262** | **-1 030 865** | **-9,96** |
| **PROFIT OR LOSS** | **-8 595 907** | **-10 291 539** | **1 695 633** | **16,48** |

*(3) Revenues related to affiliated companies*
*(4) Interests related to affiliated companies*

The fiscal year lasts 12 months and covers the period from **January 1 to December 31, 2020**.

The notes below are an integral part of the balance sheet and of the income statement. The balance sheet total is €67,304,511 and the income statement reports a loss of €8,595,907.

## 1. SIGNIFICANT EVENTS DURING THE FISCAL YEAR

### 1.1. Update on R&D projects:

In fiscal 2020, the Company has continued to develop new therapies to restore hearing, treat and prevent hearing loss. Clinical and preclinical projects are progressing, in particular the collaboration with Institut Pasteur in gene therapy.

**Gene therapy collaboration with Institut Pasteur on hearing loss**

On June 9, 2020, Sensorion announced positive preliminary preclinical data in non-human primates for its gene therapy program targeting Otoferlin deficiency (OTOF-GT), showing that it could deliver an intracellular marker to the inner hair cells at levels that reflect the future clinical requirements. The company plans to discuss its OTOF-GT program with regulatory authorities in H1 2021.

Additionally, Sensorion announced an agreement with Novasep on October 27, 2020, for the process development and manufacturing of adeno-associated viruses (AAV) gene therapy products for the Company's OTOF-GT program. Under the terms of the agreement, Novasep will be in charge of developing and manufacturing (cell culture, AAV expression, purification, aseptic distribution and quality control) the two AAV vectors designed for the Sensorion OTOF-GT project and will supply Drug Product batches to support preclinical and clinical studies.

**Technology platform**

Sensorion has built a unique R&D technology platform over the years to deepen the understanding of the pathophysiology and etiology of inner ear related diseases. The platform is being actively deployed to select targets, identify biomarkers and to optimize small molecules and gene therapy candidates.

The strengthened platform includes in-vitro assays encompassing the key cochlear cell types, systems to investigate explant tissue and advanced electrophysiological methods for assessing neuronal activity.

On the in-vivo side, Sensorion is developing a suite of validated preclinical models reflecting specific pathologies and inner ear lesions, as well as advancing the use of techniques such as auditory brainstem response (ABR) and distortion product oto-acoustic emission (DPOAE) audiometry for measuring and analysing hearing parameters in those models.

The last pillar of the Company's technology platform focuses on developing biomarkers to improve diagnosis and guide treatment in the key areas of unmet medical need in hearing loss.

**Drug candidate SENS-401**

Our clinical program with small molecule SENS-401 continued to progress in 2020.

Sensorion is conducting a Phase 2 clinical trial of SENS-401 in the treatment of SSNHL in adults. This Phase 2, randomized, double-blinded, placebo-controlled study is being conducted in multiple countries in Europe and Canada.

On February 17, 2020, Sensorion received Ethics Committee approval to include new military sites in this study, allowing clinical investigators to recruit volunteer military personnel who have suffered from acute hearing loss.

On March 13, 2020, Sensorion provided an update on the recruitment schedule for the ongoing SENS-401 Phase 2 study for the treatment of SSNHL. Due in part to the impact of COVID-19 on patient enrolment, the availability of topline data were expected to be delayed to Q4 2021 (see below in 2021 announcements).

On June 5, 2020, the independent Data Safety Monitoring Board (DSMB) confirmed the absence of safety concerns and recommended continuation of the Phase 2 trial as scheduled.

Having demonstrated otoprotective activity in several preclinical models, SENS-401 is being studied as a potential option to preserve residual hearing in people with cochlear implants under a collaboration with Cochlear, the world leader in implantable hearing solutions. Positive preclinical data were announced on January 5, 2021 (see below in 2021 announcements). Next steps are being discussed with Cochlear.

On December 15, 2020, Sensorion and Sonova Holding AG, a leading provider of hearing solutions, announced that Sonova had acquired a 3.7% equity stake in Sensorion via an investment of €5 million. At the same time, the two companies signed a letter of intent to exclusively explore potential plans for a strategic collaboration in the field of innovative diagnostic and therapeutic solutions for certain types of hearing loss. Discussions between Sensorion and Sonova are ongoing.

1.2. Capital transactions (see note 3.3)

1. Following the conversion, in **February 2020**, of 20,000,000 "OC 0624" convertible bonds issued in June 2019, 26,315,789 new shares were created and issued, resulting in a capital increase of €20,000,000 (nominal value of €2,631,579 and share premium of €17,368,421).

2. Pursuant to a decision adopted on **September 17, 2020**, the Board of Directors used the authority delegated to it by the shareholders' meeting held on May 20, 2020. It decided to carry out a capital increase for a total amount of €31,001,200 (nominal value of €1,823,600 and share premium of €29,177,600) by creating and issuing 18,236,000 new shares, which were issued for a price of €1.70.

3. Pursuant to a decision adopted on **December 14, 2020**, the Board of Directors used the authority delegated to it by the shareholders' meeting held on May 20, 2020. It decided to carry out a capital increase for a total amount of €4,999,999 (nominal value of €294,118 and share premium of €4,705,882) by creating and issuing 2,941,176 new shares, which were issued for a price of €1.70.

In 2020, a total of 47,492,965 new shares were created.

## 2. ACCOUNTING PRINCIPLES, RULES AND POLICIES

The financial statements as of December 31, 2020 were prepared in compliance with the provisions of the French Commercial Code (Code de commerce), ANC Regulation 2014-03 of June 5, 2014 on the Uniform Chart of Accounts, and the regulations of the French Accounting Regulations Committee (*Comité de la Réglementation Comptable* - "CRC").

The conventions below have been applied in compliance with the principle of prudence, in accordance with the following basic assumptions:

- the consistency concept;
- the accruals concept;
- the going concern concept; and

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

The annual financial statements were prepared on a going concern basis in the context described below.

As of December 31, 2020, the company had sufficient net working capital to meet its cash needs for the next 12 months.

Cash at year-end is up to €62m, and the company has the necessary cash to cover its current and development expenses until the end of the second half of 2022.

Ther is no matter of going-concern as of December 31st, 2020.

COVID-19 EVENT

These financial statements were also prepared in accordance with the recommendations and observations of the French Accounting Standards Authority (*Autorité des Normes Comptables*) on the recognition of the consequences of the COVID-19 event in the financial statements and accounts prepared as of January 1, 2020, which were published on May 18, 2020 and updated on July 3, 2020.

To establish the information to be provided in the note on the consequences of the COVID-19 health crisis, the Accounting Standards Authority recommends two alternative approaches: the targeted approach and the comprehensive approach. The first approach presents the main impacts deemed relevant, whereas the second approach presents all impacts, their interactions and their effect on the usual aggregates.

The company has chosen the targeted approach.

2.1. Intangible Assets

This item includes:

- Patent filing costs comprising the costs and fees of intellectual property lawyers. They are amortized over five years.
- Costs in connection with the acquisition of licenses, which are capitalized on the basis of costs incurred to acquire the rights of use. These costs are amortized on a straight-line basis over a period equal to their legal protection or their useful life, whichever is shorter.
- Software acquisition costs, which are amortized over three years.

The company has always expensed its research and development costs in the period in which they are incurred. Trademark registration fees are also expensed.

2.2. Property, Plant and Equipment

Property, plant and equipment are valued at their acquisition or production cost, including the costs necessary to make these assets fit for use, and after sales reductions, rebates and payment discounts obtained.

The company considers that it does not hold any assets that can be broken down into components.
Depreciation is calculated on a straight-line basis according to the expected useful life:

- laboratory equipment: 3 to 8 years
- office and computer equipment: 3 to 5 years
- furniture: 5 years

2.3. Financial Assets

Financial assets are measured at their historical purchase cost. A provision for impairment of these assets may be recognized in the event of an unrealized loss.
Financial assets consist primarily of:

- Amounts allocated to the liquidity agreement the company has signed with a financial intermediary, which ensures the liquidity of transactions and the stability of the company's share price;
- Treasury shares held in connection with the liquidity agreement;
- Deposits and guarantees paid.

2.4. Receivables

Receivables are measured at their nominal value. If receivables have become impaired, a provision is recognized to take into account possible collection difficulties.

### 2.5. Marketable Securities

Marketable securities are measured at their historical purchase cost and a provision for impairment of these assets may be recognized in the event of an unrealized loss. In the event of a disposal, capital gains are calculated using the “first-in, first-out” method.

### 2.6. Grants and Conditional Advances

The company receives a certain amount of government assistance in the form of conditional advances.
Grants received are recognized when the corresponding receivable becomes certain, taking into account the conditions imposed when the grant is awarded.
Operating grants are recognized in current revenue, taking into account, if applicable, the rate of the corresponding expenditures so as to comply with the matching principle.
Advances received from public institutions to finance the company’s research activities, the repayment of which is conditional, are presented as liabilities under “Other equity.” The portion that may be reimbursable, including if the program fails, is reclassified under “Other financial liabilities.”

### 2.7. Commitments to Employees

The company's employees may be entitled to benefits upon retirement.
Retirement and similar commitments for end-of-career bonuses at the end of the fiscal year are measured using a statistical method.
The calculation is performed for each individual. The company’s commitment consists of the sum of the individual commitments.
The overall commitment is recognized under “Provisions for contingent liabilities.”

## 3. NOTES TO THE BALANCE SHEET

### 3.1. Non-current assets (gross values in thousands of euros)

| | 12/31/2019 | Increase | Decrease | 12/31/2020 |
|---|---|---|---|---|
| Intangible assets | | | | |
| Patents, licenses, trademarks | 1 521 | 89 | 43 | 1 567 |
| Tangible assets | | | | |
| - Technical installations | 609 | 45 | | 654 |
| - Various layout | - | | | - |
| - Other fixed assets (IT, furniture) | 71 | 31 | | 102 |
| - Tangible assets in progress | - | | | - |
| Aadvances and deposits | - | | | - |
| Financial assets | | | | |
| - Other securities (1) | 91 | | 21 | 70 |
| - Loans and various (2) | 45 | 27 | | 72 |
| | **2 337** | **192** | **64** | **2 465** |

*(1) Treasury shares held in connection with the liquidity agreement (67,975 shares).*
*(2) Recognition of the available balance of the liquidity agreement in the amount of €33,000.*

Depreciation/amortization and provisions for non-current assets (in thousands of euros)

| | 12/31/2019 | Increase | Decrease | 12/31/2020 |
|---|---|---|---|---|
| Intangible assets | | | | |
| Patents, licenses, trademarks | 800 | 220 | 43 | 977 |
| Tangible assets | | | | |
| - Technical installations | 439 | 80 | | 519 |
| - Various layout | - | | | - |
| - Other fixed assets (IT, furniture) | 50 | 12 | | 61 |
| | **1 289** | **312** | **43** | **1 557** |

3.2. Receivables (in thousands of euros)

| | Gross | Depreciation | Net | Less than one year |
|---|---|---|---|---|
| Other financial assets | 142 | | 142 | - |
| Trade receivables | | | - | - |
| Staff | 2 | - | 2 | 2 |
| Income tax (1) | 1 863 | - | 1 863 | 1 863 |
| V.A.T. | 647 | - | 647 | 647 |
| Product recognized in advance | | - | - | - |
| Various debtors | 13 | - | 13 | 13 |
| | **2 666** | **-** | **2 666** | **2 524** |

*(1) The research tax credit calculated for 2020, which is refundable in 2021.*

3.3. Share capital and reserves

| | Number of shares | Nominal value | Capital |
|---|---|---|---|
| As of December 31, 2019 | 32 247 263 | 0,10 | 3 224 726 |
| Shares issued during the year * | 47 492 965 | 0,10 | 4 749 297 |
| Reibursed during the year | | | |
| As of December 31, 2020 | 79 740 228 | 0,10 | 7 974 023 |

- *A breakdown of shares issued is provided in Section 1.2*

All shares are fully subscribed and paid in full, and they are all of the same class.

Distribution of the share capital as of December 31, 2020

| | Number of shares | Nominal value | Capital |
|---|---|---|---|
| As of December 31, 2019 | 32 247 263 | 0,10 | 3 224 726 |
| Shares issued during the year * | 47 492 965 | 0,10 | 4 749 297 |
| Reibursed during the year | | | |
| As of December 31, 2020 | 79 740 228 | 0,10 | 7 974 023 |

Information on share warrants and their potential dilutive impact on earnings per share

**AS OF 12/31/2020**

| SENSORION | NUMBER OF SHARES | % of capital held | Number of shares resulting from the exercise of the BSPCE founders' warrants, BSA warrants and stock options [2] | NUMBER OF OC 0321 CONVERTIBLE BONDS (maturity 3/7/2021) | NUMBER OF SHARES AFTER CONVERSION OF OC 0321 CONVERTIBLE BONDS [i] | NUMBER OF BSA WARRANTS (detachment of YV convertible bonds) = NUMBER OF SHARES IF BSA WARRANTS EXERCISED [ii] | NUMBER OF FULLY DILUTED SHARES | % of fully diluted capital held |
|---|---|---|---|---|---|---|---|---|
| Inserm Transfert Initiative | 982,911 | 1.23% | | | | | 982,911 | 1.19% |
| Innobio | 3,499,874 | 4.39% | | | | | 3,499,874 | 4.23% |
| Sub-total Historical Investors | 4,482,785 | 5.62% | | | | | 4,482,785 | 5.42% |
| Chairman of the Board - Edwin Moses | | 0.00% | 585,630 | | | | 585,630 | 0.71% |
| CEO - Nawal Ouzren | 160,000 | 0.20% | 705,000 | 215,054 | 165,426 | | 1,030,426 | 1.25% |
| Employees | | 0.00% | 328,625 | | | | 328,625 | 0.40% |
| Directors | | 0.00% | 195,360 | | | | 195,360 | 0.24% |
| Sub-total management, employees, directors | 160,000 | 0.20% | 1,814,615 | 215,054 | 165,426 | | 2,140,041 | 2.59% |
| Cochlear | 533,755 | 0.67% | | | | | 533,755 | 0.65% |
| Invus Public Equities LP | 26,490,415 | 33.22% | | | | | 26,490,415 | 32.02% |
| Sofinnova Partners | 15,469,458 | 19.40% | | | | | 15,469,458 | 18.70% |
| WuXi AppTec | 5,249,608 | 6.58% | | | | | 5,249,608 | 6.34% |
| SONOVA AG | 2,941,176 | 3.69% | | | | | 2,941,176 | 3.55% |
| 3SBio | 4,055,150 | 5.09% | | | | | 4,055,150 | 4.90% |
| Free float (including former officers and directors) | 20,357,881 | 25.53% | 907,124 | 0 | 0 | 111,607 | 21,376,612 | 25.84% |
| **Total** | **79,740,228** | **100.00%** | **2,721,739** | **215,054** | **165,426** | **111,607** | **82,739,000** | **100.00%** |

3.4. Conditional Advances

On August 28, 2020, Bpifrance paid an advance of €724,000, out of a maximum total amount granted of €4,833,248, to finance a project on "Developing a medicine dedicated to the treatment of noise-related deafness."
Starting on December 31, 2027, the advance will be repayable according to a multi-year schedule set out in the contract, except in the event of commercial failure.

3.5. Provisions for Contingent Liabilities

This provision, in the amount of €144,946, is for retirement allowances to be paid to salaried employees.
It covers the retirement allowances for all employees in the company's workforce as of December 31, 2020. The national pharmaceutical industry collective bargaining agreement is applied.
The provision was calculated based on the assumption that employees will leave on their initiative,and including social contributions at a rate of 45%.
A discount rate of 0.34% was applied.

3.6. Bond Financing

On March 6, 2019, the company issued 3,440,862 **convertible bonds (OC 0321)** for a total amount of €3,440,862. These bonds have a nominal value of €1 each and were issued at 93% of their nominal value. They are non-interest bearing and have a maturity of 24 months.
As of December 31, 2019, 215,054 of the OC 0321 convertible bonds had not been converted.
No OC 0321 convertible bonds were converted into shares in 2020.
Therefore, as of December 31, 2020, 215,054 of the OC 0321 convertible bonds remained unconverted.
At the date of this report, the OC 0321 bonds had matured and the 215,054 OC 0321 bonds not converted had been redeemed.

On June 11, 2019, the company issued **20,000,000 convertible bonds (OC 0624**) for a total amount of €20,000,000. These bonds have a nominal value of €1 each and were issued at 100% of their nominal value. They are non-interest bearing and have a maturity of 60 months.
As of December 31, 2019, 20,000,000 of the OC 0624 convertible bonds had not been converted.
All of the OC 0624 convertible bonds were converted into shares in 2020.
Therefore, as of December 31, 2020, there remained no unconverted OC 0624 convertible bonds.

3.7. Loans from Financial Institutions

To deal with the financial consequences of the COVID-19 pandemic, the company took out three government-guaranteed loans for a total amount of €3,000,000.

CIC Bank granted a zero-interest working capital loan of €500,000 for a term of one year, with the possibility of rescheduling repayment of the sums due at maturity over a five-year period.
Société Générale granted a loan of €1,500,000 for a term of twelve months with the possibility of partially or totally amortizing the sums due at maturity over a maximum period of five years.
BPI France Financement granted innovation aid in the form of a loan of €1,000,000, at an interest rate of 2.25% per year, for a term of 73 months, with a deferred principal repayment period followed by a straight-line repayment period starting on December 31, 2021.

3.8. Miscellaneous Financial Liabilities

As of December 31, 2020, the company had entered into repayable advance agreements for a total amount of €1,367,500.

In 2014, Bpifrance Financement and the Languedoc-Roussillon region granted an advance of €860,000 to finance a study on the "Development of an innovative therapeutic solution to protect against inner ear injuries." The advance agreement provided that, regardless of the outcome of the project (technical/commercial failure or success), the company was required to repay the amount in quarterly installments starting June 30, 2018. This project was declared a success in 2017.
In 2020, repayments totaling €75,000 were made. Due to the COVID-19 crisis, the installments for the first and second quarters of 2020 were not debited. The original payment schedule has been deferred by six months and now expires on September 30, 2023.
As of December 31, 2020, the amount of the advance was €560,000.

In 2017, Bpifrance Financement and the Occitanie region granted an interest-free loan for a total amount of €950,000 to finance a study on the "Development of a new high content screening approach for discovering therapeutic targets and treatments for inner ear pathologies."

This contract provided for repayment in 20 constant quarterly installments starting on December 31, 2019.
In 2020, repayments totaling €95,000 were made. Due to the COVID-19 crisis, the installments for the first and second quarters of 2020 were not debited. The original payment schedule has been deferred by six months and now expires on September 30, 2024.
As of December 31, 2020, the amount of the advance was €807,500.

### 3.9. Other Debts

This item includes:

- trade payables and related accounts €2,198,000
- taxes and social contributions €1,176,000
- other debts €10,000

*All of these debts mature within one year.*

### 3.10. Prepaid Expenses

Prepaid expenses in the amount of €1,697,000 that correspond to operating expenses that will be recognized at subsequent periods when the service will be performed.

## 4. NOTES TO THE INCOME STATEMENT

### 4.1. Research Activities

The company recognizes as operating expenses its research and development costs incurred on its own behalf. They totaled €7,283,000 in 2020, compared to €8,054,000 in 2019.
The portion of these costs eligible for the research tax credit for fiscal year 2020, net of grants and conditional aid received and reimbursed, was €6,171,000.
A research tax credit of €1,851,000 was recognized for 2020.

### 4.2. Financial Revenue and Expenses

. Revenue

- Interest and similar revenue €19,000
- Reversal of provisions for impairment of treasury shares €24,000

. Expenses

- Interest and similar expenses €2,000
- Net financial income €41,000

### 4.3. Corporate Income Tax

Corporate income tax comprises the research tax credit of -€1,846k and a tax deduction for corporate philanthropy in the amount of -€12k.

As of December 31, 2020, the company had tax loss carryforwards totaling €69,066k, which confer a potential reduction of €17,267k in future tax liability.

## 5. ADDITIONAL INFORMATION

### 5.1. Workforce

| | At 12/31/2020 | Average |
|---|---|---|
| Executives | 24 | 21 |
| Employees | 2 | 2 |
| **Total** | **26** | **23** |

5.2. Compensation of Senior Executives

As of December 31, 2020, gross compensation awarded to the company's senior management totaled €783k.

5.3. Off-Balance Sheet Commitments

5.3.1. Commitments Given

The Company has not identified any material off-balance sheet commitments as of December 31, 2020.

5.3.2. Commitments Received

The company received a 90% state guarantee on two guaranteed loans of €1,800,000.

5.3.3. Auditor's fees

The amount of auditor's fees reported in the income statement for the statutory audit of the financial statements totals €54,968.

5.3.4. Information on related-party transactions

In accordance with ANC Regulation 2010-02 of September 2, 2010, amending Uniform Chart of Accounts Articles 531-3, 532-11 and 532-12, we inform you that in fiscal year 2020 no material transaction was entered into with related parties other than on arm's length terms.

5.4. Post-Year-End Events

Since the end of the fiscal year, the main events are as follows:

- On January 5, 2021, Sensorion provided an update on plans and progress made in **the development of SENS-401 for the prevention of hearing loss**. After encouraging efficacy data in preclinical models, the Company expects to begin a proof-of-concept clinical trial with SENS-401 to treat patients suffering from cisplatin-induced ototoxicity (CIO) in the second half of 2021. A natural history study of CIO in adult cancer patients is expected to start in the first half of 2021. Successful clinical findings would significantly expand Sensorion's target market for SENS-401: approximately 500,000 cancer patients are treated annually with cisplatin in the USA and EU5, a significant proportion of whom will experience severe hearing loss.

  At that time, Sensorion also announced a delay in the availability of the topline results from the Phase 2 study of SENS-401 in SSNHL to Q4 2021, due to the impact of COVID-19. Additionally, Sensorion indicated that it planned to review the study design and consider opportunities to aid its successful on-time completion. Following this review, an amendment to the statistical analysis plan (SAP), which would significantly reduce the sample size without compromising on the quality and potential outcome of the trial, has been submitted to the regulatory authorities. The responses from regulators so far have been encouraging and this increases the Company's confidence in being able to generate topline data this year

- On January 19, 2021, Sensorion announced **positive preclinical data demonstrating the potential of SENS-401 to preserve residual hearing after cochlear implantation**, in a collaboration with Cochlear, the global leader in implantable hearing solutions. Cochlear implants are very effective in treating severe to profound hearing loss, but preserving acoustic hearing in patients with residual hearing who receive cochlear implants could provide substantial benefit. Sensorion and Cochlear are making progress in the discussion around potential clinical study designs. Next steps are being discussed with Cochlear.

- On February 15, 2021, Sensorion announced a **third gene therapy collaboration with Institut Pasteur around the GJB2 gene** targeting important pediatric and adult deafness markets. GJB2 mutations had already been widely recognized as the most prevalent cause of congenital deafness and now, new findings from Institut Pasteur have now demonstrated that GBJ2 mutations also underlie a wide range of other instances of severe hearing loss in the adult population. Sensorion will pursue three initial GBJ2-related indications: congenital deafness, progressive childhood hearing loss and early onset of severe presbycusis in adults.

# 4. Special report of the auditor on regulated agreements

Statutory auditor's report on related party agreements

To the Annual General Meeting of Sensorion,

In our capacity as statutory auditor of your Company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (Code de commerce), to assess the relevance of these agreements prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (Code de commerce) of the continuation of the implementation, during the year ended December 31, 2020, of the agreements previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

## Agreements submitted for approval to the Annual General Meeting

In accordance with Article L. 225-40 of the French Commercial Code (Code de commerce), we have been notified of the following related party agreements which received prior authorization from your Board of Directors.

- With PJL Conseils

Person concerned

Mr. Patrick Langlois, Chairman and Director of Board of Directors your Company until July 3, 2020 and Executive Officer of PJL Conseils.

Nature and purpose

On April 28, 2020, the Board of Directors authorized the conclusion, on May 14, 2020, of an amendment to the consulting agreement.

Conditions

The amendment to the consulting agreement sets out the consulting fees from €3,000 to €4,000 (VAT is not included) per month.

Reasons justifying why the Company benefits from this agreement

Your Board of Directors gave the following reason: Given the change in the development phase of the Company, the mission of PJL Conseils has also evolved and the consultancy fees of PJL Conseils requires to be adjusted accordingly and brought from €3,000 to €4,000 ( VAT is not included) per month.

## Agreements previously approved by the Annual General Meeting

In accordance with Article R. 225-30 of the French Commercial Code (Code de commerce), we have been notified that the implementation of the following agreements, which were approved by the Annual General Meeting in prior years, continued during the year ended December 31, 2020.

- With PJL Conseils

Person concerned

Mr. Patrick Langlois, Chairman and Director of the Board of Directors of your Company until July 3, 2020, and Executive Officer of PJL Conseils.

Nature, purpose and conditions

On January 19, 2015, the Board of Directors authorized the conclusion, on February, 2015, of a consulting agreement entered into with your Company and PJL Conseils, of which Mr. Patrick Langlois is Executive Officer.

This contract was amended on February 2, 2016.

This contract continued until the end of Mr. Patrick Langlois' term of office as Chairman and Director, i.e. until July 3, 2020.

- With Mrs. Nawal Ouzren, Chief Executive Officer and member of your Board of Directors

Nature, purpose and conditions

On April 12, 2017, the Board of Directors authorized, the CEO mandate agreement with Mrs. Nawal Ouzren.

Montpellier, March 18, 2021

The Statutory Auditor
ERNST & YOUNG Audit
French original signed by

Marie-Thérèse Mercier