Limited liability company with share capital of € 7,993,793.80
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, 2021

Free translation of the French "*Rapport Financier Annuel 2021*" issued in French
For informational purposes only – in case of discrepancy, the French version prevails

SUMMARY

1. Report of the Board of Directors of April 27, 2022 and special reports

2. Annual accounts as of December 31, 2021 in accordance with IFRS and report of the statutory auditor

3. Annual accounts as of December 31, 2021 in accordance with the French accounting framework and report of the statutory auditor

4. Special report of the auditor on regulated agreements

SENSORION

Limited liability company with share capital of € 7,993,793.80

Registered office : 375, rue du Professeur Joseph Blayac

34080 Montpellier

Montpellier Trade and Companies Register (RCS) 512 757 725

_____

ORDINARY AND EXTRAORDINARY GENERAL MEETING ON MAY 31, 2022

REPORT OF THE BOARD OF DIRECTORS
INCLUDING THE REPORT ON OPERATIONS AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 AND THE CORPORATE GOVERNANCE REPORT

SENSORION
Limited liability company with share capital of € 7,993,793.80
Registered office : 375, rue du Professeur Joseph Blayac
34080 Montpellier
Montpellier Trade and Companies Register (RCS) 512 757 725

_____

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, 2021, 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 2021, 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.

- **OTOF-GT**

Sensorion received scientific advice from regulatory agencies on the preclinical and clinical development plans for OTOF-GT, the Company's dual vector AAV gene therapy program for the treatment of children born with hearing loss caused by otoferlin deficiency.

The European Medicines Agency's advisors welcomed the ongoing Natural History Study, Audioferline (NCT04202185), a component of the AUDINNOVE project coordinated by researchers at Hôpital Necker-Enfants malades (Necker Hospital) in partnership with Sensorion. Sensorion is expanding the study across Europe to document the natural course of disease progression in otoferlin deficiency patients, define clinically meaningful endpoints suitable for

market approval, and identify the patient populations that would benefit the most from Sensorion's OTOF-GT treatment. The Natural History Study will enable Sensorion to select the most relevant and clinically meaningful endpoints and clinical trial design as OTOF-GT progresses into the clinic.

At the Association for Research in Otolaryngology (ARO) 45th MidWinter Meeting in February 2022, Sensorion presented a poster on OTOF gene therapy. The data indicated potential for safe and efficient clinical translation of gene therapy for Otoferlin delivered by a dual AAV vector. The chosen capsid of AAV-OTOF in both mouse and non-human primate (NHP) models targets Inner Hair Cells (IHCs) and not Outer Hair Cells. Otof *de novo* expression in IHCs in a DFNB9 mouse model (OTOF-KO) demonstrates long-term expression of Otoferlin and hearing restoration up to one year post injection. In NHPs, the surgical procedure similar to cochlear implantation has been optimized to achieve an effective transduction rate of the targeted IHCs at levels compatible with therapeutic intervention in humans.

Sensorion goal is to start producing toxicological batches for OTOF-GT at intended clinical-scale volumes by mid-2022. The company is on track to file a Clinical Trial Application (CTA) for its OTOF-GT program in H1 2023.

- **GJB2-GT**

On February 15, 2021, Sensorion announced its largest gene therapy program to date, a collaboration with Institut Pasteur, targeting the GJB2 gene in pediatric and adult deafness. Research by Institut Pasteur demonstrated that anomalies in GJB2 are both the most common cause of congenital deafness as well as a wide contributor of severe age-related hearing loss in adults. Although the types of GJB2 mutation in children and adults may differ, gene therapy could potentially provide solutions for both.

Sensorion's GJB2 gene therapy programs have the potential to address three pathologies related to GJB2 mutations: early onset of presbycusis in adults, progressive forms of hearing loss in children, and pediatric congenital deafness. Sensorion plans to select a candidate by mid-2022.

- **SONOVA**

In September 2021, Sensorion announced the signing of an important multi-year collaboration with Sonova, a leading international player in the hearing solutions market. The collaboration aims to create new diagnostic and therapeutic solutions for hearing loss and expands a commitment made between the two companies in December 2020, when Sonova acquired a 3.7% stake in Sensorion.

Part of the collaboration is a jointly funded study of natural history in age-related progressive hearing loss (presbycusis) in adults. It will involve the collection of disease information and samples via selected Sonova Audiological Care stores. The collaboration could lead to the introduction of genetic analysis to the routine diagnosis of progressive hearing loss in adults and subsequently open the way for improved care through a combination of advanced therapeutic interventions and traditional hearing solutions including hearing aids. Sonova and Sensorion will jointly fund the study with €7.0 million, split 70/30%, respectively, between the two companies.

- **USHER-T1-GT**

During 2021, Sensorion completed the preclinical proof-of-concept study for its gene therapy approach in Usher's syndrome type 1G (USHER-GT). This study was designed to test whether a gene therapy approach would be effective in older mice, thereby opening the possibility of extended treatment windows for clinical studies.

The results of the completed study show that there is a full restoration of the vestibular function, but that audition cannot be restored at a satisfactory level. In line with a focused approach to capital allocation, Sensorion has decided to terminate this program. The Master Research Agreement provides us the possibility to explore other opportunities with Institut Pasteur.

SENS-401

- **SENS-401 Cochlear**

At the beginning of 2021, Sensorion released positive preclinical data demonstrating that the combination of its SENS-401 molecule and a cochlear implantation helped reduce loss of residual hearing at a frequency located beyond the electrode array. Preservation of 'natural' hearing is particularly important in speech recognition.

Following this initial success, Sensorion and its partner Cochlear Limited (Cochlear) announced the initiation of a POC (Proof of Concept) clinical trial of SENS-401 (Arazasetron) in patients scheduled for cochlear implantation. The two companies are progressing with a trial of SENS-401 for hearing preservation in targeted patients. Sensorion already submitted the proposed trial design to regulatory authorities in Australia and France. The approval is anticipated in H1 2022 and the first patient enrolment is expected by mid-2022.

- **SENS-401 SSNHL**

On January 17, 2022, Sensorion provided an update on SENS-401 and released the topline data of the Phase 2 AUDIBLE-S study in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 was safe and well tolerated in the 115-patient study, however, the primary endpoint was not met.

In March 2022, a supplementary analysis of the Phase 2 AUDIBLE-S study data showed positive findings for certain trial population sub-groups within SSNHL. SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (PTA) with a 10 decibels improvement vs placebo in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of the Intent to Treat population).

In particular, it was observed that patients entering the study with profound hearing loss emerged post-treatment with mild hearing loss, meaning that they did not have difficulty hearing what is being said in quiet environments. SENS-401 induces a significative PTA change of at least 19 dB at day 28 and up to 25 dB at Day 84 allowing a reduction of the hearing loss degree from profound to mild hearing loss. A better response was observed in both treatment groups with a continuous improvement compared to control group.

However, in line with a disciplined approach to capital allocation, Sensorion has decided to explore partnership opportunities with this program and to prioritize the development of the CIO Proof-of-Concept clinical study.

- **SENS-401 Cisplatin Induced Ototoxicity (CIO)**

In a preclinical model of cisplatin-induced ototoxicity (CIO) (Petremann et al., 2017), SENS-401 demonstrated an ability to significantly reduce hearing loss. Following a supplementary analysis of the AUDIBLE-S study, Sensorion has decided to continue the POC clinical study in CIO indication as it represents a significant unmet need for patients and a very attractive market for treatment with over 500,000 patients in 2025 in G7 countries.

We filed for approval of the NOTOXIS clinical trial (CTA) at the end of 2021 and received approval earlier this year. The scientific and clinical teams have reviewed the clinical design of NOTOXIS following the AUDIBLE-S study of SENS-401. An amendment will be filed to strengthen this design based on the results obtained. Approval of this amendment is expected by H2 2022.

Expansion of technology platform

Sensorion has built a unique R&D technology platform over the years to deepen our 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.

To further strengthen its technology base, Sensorion is expanding its CMC gene therapy platform by building state of the art process development labs. Alongside Sensorion reinforced its CMC team by onboarding highly skilled Upstream (USP) and Downstream (DSP) Processing experts. Small scale bioreactors have been operating since the end of 2021 and Sensorion looks forward to the next expansion of capabilities.

Strengthened scientific and medical leadership

As Sensorion expands and builds its product development capabilities, it has expanded its senior management team with the creation of two new senior executive positions.

In June, gene therapy and rare disease expert, Dr Nora Yang, was named as the company's new Chief Scientific Officer based in the USA. Dr Yang leads the preclinical organization and spearheads the development of collaborations between fundamental and clinical research, including working with Sensorion's partner, Institut Pasteur.

In July, Dr Otmane Boussif was appointed to the newly created position of Chief Technology Officer. Dr Boussif, formerly headed Gene Therapy CMC at Novartis, and oversees now all of Sensorion's technical operations and CMC functions.

Scientific communications

Sensorion presented at various scientific congresses and hosted two Key Opinion Leaders (KOL's) calls in 2021, including:

- Christine Le Bec, Head of CMC Gene Therapy, gave a talk on "Quality Control for a Dual AAV Vector" at the 4th Annual Bioprocessing Summit Europe.
- Christine Le Bec also co-chaired a scientific session on the "Development of AAV Capsid Variants" at the American Society of Gene & Cell Therapy (ASGCT) Annual Meeting.
- Sensorion hosted a Key Opinion Leader (KOL) Webinar with Dr. Thomas Lenarz on the GJB2 Gene Related Hearing Loss. Dr. Lenarz discussed the clinical aspects, current treatment landscape and unmet medical need in pediatric population.
- Sensorion hosted another KOL Webinar with Dr. Nicole C. Schmitt on Cisplatin-Induced Ototoxicity (CIO). Dr. Schmitt provided an overview on hearing loss caused by CIO, its epidemiology, the current treatment landscape and the unmet medical need in adults.

Other

In 2021, Sensorion created two subsidiaries. Sensorion Inc was established in the United States of America in the first half of 2021, to allow Sensorion to increase its visibility and to develop partnerships with American academic institutions. Sensorion Australia was incorporated in July 2021 to manage the collaboration with Cochlear regarding the future clinical trial.

Strengthening the Board of Directors

On December 19th, 2021, Sensorion's Board of Directors was strengthened with the appointment of Scott D. Myers as Chairman of the Board of Directors and Independent Director. Scott D. Myers has 30 years of executive experience as both CEO and Chairman of numerous life science companies, including AMAG Pharmaceuticals, where he led its turnaround and strategic sale to Covis Pharma in November 2020. Scott succeeded Edwin Moses, who stepped down as Chairman in December 2021 to focus on his portfolio of other commitments. Sensorion would like to thank Edwin for his support and counsel.

On January 4th, 2022, Sensorion appointed Dr. Aniz Girach as Independent Board Member. He brings over 22 years' experience in the industry. He is currently serving as Chief Medical Officer at ProQR Therapeutics NV, where he is leading the development of genetic therapies for inherited retinal diseases. (See post-closing events)

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.

- 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.

On January 17th, 2022, Sensorion released the topline data of the Phase 2 trial in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 was safe and well tolerated in 115-patient study, however, primary endpoint was not met (See post-closing events). Based on thorough analysis of the secondary endpoints of AUDIBLES-S SENS-401 study, Sensorion will continue the proof-of-concept clinical (POC) study for the CIO indication. A disciplined capital allocation approach supports Sensorion willingness to look for potential partner to pursue SENS-401 development in SSNHL

Regarding the combination of SENS-401 with cochlear implantation, the program is continuing according to plan. Sensorion and Cochlear have submitted in Q1 2022 the proposed trial design for SENS-401 in patients scheduled for cochlear implantation to regulatory authorities in Australia and France. The approval is expected in H1 2022. (See post-closing events).

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. Regarding Usher, the results of the study done in 2021 showed that there was a complete restoration of the vestibular function but that audition couldn’t be restored at a satisfactory level. As Sensorion is optimizing its capital allocation, it has decided to terminate this program (See post-closing events).

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	12.31.2021	12.31.2020
Purchases	688	138
Other external expenses	12,259	7,026
Total operating expenses	18,398	11,098
Percentage of purchases and other external expenses compared to operating expenses	70,4%	64.6%

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 Company operates in a constantly changing environment, which involves numerous risks, some of which are beyond its control. Before subscribing for or acquiring shares in the Company, investors are advised to consider all the information contained in this report, including the risks described below.

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 pursuant to Article 16 of the Prospectus Regulation, the list of risks presented in this section is not exhaustive and 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).

Each identified risk is assessed in terms of probability of occurrence and potential impact, taking into account the possible consequences, in particular from a financial, legal and reputational point of view, as well as on the achievement of the Company's objectives.

Risk mapping is thus a management tool that makes it possible, where appropriate, to define and monitor the preventive or corrective mitigation measures to be implemented in relation to the various risks identified. The associated action plan specifies the actions to be taken, the persons responsible, the actors, the deadlines to be met and the budget associated with each action.

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 two Audit Committees and two Boards of Directors during 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.

Important note

At the date of this report, the Company considers that it has limited exposure to risks to its operations due to the Covid-19 epidemic (or any other risk of a pandemic nature) and the Russian-Ukrainian conflict.

However, it does not rule out the possibility that a reactivation of the containment measures taken by states and governments or a continuation or increase in the sanctions put in place against Russia, or a wider extension of the conflict involving European countries, could affect the smooth running of its subcontracted activities, particularly the conduct of clinical trials and production operations. In addition, the effect of these events on the world's financial markets could have a short-term impact on the Company's ability to obtain financing in the capital markets and, consequently, on the conduct of its business. The Company has identified four risks that could be

aggravated by this context: they are indicated by an asterisk (*) in the matrix and table below, and the circumstances of aggravation are detailed in the corresponding section.

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 (or any other risk of a pandemic nature) and the Russian-Ukrainian conflict	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	Critical *
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 115 patients following the amendment obtained in September 2021. 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.

On 27 October 2021, the Company announced that 115 patients have been enrolled to be treated in AUDIBLE-S, the Company's study of SENS-401, a first-in-class small molecule, in patients with sudden sensorineural hearing loss (SSNHL). Enrolment is now complete and the evaluation of the remaining patients is underway. On January 17, the company announced that SENS-401 was safe and well tolerated, however, it did not meet the primary endpoint.

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.

Sensorion announced on January 17, 2022 the results of the Phase 2 AUDIBLE-S study of SENS-401 (Arazasetron) in 115 patients for the treatment of SSNHL: SENS-401 is safe and well tolerated, however it did not meet the primary endpoint of 15 dB, a considered significant improvement in pure tone audiometry (dB) in the affected ear from baseline compared to placebo at the end of the four-week treatment period. Upon review of the secondary endpoints of the trial, the Company reported on March 17 2022 that Sensorion is assessing next steps for SENS-401 in SSNHL and Cisplatin-Induced Ototoxicity (CIO) to balance clinical development priorities with efficient capital allocation and will update the market in due course. Based on thorough analysis of the secondary endpoints of AUDIBLES-S SENS-401 study, Sensorion will continue the proof-of-concept clinical (POC) study for the CIO indication.

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.

The Company announced on 17 January 2022 that SENS-401, the only project currently in clinical development, failed to meet its primary endpoint in a trial for sudden sensorineural hearing loss. SENS-401 (whose active ingredient is arazasetron) was shown to be safe and well tolerated, but the primary endpoint of a 15 decibel improvement in pure tone audiometry in the affected ear compared to the initial deficit was not met at the end of the four-week treatment period.

However, a sub-analysis of participants with particularly severe hearing loss showed a better response compared to placebo for both doses. This subgroup represented 30% of the total study population. These results seem to confirm data obtained in a preclinical model of severe noise-induced hearing loss.
Sensorion has continued to analyze the AUDIBLE-S data and the secondary endpoints published on March 17 2022 showed that SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (≥ 10 decibels improvement vs placebo) in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of study population).

At this stage, Sensorion considers that a disciplined capital allocation approach supports Sensorion willingness to look for potential partner to pursue SENS-401 development in SSNHL, showing the randomness in the outcome of the scientific research.

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.

This risk is particularly sensitive to health and geopolitical risks, including access to raw materials at reasonable costs, or rising energy costs. A worsening of the health crisis situation as well as a continuation or increase in economic sanctions against Russia in the context of the Russian-Ukrainian conflict, or a wider extension of the conflict involving European countries, could significantly amplify this risk. While the Company considers that it is not currently directly exposed, these external factors could have a significant short-term impact on the Company's ability to complete its clinical trials and, therefore, on the conduct of its business.

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. Especially since the January 2022 results showing that the primary endpoint had not been met, the analysis of the secondary endpoints of the AUDIBLE-S study published on March 17 2022 showed that SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (≥ 10 decibels improvement vs placebo) in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of study population).

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. Especially since the January 2022 results showing that the primary endpoint had not been met, the analysis of the secondary endpoints of the AUDIBLE-S study published on March 17 2022 showed that SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (≥ 10 decibels improvement vs placebo) in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of study population).

Such a situation would have a very significant adverse impact on the Company's business, results, financial position and prospects.

However, Sensorion is continuing the development of SENS-401 in new indications. Based on thorough analysis of the secondary endpoints of AUDIBLES-S SENS-401 study, Sensorion will continue the proof-of-concept clinical (POC) study for the CIO indication. A disciplined capital allocation approach supports Sensorion willingness to look for potential partner to pursue SENS-401 development in SSNHL.

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 three pre-clinical gene therapy programs, aimed at correcting hereditary monogenic forms of deafness, are progressing.

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 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 (or any other risk of a pandemic nature) and the Russian-Ukrainian conflict

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. Recruitment re-started progressively in 2021 following the reduction in social restrictions. As mentioned in our press release of January 5, 2021, we took further mitigation steps including by getting the approvals for a protocol amendment which reduced the number of patients required for the study to 115. For patients already in the SENS-401 Phase 2 study, the Company was able to mitigate this risk through the use of teleconferences and videoconferences.

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 two ongoing programs. 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 2021. The health and safety of the Company’s employees is and continues to be a key priority for Sensorion.

In addition, the Russian-Ukrainian conflict, through the sanctions currently in place or which could become more severe, as well as a possible extension of the conflict to other countries, could have a significant impact on the travel and organization, and the availability of the teams that the Company needs to conduct its clinical trials. Although the Company considers that it is not currently directly exposed, these external factors could have a significant short-term impact on the Company's ability to organize itself and, consequently, on the conduct of its activities.

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 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 difficulty 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.

For its other products, the Company cannot guarantee that, in due course, it will be able to identify a suitable partner or conclude a partnership on the most favorable commercial terms for it. The Company's inability to enter into agreements with one or more partners for the further development of its drug candidates would have a material adverse effect on its ability to generate future revenues, its financial condition and its 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.

This risk is particularly sensitive to health and geopolitical risks, especially in relation to clinical trials and production operations. A worsening of the health crisis situation as well as a continuation or increase in the economic sanctions against Russia in the context of the Russian-Ukrainian conflict, or a wider extension of the conflict involving other countries, could significantly amplify this risk, for the Company directly or through the impact that this risk could have on its partners and sub-contractors.

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 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.

In addition, healthcare providers, physicians and other stakeholders play a critical role in the clinical development, approval and, once approved, recommendation and prescription of Sensorion's drug candidates. Its arrangements with such persons and third-party payers, as well as its activities, could expose the Company to broadly applicable fraud and abuse laws and regulations, as well as other health care laws and regulations, which could limit the commercial or financial arrangements and relationships through which the Company researches, develops and, when approved, markets or distributes its products.

In addition, the Company may collect, process, use or transfer personal data of individuals located within the European Union in the course of its business, including health data, in the context of clinical trials conducted within the European Union. A significant portion of the personal data that the Company may use could be managed by third parties (mainly CROs in the context of clinical trials). The collection and use of personal health data in the European Union is governed by the provisions of the General Data Protection Regulation (EU) 2016/679 (GDPR). Failure to comply with the requirements of the GDPR and the national data protection laws of the EU Member States, including data managed by third parties, for which the Company is unable to ensure compliance with the GDPR, may result in substantial fines, other administrative sanctions and civil actions against it, which could have a material adverse effect on its business, prospects, financial condition and results.

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 Group will continue to experience significant financing requirements in order to develop its technology, pursue its clinical development program, and produce and market its products. The Group may be unable to self-finance its growth, which would require it to seek other sources of financing, such as carrying out additional capital increases.

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

- higher costs and slower progress than anticipated for its research and development programs and clinical studies;
- the costs of preparing, filing, defending and maintaining its patents and other intellectual property rights;
- the scope of prior research work and the time frames required to sign license agreements with industrial partners;
- higher costs and longer time frames than anticipated to obtain regulatory market authorizations and eligibility for social security reimbursement for its products, including the time required to prepare applications to be submitted to the competent authorities;
- new opportunities for developing new products or acquiring technologies, products or companies.

The Group may not be able to raise additional capital when required, or this capital may not be available on financial terms acceptable to The Group.

In addition, a worsening of the health crisis situation as well as a continuation or increase of economic sanctions against Russia in the context of the Russian-Ukrainian conflict, or a wider spread of the conflict involving other countries, could significantly amplify this risk, making it more difficult or more expensive to raise funds.

If the necessary funds are not available, the Group may have to:

- delay, reduce or eliminate the number or scope of its preclinical 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 been able to negotiate in a different context.

Furthermore, if the Group raises capital by issuing new shares, the stakes of its shareholders may be diluted. In addition, debt financing, if available, could impose restrictive terms on the Group and its shareholders.

The occurrence of one or more of these risks could have a material adverse impact on the Group and its business, financial position, earnings, development and prospects.

3.4.2. Risks related to historical and future losses

The Group has posted operating losses every year since its creation. The Group's net losses reported on the IFRS financial statements for the years ended December 31, 2021 and December 31, 2020 totalled €15,136,789 and €8,978,089 respectively. These losses, which are reported in the annual financial statements prepared under IFRS, are mainly due to internal and external research and development expenses, in particular in connection with conducting preclinical and clinical trials.

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

- clinical study programs planned to develop the SENS-401 drug candidate;
- preclinical gene therapy programs conducted under the agreement signed with the Institut Pasteur;
- the need to conduct new preclinical and clinical trials conducted to address new market segments;
- increased regulatory requirements governing the manufacture 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.

An increase in such expenses could have a material adverse impact on the Group and its business, financial position, earnings, development and prospects.

Moreover, because of its losses, the Group has never made a dividend distribution and does not expect to distribute any dividends in the next three years. In subsequent years, the dividend distribution policy will depend on earnings generated and on an assessment of the resources required to ensure the Group's development.

3.4.3. Risks related to access to the Research Tax Credit

To date, to help fund its activities, the Group is eligible for the research tax credit (CIR), which is a tax incentive mechanism designed to encourage scientific and technical research by French companies by granting a tax credit. Research expenses eligible for the research tax credit include salaries and remuneration paid to researchers and research technicians, depreciation of non-current assets used for research purposes, services subcontracted to accredited research organizations (public or private), and the costs of obtaining and maintaining patents.

At the request of the tax authorities, companies must provide proof of the amount of the research tax credit claimed and the eligibility of the research work taken into account to qualify for the tax incentive. The tax authorities recommend that companies compile a guide containing the supporting documents needed to verify the tax credit. The research tax credit filed for 2017, for an amount of €1,885,964, was refunded to the Group in June 2019. The research tax credit filed for 2018, for an amount of €2,215,003, was refunded to the Group in April 2020. The research tax credit filed for 2019, for an amount of €2,456,672, was refunded to the Group in June 2020. In 2021, the Group received the research tax credit for 2020 in an amount of €1,738,811. In 2022, the Group will apply for a refund of the 2021 research tax credit in an amount of €3,045,136. For 2022 and future years, it cannot be ruled out that the tax authorities may challenge the methods the Group uses to calculate research and development expenses for the purpose of determining the amount of the research tax credit. Therefore, the risk of a challenge to these research tax credits cannot be precluded. It should be noted that the right to recapture the tax credit may be exercised until the end of the third year following the year in which the special form required to calculate the research tax credit is filed.

The fluctuations in the research tax credit from one year to the next are due to variations in research costs, as well as the impact of the collection and repayment of public aid for innovation (grants or repayable advances).

The Group's Australian subsidiary is also entitled to a research tax credit, which was in the amount of €85,903 (AUD 134,207) for 2021. The rate is 43.5%.

If the research tax credit were called into question due to a change in the law or due to a challenge by the tax authorities, this could have an adverse impact on The Group's earnings.

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

As of December 31, 2021, after recognizing the net loss for the year, the Group had a tax loss carry-forward in France of €86,069,043. Currently, this tax loss can be carried forward indefinitely and set off against future profits.

In France, for fiscal years ending on or after December 31, 2012, the set-off of these tax losses is limited to €1 million, plus 50% of the share of profits exceeding this limit. The unused balance of the tax loss may be carried forward to subsequent years and may be set off subject to the same conditions without any time limit.

It cannot be ruled out that future developments in corporate tax law may abolish, in whole or in part, the possibility of setting off past tax losses against future profits or limit it in time.

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

3.4.5. Risks related to access to public advances

The Group has received various types of aid and grants, in particular in connection with:

- the development of a neuromodulation therapy to treat vertigo (Eureka/Eurostars grant for the "H4 INVEST: Histamine H4 receptor antagonists, an innovative therapy for the treatment of vestibular disorders" project);

- the proof of concept, in vitro and in vivo, of new vestibuloplegic compounds and the study of their potential protective effects against vestibular deficits (ADI-2010 repayable advance from Bpifrance and the Languedoc-Roussillon region);

- the development of an innovative therapeutic solution to protect against inner ear injuries (ADI-2014 repayable advance from Bpifrance and the Languedoc-Roussillon region);

- the development of a high content screening platform (zero-interest innovation loan from Bpifrance and the Occitanie region);

- setting up a medical practice dedicated to the treatment of noise-induced hearing loss by integrating the development of new diagnostic approaches (support for the "PATRIOT" fundamental research and development for competitiveness project);

- the development of a therapy for congenital neurosensorial deafness ("AUDINNOVE").

In the future, the Group intends to continue to apply for aid and grants in order to accelerate its development.

Although it is not currently essential for the Group's development that it obtain aid or grants, The Group cannot guarantee that it will have the necessary additional financial resources, time, or the possibility of replacing these financial resources with others.

3.4.6. Dilution risks

Founders' warrants, share warrants and stock options

Under its policy to motivate its officers and employees who play a significant role in the Group's development, the Group has, since its creation, issued and awarded founders' warrants, share warrants and stock options.

As of December 31, 2021, outstanding founders' warrants, share warrants, and stock options conferred on their holders the right to subscribe, under certain conditions, for 5,031,209 shares.

Dilution tables

The dilution tables as of December 31, 2021 and as of the date of this report are presented in Section VI.5 of this report.

I.3.5. Market risks

3.5.1. Liquidity risks

Background:

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

With the exception of government guaranteed loans in connection with the COVID-19 crisis for a total of €2 million (see Note 10.4 to the financial statements), the Group has not taken out any bank loans to date.

Repayable innovation aid and repayment schedules:

The Group is not exposed to an immediate liquidity risk because the contracts for repayable advances received (ADI-2010 and ADI-2014) do not contain any acceleration clause.

On June 30, 2018, under the ADI-2010 repayable advance agreement, the Group completed repaying the aid granted by Bpifrance and the Languedoc-Roussillon region for a total amount of €303,525. The remaining balance of the advance, in the amount of €38,525, was repaid in full in 2018.

Under the ADI-2014 repayable advance agreement, the Group received €860,000 (€300,000 from the Languedoc-Roussillon region and €560,000 from Bpifrance). These advances will be

repaid quarterly between June 30, 2018 and September 30, 2023. As of December 31, 2020, the Group had repaid €470,000 of the aid received from Bpifrance and the Languedoc-Roussillon region. As of December 31, 2021, the total amount still to be repaid was €390,000. The repayment schedule provides for three quarterly installments of €50,000 on March 31, 2022, June 30, 2022 and September 30, 2022, as well as four quarterly installments of €60,000 on December 31, 2022, March 31, 2023, June 30, 2023 and September 30, 2023.

The Group received innovation aid (PTZI-2016) from Bpifrance and the Occitanie region to increase the high content screening (HCS) capacity of Sensorion's preclinical platform. This aid in the amount of €950,000 was paid in January 2017 (in equal amounts by each of the two financing parties) in the form of a zero-interest loan. This loan must be repaid in annual installments between December 31, 2022 and December 31, 2023 totaling €617,500 (the 2019, 2020 and 2021 installments have already been repaid).

The Group received financing in the form of a repayable advance in connection with its participation in the "PATRIOT" competitiveness clusters fundamental R&D project. This aid of a maximum amount of €4,833,248 is divided into several installments. The Group received a first installment of €724,000 in August 2020. Additional installments are expected between October 1, 2022 and July 1, 2026.
At the conclusion of the program, the Group will be required to repay this aid between December 31, 2027 and December 31, 2030.

In 2020, Sensorion received loans of €3,000,000, including loans of €2,000,000 guaranteed by the French government and a Research, Development and Innovation loan of €1,000,000 from Bpifrance. The Group began repaying these loans in 2021.

Liquidity risk to date

On August 16, 2016, acting under the powers sub-delegated to him on July 18, 2016 by the Board of Directors, itself acting under the powers delegated to it by the shareholders' meeting of April 29, 2016, the Chief Executive Officer issued 500 convertible bonds with attached share warrants (OCABSA) to YA GLOBAL MASTER SPV Ltd, which resulted in the issuance of 500 bonds at a unit price of €10,000, i.e., a bond issue with a maximum nominal value of €5 million.

On June 30, 2017, the Board of Directors issued YA II PN, Ltd (formerly YA GLOBAL MASTER SPV Ltd) 500 convertible bonds pursuant to its exercise, on the same date, of 500 OCABSA warrants for which YA II PN, Ltd had subscribed, representing an amount of €5 million.

On May 18, 2018, the Group carried out a capital increase restricted to certain types of investors, which raised a gross amount of €8.65 million from institutional investors.

On March 11, 2019, the Group carried out a bond issue (OC 0321) for a nominal amount of €4.7 million, comprising (i) a convertible bond issue for a nominal amount of €3.4 million, which was subscribed by several new European investors and (ii) an ordinary bond issue for a nominal amount of €1.3 million, which was subscribed by the same European investors for an amount of €1 million, and by The Group's senior managers, 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), mandatorily convertible into ordinary shares of the Company, with a nominal 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, it carried out a capital increase for a total amount of €18.1 million, which was backed by Invus, Sofinnova Partners and two Chinese companies, Wuxi AppTec and 3SBio. All investors were bound by a lock-up agreement until June 30, 2020.

On February 10, 2020, Invus Public Equities LP converted into ordinary shares of the Group all of the 12,500,000 convertible bonds for which it had subscribed in June 2019. The conversion was made on the basis of a benchmark 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 Group all of the 7,500,000 convertible bonds for which it had subscribed in June 2019. The conversion was made on the basis of a benchmark 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 successfully raised a total gross amount of approximately €31 million, before deducting estimated fees and expenses to be paid by the Group.

On December 15, 2020, the Group announced that Sonova Holding AG (which is headquartered in Switzerland), a global leader in hearing solutions, had acquired a 3.7% stake in Sensorion by subscribing for a reserved capital increase for a total gross amount of €5 million.

The Board of Directors decided to apply the going concern assumption. As of December 31, 2021, The Group had sufficient net working capital to meet its cash needs. Following the various capital increases in 2020, as of this date The Group has sufficient cash to cover its current and development expenses until the end of second quarter of 2023.

Substantial research and development expenses in connection with clinical studies have been incurred since the Group's operations began, which have to date generated negative operating cash flows. These negative operating cash flows amounted to -€5,314,097 and -€10,773,072 for the fiscal years ending December 31, 2020 and 2021.

As of December 31, 2021, the positive net cash position stood at €50,001,110.

This risk is particularly sensitive to health and geopolitical risks, including financial market volatility. A worsening of the health crisis situation as well as a continuation or increase of economic sanctions against Russia in the context of the Russian-Ukrainian conflict, or a wider extension of the conflict involving other countries, could significantly amplify this risk, reducing, delaying, or making it more difficult or costly for the Company to obtain financing in the markets.

Measures taken to fund the Group:

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

- searching for financing solutions, primarily through industrial collaborations; or
- licensing agreements with one or more manufacturers for one or more of their candidate products; as well as

- agreements to secure grants and/or repayable advances specifically relating to The Group's research programs.

These financing solutions could also take the following forms:
- debt, either ordinary loans or an issue of convertible or non-convertible bonds;
- a new round of fundraising from the 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 Group manages its available cash prudently. The Group's cash and cash equivalents consist of term deposits. As of December 31, 2021, the Group held cash and term deposits amounted to €50,001,110, which were invested in products that are immediately available or have a maturity of less than six months. Credit risk is associated with deposits held with banks and financial institutions. The Group uses leading financial institutions for its cash investments and, therefore, its cash is not exposed to any material credit risk.

3.5.3. Interest rate risk

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

3.5.4. Exchange risk

The Group's strategy is to enter into contracts denominated in euros.
As of December 31, 2020, the Group considers that it is not exposed to currency risk because only a relatively small share of its supplies is purchased outside the euro zone and invoiced in foreign currencies. Furthermore, The Group's cash is invested exclusively in euro-denominated investment products. Because the sums involved are not significant, at this stage in its business development, The Group has not set up any hedges to protect its business against currency fluctuations. The Group cannot rule out the possibility that a significant upturn in its business volumes may generate greater exposure to currency risk. In such case, The Group may consider implementing an appropriate policy to hedge this risk.

3.5.5. Equity risk

The Group holds no marketable securities or investment instruments.

I.3.6. Insurance and risk coverage

The Company considers that these insurance policies adequately cover the insurable risks inherent in its business activities, and that its policy with respect to insurance is consistent with practices in its business sector. The Company has taken out insurance policies with insurance companies with a good financial rating that have been chosen for their ability to support The

Company's development. The Company does not foresee any particular difficulty in maintaining adequate insurance levels in the future, subject to market conditions.

Nevertheless, The Company cannot guarantee that it will always be able to maintain or, if necessary, to obtain similar insurance coverage at an acceptable cost, which may oblige it to take out more expensive insurance policies and/or to assume greater risks, in particular as its business activities expand. The occurrence of one or more major losses, even if covered by its insurance policies, could seriously impact its business and financial position due to the interruption of its activities that such events could cause, the time periods required to obtain compensation from the insurance companies, the possibility that coverage limits may be exceeded, and the resulting increase in premiums. Current insurance policies cover comprehensive industrial risks, premises, the general and criminal liability of officers, professional and business liability, clinical trials, employees' vehicles during business travel, and personal assistance in the event of illness, serious injury or death on terms customarily applied in the industry.

I.3.7. Extraordinary events and disputes

During the 12-month period preceding the date of this document, The Company has not been involved in any administrative, criminal, judicial or arbitration proceedings that may have a material adverse impact on The Company, its business, financial position, earnings or expansion and that are not reflected in its financial statements. Furthermore, to The Company's knowledge, no exceptional event has occurred during the same period that would generate additional risk or additional unplanned costs for it.

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 4th, 2022, Sensorion appointed Dr. Aniz Girach as Independent Board Member. He brings over 22 years' experience in the industry. He is currently serving as Chief Medical Officer at ProQR Therapeutics NV, where he is leading the development of genetic therapies for inherited retinal diseases.

On January 17th, 2022, Sensorion provided an update on SENS-401 and released the topline data of the Phase 2 trial in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 was safe and well tolerated in 115-patient study, however, the primary endpoint was not met.

Sensorion presented a poster OTOF gene therapy highlighting long-term durable efficacy in preclinical mice and non-human primate data and Sensorion's inner hair cell specific delivery at the Association for Research in Otolaryngology (ARO) 45th MidWinter Meeting. On this occasion Laurent Désiré, Sensorion's Preclinical Development Director participated in a workshop on "Translational Delivery Approaches for inner ear therapies" and gave a talk entitled "Local deliveries of inner ear gene therapies." Sensorion also presented three posters on SENS-401 in Cisplatin Ototoxicity Models at ARO.

On March 17 2022, Sensorion presented a supplementary analysis of the Phase 2 AUDIBLE-S study data showing positive findings for certain trial population sub-groups within SSNHL. SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (≥ 10 decibels improvement vs placebo) in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of study population). In order to balance clinical development priorities with efficient capital allocation, Sensorion is assessing the next steps for SENS-401 in SSNHL and Cisplatin-Induced Ototoxicity (CIO) and will update the market in due course.
Sensorion will continue its joint development program with Cochlear Ltd for hearing preservation in patients following cochlear implantation.

On 28 April 2022, for the release of its 2021 annual results, Sensorion confirmed the progress of the SENS- 401 development program in collaboration with Cochlear Ltd, for the preservation of hearing in cochlear implant patients, with recruitment of the first patient expected in mid-2022. In addition, based on an in-depth analysis of the secondary endpoints of the AUDIBLES-S SENS-401 study, the proof-of-concept (PoC) clinical study for the CIO indication will be continued. Finally, a rigorous approach to capital allocation leads Sensorion to explore partnership opportunities to further develop SENS-401 in the SSNHL.

A cash position of €50 million at the end of 2021 was declared, ensuring business continuity for Sensorion until the end of the second quarter of 2023.

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 December 31 2021, the Company had €50 million in cash. Sensorion intends to use these funds primarily to advance its current gene therapy programs (OTOF-GT, GJB2-GT), to progress its clinical program for SENS-401 in cochlear implantation and the CIO POC clinical study, and for general corporate purposes

Strategy Update

In collaboration with the Hearing Institute (Institut de l 'Audition), a center of Institut Pasteur, Sensorion is on track to select a gene therapy candidate to treat hearing loss due to damage to connexin 26 encoded by the GJB2 gene by mid-year 2022 and intends to file a Clinical Trial Application (CTA) for OTOF-GT in H1 2023. In H1 2022, the Company expects to receive approval for the proposed trial design for SENS-401 in patients scheduled for cochlear implantation from regulatory authorities in Australia and France. In H2 2022, CTA for SENS-401 in CIO will be submitted.

Expected future milestones and estimated timelines:

- H1 2022 – CTA approval for SENS-401 study to preserve residual hearing post cochlear implantation
- Mid-2022 – First patient enrolled for SENS-401 study to preserve residual hearing post cochlear implementation
- Mid-2022 – GJB2-GT Candidate selection

- Mid-2022 – Delivery of toxicological batches in OTOF-GT
- H2 2022 – SENS-401 CIO (Cisplatin-Induced Ototoxicity) CTA study amendment submission
- H1 2023 – Submission of the Clinical Trial Application for the OTOF-GT program (CTA/IND)

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, 2021, the Company had sufficient net working capital to meet its cash requirements. As a result of the various financial transactions carried out in 2021 and as of today, the Company has the necessary cash to cover its current and development expenses until end of Q2 2023.

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 2021 fiscal year. It therefore recognizes them in the income statement in the period in which they are incurred.

Group research and development expenses amounted to €14,624k in 2021 compared to €7,679k in 2020 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 2021 financial year amounted to €10,150k net of subsidies and conditional grants received.

A research tax credit of €3,045k was accounted for in 2021.

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 Group's debts according to consolidated IFRS financial statements amount to €15,034,247 as of December 31, 2021 compared to €9,524,323 as of December 31, 2020. The main elements break down as follows:

- Loans and debts from credit institutions: €2,920,856 compared to €€3,005,582 on December 31, 2020 (government guaranteed loans and research, development and innovation loan).
- Convertible bonds for €0 against €191,625 on December 31, 2020.
- Loans and various financial debts: €1,411,899 compared to €1,681,340 on December 31, 2020. These are refundable advances in the context of funding research projects.
- Rental debts: €1,035,117 as of December 31, 2021 compared to €684,088 as of December 31, 2020
- Suppliers: €4,962,869 compared to €€2,198,475 on December 31, 2020.
- Other current liabilities: €4,537,884 compared to €€1,616,688 on December 31, 2020.

II. ANNUAL PRESENTATION OF STATUTORY ACCOUNTS

Annual statutory accounts for the year-ended December 31st, 2021 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 consolidated accounts

Main items in the income statement for the year-ended December 31st, 2021 are the following:

- other revenues excluding VAT are 4,348,647 compared to 2,421,267 in the previous year; it is mainly composed of Research Tax Credit for France and Australia and grant Audinnove;

- operating expenses amounted to 19,373,245 euros compared to 11,310,488 euros for the previous year, which represents an increase of 71% linked to the expansion of clinical trials for SENS-401 and the beginning of preclinical and manufacturing for Generic Therapy and an increase in G&A consulting fees to support the R&D costs.

- operating result is -15,024,597 euros compared to -8,889,220 euros for the previous year, and represents a decrease of 69%;

- headcount is 39 as of December, 31 2021 and increased compared to prior year.

With a financial result of -112,192 euros compared to -88,869 euros in FY2020, the net result is -15,136,789 euros compared to –8,978,089 euros prior year.

As of December 31, 2021, shareholders' equity amounted to 44,055,803 euros and total balance sheet of the Company amounted to 59,090,050 euros compared to 67,903,976 euros prior year.

II.2. Economic and financial results statuory accconts

Main items in the income statement for the year-ended December 31st, 2021 are the following:

- revenue excluding VAT is zero as the previous year;

- total of operating expenses amounted to 1,280,596 euros compared to 644,938 euros in the previous year;

- operating expenses amounted to 18,397,744 euros compared to 11,097,600 euros for the previous year, which represents an increase of 66% linked to the expansion of clinical trials for

SENS-401 and the beginning of preclinical and manufacturing for Generic Therapy and an increase in G&A consulting fees to support the R&D costs.

- operating result is -17,117,148 euros compared to -10,452,663 euros for the previous year, and represents a decrease of 64 %;

- wages and salary amount 3,255,568 euros and 2,364,834 euros for the previous year, and represents an increase of 38% linked to an increase of headcounts;
- social charges amount 1,626,966 euros compared to 1,000,593 euros the previous year; it represents an increase of 63 %;
- headcount is 39 as of December, 31 2021 and increased compared to prior year.

With a financial result of -8,072 euros compared to 41,553 euros in FY2020, result before tax in 2021 is -17,125,219 euros compared to --10,411,110 euros prior year.

Considering the items above, the extraordinary result of 78,474 euros compared to -43,081 euros prior year and the research tax credit of 2,920,726 euros compared to 1,858,284 euros prior year, the net result shows a loss of -14,126,019 euros compared to a -8,595,907 euros for prior year.

As of December 31, 2021, shareholders' equity amounted to 58,253,084 euros and total balance sheet of the Company amounted to 58,253,084 euros compared to 67,304,511 euros prior year.

II.3. 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 include non-deductible expenses or charges referred for 265 euros.

II.4. Appropriation of earnings

We propose that you approve the annual financial statements as presented to you, which show a loss of € -14,126,019 and that you allocate this loss in full to the "retained earnings" account, which would thus be brought from € 32,013 to € -14,094,006.

II.5. 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.6. 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 441-6, 1° of the french Commercial Code **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	85				
Total amount of invoices	551,733.77	589,352.69	20,976.82	110,543.40	1,272,606.68
Percentage of the total amount of purchases	4%	5%	0%	1%	10%
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 441-6, 1° of the french Commercial Code **Invoices issued 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	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

This report on corporate governance has been prepared in accordance with the provisions of Article L.225-37 of the French Commercial Code. It was approved by the Board of Directors in its meeting of 27 April 2022. Its purpose is, in particular, to report on the organisation and composition of the administrative, management and board bodies and the delegations of powers and authority granted to the Company's Board of Directors.

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

The Company has two subsidiaries: one in the United States (Sensorion Inc.) and one in Australia (Sensorion Australia Pty Ltd).

Mr. Scott Myers, Chairman of the Board of Sensorion, entered into a service agreement on 12 January 2022 with Sensorion Inc. (USA) on 12 January 2022 to support Sensorion's business development in the United States and to increase Sensorion's awareness amongst US investors, for an annual fee of USD 100,000. This function is different from his function as Chairman of the Board of Directors.

III.3. Third party related agreements

No new third party related agreement were concluded during the year ended 31 December 2021.
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, 2021.

III.4. Corporate Officers

1) *Designation of Corporate Officers*

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

- **Mr. Scott Myers**, also Chairman,
- **Mrs. Nawal Ouzren**, also CEO,
- **Mr. Aniz Girach**,
- **Bpifrance Investissement**, represented by Mr. Jean-François Morin,
- **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. Scott Myers, also Chairman of the board,
- Mr. Eric Forquenot de la Fortelle, representing Health Opportunities,
- Mr. John Furey, and
- Mr. Aniz Girach.

3) <u>Status of Directors' terms of office</u>

The terms of office of **Bpifrance Investissement** (represented by Mr. Jean-François Morin), **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.

We propose that you renew the mandate of Sofinnova Partners, represented by Mr. Cédric Moreau, for a further period of three (3) years, i.e. until the end of the shareholders' meeting to be held in 2025 to approve the financial statements for the year ending 31 December 2024 (7th resolution).

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.

We propose that you renew the mandate of Mr. Khalil Barrage for a further period of three (3) years, i.e. until the end of the shareholders' meeting to be held in 2025 to approve the financial statements for the year ending 31 December 2024 (8th resolution).

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.

We propose that you renew the mandate of Mr. John Furey for a further period of three (3) years, i.e. until the end of the shareholders' meeting to be held in 2025 to approve the financial statements for the year ending 31 December 2024 (9th resolution).

Mr. Scott Myers was provisionally appointed as a Director by the Board of Directors on December 19, 2021 to replace Mr. Edwin Moses, 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. Scott Myers as Director (4th resolution).

Mr. Aniz Girach was provisionally appointed as a Director by the Board of Directors on January 3, 2022 to replace Mr. Jean-François Morin, 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.

We propose that you ratify the provisional appointment of Mr. Aniz Girach as director (5th resolution) and renew his mandate for a further period of three (3) years, i.e. until the end of the shareholders' meeting to be held in 2025 to approve the financial statements for the year ending 31 December 2024 (6th resolution).

The mandate of **Health Opportunities** was renewed under the terms of the decisions of the shareholders' meeting held on 18 May 2021, for a new period of three (3) years, i.e. until the end of the general meeting of shareholders held in 2024 to approve the accounts for the financial year ending 31 December 2023.

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.

It is anticipated that the Board of Directors to be held following the General Meeting called to approve the financial statements for the year ending 31 December 2021 will renew Mrs. Nawal Ouzren as Chief Executive Officer for a further period of five years, i.e. until the end of the General Meeting of shareholders to be held in 2027 to approve the financial statements for the year ending 31 December 2026.

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*

At the date of this report, members of the Audit Committee are:

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

- **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. Scott Myers**,
  appointed under the terms of the decisions of the Board of Directors on December 19, 2021 for the remaining term of office of his predecessor, i.e. until the end of the annual ordinary general meeting to be held in 2023 to approve the financial statements for the year ending 31 December 2022.

- **Bpifrance Investissement** (represented by Jean-François Morin),

appointed by the Board of Directors on 3 January 2022 for the duration of his term of office as director, i.e. until the end of the general meeting of shareholders to be held in 2023 to approve the financial statements for the year ended 31 December 2022.

2) *Remuneration Committee*

Members of the Remuneration Committee are:

- **Mr. Scott Myers**, also Chairman,
  appointed under the terms of the decisions of the Board of Directors on December 19, 2021 for the remaining term of office of his predecessor, i.e. until 20 October 2023.

- **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 by MiddleNext on its website www.middlenext.com (the "*MiddleNext Code*") as its reference code.

The Board of Directors acknowledged the elements presented in the "points of vigilance" section of the Middlenext 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: training of the Board Members		X(1)
R65 : Organisation of Board and Committee meetings	X	
R7 : Board Committees	X	
R8: implementation of the specialized committee on Corporate Social Responsibility (CSR)		X(2)
R9 : Internal rules for the Board	X	
R10 : Selection of each Board member	X	
R11 : Terms of office of Board members	X	
R12 : Remuneration of Board members	X	
R13 : Assessment of the Board's work		X (3)
R14 : Relations with shareholders	X	
II. Executive power		
R15: Diversity and equity policy within the company		X (4)
R16 : Definition and transparency of remuneration paid to executive corporate officers	X	
R17 : Succession planning for executives		X (5)
R18 : Combination of an employment contract and role as corporate officer	X	
R19 : Severance pay	X	
R20 : Supplementary pension plan	NA	NA (6)
R21 : Stock-Options and bonus share awards	X	
R22 : Review of areas for attention	X	

1) R5: the Company considers that the profile, experience and professional environment of the members of the Board of Directors allows them to be up to date with corporate governance obligations and best practices on their own.
(2) R8: The Company considers that given its size and field of activity, a CSR Committee is not justified. CSR matters are dealt with at the level of the Remuneration and Governance Committee, which reports to the Board of directors.
(3) R13: The Company has initiated a self-assessment process of the work of the Board of Directors in fiscal year 2022.
(4) R15: The Company plans to implement a policy aimed at gender balance and equity at each level of the company's hierarchy in the near future. This subject requires in-depth reflection on the means and conditions of implementation and the Board wishes to take the time to analyze the consequences of such a policy.

(5) R17: The Company has not put in place a management succession plan, considering the quality of the members of the Board of Directors and the management team to fill in on an interim basis in case of unforeseen vacancies.
(6) R20: the Company has not set up a supplementary pension scheme for executives.

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 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 AUDIT 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.

We propose that you renew the mandate of Ernst & Young Audit and Auditex for a further period of six (6) years, i.e. until the end of the shareholders' meeting to be held in 2028 to approve the accounts for the financial year ending 31 December 2027 (10th and 11th resolutions).

IV.2. Audit of the Statutory Auditor

The Statutory Auditor will present his report on the annual accounts in accordance with the French accounting framework, his report on consolidated accounts with the IFRS accounting framework and his report on the third party related 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.

We propose that you increase the maximum amount of the annual sum to be paid to the directors and members of the various committees as remuneration to €250,000 (12th resolution).

VI. COMPOSITION OF SHARE CAPITAL

VI.1. Share capital

At December 31, 2021, the Company's share capital of €7,993,793.80 consisted of 79,937,938 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, 2021

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, 2021.

	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

The company has not been informed of transactions in excess of €20,000 during the calendar year carried out on the Company's shares by directors, senior managers and related parties.

VI.5. Securities giving access to the capital

Capitalization at December 31, 2021:

	Non-diluted basis		Fully diluted basis [2]	
	Number of shares	Equity holding	Number of shares	Equity holding
Invus Public Equities LP	26 490 415	33.14%	26 490 415	31.17%
Sofinnova Partners	15 469 458	19.35%	15 469 458	18.20%
WuXi AppTec	5 249 608	6.57%	5 249 608	6.18%
3SBio	4 055 150	5.07%	4 055 150	4.77%
Innobio	3 499 874	4.38%	3 499 874	4.12%
SONOVA AG	2 941 176	3.68%	2 941 176	3.46%
Inserm Transfert Initiative	982 911	1.23%	982 911	1.16%
Cochlear	533 755	0.67%	533 755	0.63%
Management, employees, directors [1]	160 000	0.20%	4 304 710	5,06%
Floating (including former officers and directors)	20 555 591	25.71%	21 462 715	25.25%
Total	**79 937 938**	**100.00%**	**84 989 772**	**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, 2021, 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 5,051,834 new shares
. equity warrants detached from convertible bonds (OCABSA) giving the right to subscribe to 111,607 new shares

Dilution table at December 31, 2021

In respect of the table below and at December 31, 2021:

. the **Non-Diluted Reference** corresponds to shares in circulation only, i.e. **79,937,938** shares
. the **Diluted Reference** corresponds to **84,989,772** shares, i.e. Non-Diluted Reference and 5,051,834 shares resulting from the possible exercise of the founders' warrants, equity warrants and Options outstanding
. the **Fully Diluted Reference** corresponds to **85,101,379** shares, i.e. Diluted Reference and 111,607 shares resulting from the possible exercise of equity warrants detached from outstanding convertible bonds (OCABSA)

The Company issued in June 2019 OC 0321 giving the right to subscribe by conversion to 165,426 new shares (assumption of conversion at a price of €1.30). These OC 0321 have been cancelled following their redemption at the maturity date of 7 March 2021.

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	5 051 834	5.94%	5.94%
equity warrants detached from outstanding convertible bonds (OCABSA)	111 607	0.13%	0.13%
TOTAL Dilutive instruments issued and valid	**5 163 441**	**NA**	**6.07%**

Dilution for a shareholder holding 1 % of the capital

	Before dilution	After dilution
Diluted Reference	1.00%	0.94%
Fully Diluted Reference	1.00%	0.94%

Capitalization at the date of this report:

	Non-diluted basis		Fully diluted basis [2]	
	Number of shares	Equity holding	Number of shares	Equity holding
Invus Public Equities LP	26 490 415	33.14%	26 490 415	31.14%
Sofinnova Partners	15 469 458	19.35%	15 469 458	18.19%
WuXi AppTec	5 249 608	6.57%	5 249 608	6.17%
3SBio	4 055 150	5.07%	4 055 150	4.77%
Innobio	3 499 874	4.38%	3 499 874	4.11%
SONOVA AG	2 941 176	3.68%	2 941 176	3.46%
Inserm Transfert Initiative	982 911	1.23%	982 911	1.16%
Cochlear	533 755	0.67%	533 755	0.63%
Management, employees, directors [1]	160 000	0.20%	4 374 710	5.14%
Floating (including former officers and directors)	20 555 591	25.71%	21 462 715	25.23%
Total	**79 937 938**	**100,00%**	**85 059 772**	**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 5,121,834 new shares

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

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. **79,937,938** shares
. the **Diluted Reference** corresponds to **85,059,772** shares, i.e. Non-Diluted Reference and 5,121,834 shares resulting from the possible exercise of the founders' warrants and equity warrants outstanding
. the **Fully Diluted Reference** corresponds to **85,171,379** 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	5 121 834	6.02%	6.01%
equity warrants detached from outstanding convertible bonds (OCABSA)	111 607	0.13%	0.13%
TOTAL Dilutive instruments issued and valid	**5 233 441**	**NA**	**6.14%**

Dilution for a shareholder holding 1 % of the capital

	Before Dilution	After Dilution
Diluted Reference	1.00%	0.94%
Fully Diluted Reference	1.00%	0.94%

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.

Five (5) Stock-Options plans for the subscription of new shares were set up in 2021.

Stock subscription and purchase options granted or exercised in 2021 - Corporate Officers

	PLAN 1	PLAN 2	PLAN 4	PLAN 5
Grant date	02/02/2021	02/02/2021	08/11/2021	11/19/2021
Nature of stock-option	BSA	SO	SO	SO
Number of beneficiaries	1	1	1	1
Number of stock-options/shares granted	2 000	10 000	1594 855	900 000
Performance conditions	No	No	No	No
Condition of présence	No	Yes	Yes	Yes
Vesting time by 1/3 over 3 years	No	Yes	Yes	Yes
Strike price	1,7273 €	1,7273 €	1,8143 €	1,7273 €
Expiry date	02/01/2028	02/01/2028	08/10/2028	12/19/2028
Number of stock-options/shares exercised during the year	0	0	0	0
Number of stock-options/shares cancelled during the year	0	0	0	0
Number of stock-options/shares exercisable as of 12.31.2021	2 000	10 000	1 594 855	900 000

Stock subscription and purchase options granted or exercised in 2021 – Top 10 employees

	PLAN 3	PLAN 4
Grant date	07/02/2021	08/11/2021
Nature of stock-option	SO	SO
Number of beneficiaries	1	1
Number of stock-options/shares granted	200 000	220 000
Performance conditions	No	No
Condition of présence	Yes	Yes
Vesting time by 1/3 over 3 years	Yes	Yes
Strike price	1,9643 €	1,8143 €
Expiry date	07/01/2028	08/10/2028
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 12.31.2021	200 000	220 000

Stock subscription and purchase options granted or exercised in 2021 – Employees

	PLAN 2
Grant date	02/02/2021
Nature of stock-option	SO
Number of beneficiaries	22
Number of stock-options/shares granted	37 370
Performance conditions	No

Condition of présence	Yes
Vesting time by 1/3 over 3 years	Yes
Strike price	1,7273 €
Expiry date	02/01/2028
Number of stock-options/shares exercised during the year	0
Number of stock-options/shares cancelled during the year	5 500
Number of stock-options/shares exercisable as of 12.31.2020	31 870

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 owned two subsidiaries: oin in the USA (Sensorion Inc.) and one in Australia (Sensorion Australia Pty Ltd).

It did not own other interest in 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,18, 2021, 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, 2021, the company proceeded to the following operations in the framework of the liquidity contract:

- ordinary shares purchased during the year 193 144
- ordinary shares sold during the year 204 222
- volume-weighted average share price of purchases 2.00 €
- volume-weighted average share price of sales 2.08 €
- amount of trading costs N/A
- number of shares hold by the company as of December 31, 2019 67 975
- number of shares hold by the company as of December 31, 2020 56 897
- nominal value of shares 0.10 €
- percentage of share capital as of December 31st, 2020 0.09%

As of June 30, 2021, in the half-year report of the liquidity contract, the following assets appeared on the liquidity account:

- 62 634 ordinary shares
- 54,068.04 €

As of December 31, 2022, in the annual report of the liquidity contract, the following assets appeared on the liquidity account:

- 56 897ordinary shares
- 73,366.98 €

XI. RENEWAL OF THE AUTHORIZATION FOR THE COMPANY TO BUY BACK ITS OWN SHARES (13*th resolution*)

We remind you that the Shareholders' Meeting of May 18, 2021 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.

This authorization, granted for 18 months, expires on November 17, 2022.

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 14th 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 (*6th resolution of the General Meeting of May 18, 2021*).

PART TWO
REPORT ON THE EXTRAORDINARY PART

It is reminded that the Company held an Extraordinary General Meeting on 14 April 2022 specifically to renew the financial delegations to the Board of Directors. The Board of Directors has issued a report in the context of this General Meeting, explaining the content and scope of each of the delegations requested from the General Meeting. This report is available under the same conditions as this report.

All the resolutions supported by the Board of Directors were approved by this General Meeting held on 14 April 2022.

I. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO REDUCE THE COMPANY'S SHARE CAPITAL BY CANCELING SHARES (14*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 (*7th resolution of the Meeting of May 18, 2021*).

II. PROPOSAL TO CONVERT THE COMPANY'S SHARES BY ALLOCATING 1 NEW ORDINARY SHARE OF 0.30 EURO IN VALUE FOR 3 ORDINARY SHARES OF 0.10 EURO IN VALUE HELD (15TH *resolution*)

We propose that you decide to proceed with the reverse split of the Company's shares, pursuant to Article 6 of Decree no. 48-1683 of 30 October 1948 and in accordance with the provisions of the French Commercial Code, on the basis of 3 old shares for 1 new share and to allocate, as a result, to each shareholder 1 share with a par value of 0.30 euro each for 3 shares with a par value of 0.10 euro previously held.

The Company's shares would then have a par value of EUR 0.30 each, subject to and as from the implementation of this authorisation by the Board of Directors.

To this end, we propose that you grant full powers to the Board of Directors, with the option of sub-delegation to the Chief Executive Officer, to implement this resolution, to set the date of commencement of the reverse split, which will occur at the earliest at the end of the fifteen (15) day period following the date of publication of the notice of reverse split in the Bulletin des Annonces Légales Obligatoires, to draw up the notice of reverse split of the shares to be published in the Bulletin des Annonces Légales Obligatoires, and arrange for its publication, set the end date of the exchange period, which will take place no later than thirty (30) days following the date of commencement of the reverse split, suspend, if necessary, for a period not exceeding three (3) months, the exercise of securities giving access to the share capital in order to facilitate the reverse split operations, and record and determine the exact number of shares that will be combined and the exact number of shares that may result from the reverse split.

If this resolution were to be passed and implemented by the Board of Directors, it would result in an adjustment to the number of shares that may be issued and allocated as a result of the financial instruments referred to below:

- 333,333 BSA 2022 with a nominal value of €0.30 instead of 1,000,000 BSA 2022 with a nominal value of €0.10
- 333,333 BSPCE 2022 with a nominal value of €0.30 instead of 1,000,000 BSPCE 2022 with a nominal value of €0.10
- 1,000,000 Options 2022 with a nominal value of €0.30 instead of 3,000,000 Options 2022 with a nominal value of €0.10
- 50,000 AGA 2022 with a nominal value of €0.30 instead of 150 AGA 2022 with a nominal value of €0.10

This delegation is granted for a period of eighteen (18) months as from the General Meeting.

III. PROPOSAL TO RENEW THE DELEGATION GRANTED TO THE BOARD OF DIRECTORS TO ISSUE COMMON SHARE WARRANTS (16*th resolution*) AND FOUNDERS' WARRANTS (17*th resolution*)

III.1. We call you back:

- that the General Meeting on May 18, 2021 delegated to the Board of Directors its authority to decide to issue warrants to subscribe for common shares with waiver of preferential subscription rights in favor of categories of persons (13th resolution).

This delegation, granted for a period of 18 months, expire on November 17, 2022.

We therefore ask you to renew the delegation approved under the terms of the 13th resolution of the General Meeting on May 18, 2021 for the purpose of issuing common share warrants ("***BSA 2022***"), the content of which is presented below in the form of a table.

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; (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.
Number and type of shares to be subscribed by exercising the warrant	1 common share with a par value of €0.10 € per BSA 2022
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 2022, in the event that this reservation is required, it being specified that this limit (i) will not be deducted from the amount of the global limit as set during this meeting or any other authorization set subsequently and (ii) is not common with the BSA 2022, Options 2022 or AGA 2022..
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 2022 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 2022, 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 2022 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.

III.2 We remind you that the General Meeting of Shareholders of 20 May 2020 delegated to the Board of Directors its authority to decide on the issue of warrants to subscribe for "founders" warrants" (*bons de souscription de parts de créateurs d'entreprise* - BSCPE) with the cancellation

of preferential subscription rights in favour of categories of persons (17th resolution).

This delegation, issued for 18 months, expires on 19 November 2022.

We therefore ask you to renew the delegation approved under the terms of the 17th resolution of the general meeting of 20 May 2022 for the purpose of issuing “founders’ warrants” ("***BSPCE 2022***"), the content of which we present to you below in table form.

Condition of use of the delegation	compliance, at the time of allocation, by the Company with the conditions required for the issue of warrants for the subscription of business creator shares under the conditions provided for in Article 163 bis G of the General Tax Code
Duration of the authorisation	the earliest of the following dates: (i) expiry of a period of eighteen (18) months from the date of this general meeting, or (ii) the date on which the conditions provided for in Article 163 bis G of the French General Tax Code cease to be met
Beneficiaries	employees of the Company, corporate officers subject to the tax regime for employees (Chairman of the Board of Directors, Chief Executive Officer and Deputy Chief Executive Officer) of the Company and members of the Board of Directors of the Company
Number and type of shares to be subscribed by the exercise of the warrant	1 ordinary share with a nominal value of €0.10 per BSPCE 2022
Amount of the share capital increase	€100,000, to which may be added the nominal amount of the shares to be issued in order to preserve the rights of the holders of the BSPCE 2022, in the event that this reservation is required, it being specified that this ceiling (i) shall not be deducted from the amount of the overall ceiling as set during this meeting or any other authorisation set subsequently and that it (ii) shall not be common to the BSA 2022, the Options 2022 or the AGA 2022.
Subscription price of the warrant	free
Transferability	Not transferable in accordance with the provisions of the French General Tax Code
Exercise price of the warrant	Determined by the Board of Directors at the time of allocation of the BSPCE 2022, it being specified that this price must be at least equal to : (i) in the event of the completion of one or more capital increases in the six months prior to the implementation of this delegation by the Board of Directors, the subscription price of the ordinary share retained during the most recent of said capital increases assessed on the date of allocation of each BSPCE 2022, provided that the ordinary shares to be issued upon exercise of the BSPCE 2022 confer equivalent rights to those issued in the context of the capital increase (ii) for any allocation outside the hypothesis referred to above

	in point (i), at the volume-weighted average price of the last 20 trading sessions preceding the date of allocation of the said BSPCE 2022 by the Board (reduced, if applicable, by a maximum discount of 20%) for as long as the Company's shares are admitted to trading on a market or stock exchange
regime the ordinary shares	the ordinary shares thus subscribed must be fully paid up at the time of their subscription, either by payment in cash or by offsetting liquid and due claims
Validity period of the Warrants	7 years from the date of issue by the Board of Directors

We ask you to cancel your preferential subscription rights in favour of the beneficiaries. You will hear the report of the statutory auditor on this point.

III.3 Characteristics common to the BSA 2022 and the BSPCE 2022

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

In addition, it is expressly agreed that the use of the delegations may not result in all of the shares resulting from the exercise of BSPCEs, BSAs, stock options and free shares held by the Company's employees, managers, corporate officers and consultants representing more than 10% of the share capital on a fully diluted basis, it being specified that this percentage is and will be calculated by taking into account the existing share capital as of the date of this meeting, increased by the shares to be issued :

(i) on the exercise of securities giving access to the capital valid to date,
(ii) in the context of the use of this delegation,
(iii) within the framework of the use of the delegations granted by the 16th, 18th and 19th resolutions of this meeting,

These ceilings are not included in the overall ceiling provided for in the 10th resolution of the General Meeting of 14 April 2022 or any other authorisation set at a later date;

The ceilings are not common to the various financial instruments and are therefore cumulative for the BSAs 2022, BSPCE 2022, Options 2022 and AGA 2022.

In order to comply with the requirements of Article R.225-113 of the French Commercial Code applicable to any capital increase, please refer to the summary of the progress of corporate affairs presented in point I of the first part above.

We would like to point out that additional reports will be drawn up by the Board of Directors and by the auditor in accordance with the provisions of Article L.225-129-5 of the Commercial Code, when these delegations of authority are used. These reports shall be made available to the shareholders immediately at the registered office, at the latest within fifteen days following the meeting of the Board of Directors and shall be brought to their attention at the next general meeting.

Finally, we would like to point out that the adoption of these resolutions will render ineffective any previous delegation with the same purpose.

IV. PROPOSAL TO RENEW THE DELEGATION OF AUTHORITY GRANTED TO THE BOARD OF DIRECTORS TO DECIDE ON THE ISSUE OF OPTIONS 2022 (18TH RESOLUTION)

We remind you that the general meeting of shareholders held on 24 March 2021 delegated to the Board of Directors its authority to decide to issue stock options to employees and executive directors, with cancellation of preferential subscription rights (1st resolution).

This delegation, issued for 38 months, expires on 23 May 2024.

The 2021 Options that would be granted may not give the right to a total number of ordinary shares exceeding 3,000,000 upon exercise.

We therefore ask you to renew the delegation approved under the terms of the 1st resolution of the general meeting of 24 March 2021 for the purpose of issuing share subscription and/or purchase options in favour of employees and executive directors ("**Options 2022**").

The content of this authorisation is set out below in table form.

Duration of the authorisation	38 months from the date of the general meeting
Beneficiaries	members or some of the members of the salaried staff of the Company and of the companies linked to it under the conditions referred to in Article L.225-180 I of the French Commercial Code and the Company's corporate officers. Allocations to executive directors may only be made under the conditions set out in Article L.225-186-1 of the French Commercial Code
Number of Options authorized	3,000,000 Options (not common to BSA 2022, BSPCE 2022 and AGA 2022)
Amount of the share capital increase	€300,000 by issuing a maximum of 3,000,000 Options, it being specified that this ceiling shall not be deducted from the overall ceiling that will be defined or any other authorisation that may be set subsequently
Share price in case of exercise of stock (subscription) options	As long as the shares are admitted to trading on the Euronext Growth market, the price of the shares in case of exercise of the stock options shall be set by the Board of Directors on the day the options are granted, in accordance with the provisions of Articles L.225-177 of the Commercial Code. In addition, the price of the shares in the event of the exercise of the options to subscribe for new shares may not be less than 95% of the average of the prices quoted during the 20 trading sessions preceding the day on which the option is granted.
Share price in case of exercise of stock (purchase) options	As long as the shares are admitted to trading on the Euronext Growth market, the price of the shares in the event of the exercise of the stock options will be set by the Board of Directors on the day the options are granted, in accordance with the provisions of Articles L.225-179 of the Commercial Code.

	In addition, the price of the shares in the event of the exercise of the purchase options may not be less than 95% of the average of the prices quoted during the 20 stock market sessions preceding the day on which the option is granted, nor the average purchase price of the shares held by the Company on the day on which the option is granted under Article L.22-10-62 of the Commercial Code.
Validity period of the Options	7 years from the date of issue by the Board of Directors

The authorisation to issue the Options 2022 would imply your waiver of your preferential subscription right to the new ordinary shares to be issued pursuant to the exercise of the Options. The Statutory Auditor will read to you his special report, prepared in accordance with Articles L. 225-177 and R. 225-144 of the Commercial Code.

It is expressly agreed that the use of the delegations may not result in all the shares resulting from the exercise of BSPCEs, BSAs, stock options and free shares held by the Company's employees, managers, corporate officers and consultants represent more than 10% of the share capital; said capital being assessed on the date of the decision of the Board of Directors to use this delegation, it being specified that the additional amount of shares to be issued to preserve the rights of holders of securities and other rights giving access to shares shall be added to this ceiling,
This ceiling shall not be count against the overall ceiling provided for in the 10th resolution of the general meeting of 14 April 2022 or any other authorisation set at a later date;
This ceiling shall not be common to the BSA 2022, the BSPCE 2022 or the AGA 2022.

We would like to point out that the adoption of these resolutions will render ineffective any previous authorisation for the same purpose.

V. PROPOSAL TO RENEW THE AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO DECIDE ON THE GRANT OF FREE SHARES (19TH RESOLUTION)

We hereby inform you that the authorisation granted to the Board of Directors under the terms of the 19th resolution of the General Meeting of 28 May 2019 to proceed with the free allocation of shares to be issued or existing in favour of the members of the salaried staff and the executive directors remains in force until 27 July 2022.

We therefore ask you to renew the delegation approved under the terms of the 19th resolution of the general meeting of 28 May 2019 for the purpose of issuing share subscription and/or purchase options in favour of the members of the salaried personnel and executive officers ("**AGA 2022**").

The content of this authorisation is set out below in table form.

Duration of the authorisation	38 months from the date of the general meeting
Type of shares	ordinary shares to be issued or existing
Beneficiaries	i) members of the salaried staff or certain categories of them of the Company and of the companies linked to it under the conditions referred to in Article L.225-197-2 I (1e) of the French Commercial Code (ii) as well as the Company's

	corporate officers referred to in Article L.225-197- 1 II of the French Commercial Code, whose identity it will be up to the Board of Directors to determine, according to the criteria and conditions of allocation that it will have defined, it being specified : 1. that no shares may be allocated to employees and corporate officers each holding more than 10% of the Company's share capital, and 2. that no free allocation may have the effect of conferring on any employee or corporate officer more than 10% of the Company's share capital. Allocations to executive directors may only be made under the conditions set out in Article L.225-197-6 of the Commercial Code
Number of AGA authorized	150,000 free shares (not common to BSA 2022, BSPCE 2022 and Options 2022)
Amount of the share capital increase	€15,000 by issuing a maximum number of 150,000 AGA to be issued, without prejudice to the application of Article L. 228-99 of the Commercial Code in the event of transactions on the share capital during the Acquisition Period, it being specified that this ceiling shall not be deducted from the amount of the overall ceiling to be defined or any other authorisation to be set subsequently
Acquisition Period (holder is not yet a shareholder)	Duration of at least one (1) year, subject to the disability or death of the beneficiary
Retention period (the holder is a shareholder but cannot sell his shares)	Duration which, together with the duration of the Acquisition Period, may not be less than two (2) years, it being specified that the Board of Directors may reduce or eliminate the duration of the Retention Period if it sets a duration at least equal to two (2) years for the Acquisition Period

Insofar as the authorisation relates to shares to be issued, we ask you to :

- to delegate to the Board, in accordance with Article L.225-129-2 of the French Commercial Code and for the purpose of issuing free shares to be issued, your authority, for a period identical to that of this authorisation, to increase the share capital accordingly, on one or more occasions, by drawing on the Company's available reserves, profits or issue premiums, at the end of the Acquisition Period of these free shares, making their allocation definitive;
- to note, in accordance with the provisions of Article L.225-197-1 of the Commercial Code, that this authorisation automatically entails a waiver of your preferential subscription rights in favour of the beneficiaries of the shares allocated free of charge, the corresponding capital increase being definitively completed by the sole fact of the definitive allocation of the shares to the beneficiaries;
- to note that this authorisation entails a waiver on your part of the part of the reserves, profits or premiums that will be used, if applicable, in the event of the issue of new shares, pursuant to this resolution.

It is expressly agreed that the use of the delegations may not result in all of the shares resulting from the exercise of BSPCEs, BSAs, stock options and free shares held by the Company's employees, managers, corporate officers and consultants represent more than 10% of the share

capital on a fully diluted basis, it being specified that this percentage is and will be calculated by taking into account the existing share capital as of the date of this meeting, increased by the shares to be issued :
(i) on exercise of securities giving access to the capital valid on this day,
(ii) in the context of the use of this delegation,
(iii) within the framework of the use of the delegations granted by resolutions 16 to 18 of this meeting,

This ceiling shall not be count against the overall ceiling provided for in the 10th resolution of the general meeting of 14 April 2022 or any other authorisation set subsequently;
This ceiling will not be common to the BSA 2022, the BSPCE 2022 or the AGA 2022.

We hereby inform you that the adoption of these resolutions will render ineffective any previous authorisation having the same purpose.

* *

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.

VI. 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 (*20th 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 16th to 19th resolutions.

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.
The Board of directors therefore calls for a vote against this resolution

VII. POWERS TO COMPLETE FORMALITIES (*21th resolution*)

Finally, as an ordinary and extraordinary 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. all publication and filing formalities required by applicable law.all publication and filing formalities required by applicable law.

*** * ***
*****

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.

_____

For the Board of Directors
M. Scott Myers

APPENDIX 1

Table of the last five years results

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

Nature of Indications / Periods	**31/12/2021**	**31/12/2020**	**31/12/2019**	**31/12/2018**	**31/12/2017**
Duration of the financial year	**12 months**	**12 months**	**12 months**	**12 months**	**12 months**
I - Financial position at year-end					
a) Share capital	7 993 794	7 974 023	3 224 726	1 306 593	891 948
b) Number of shares outstanding	79 937 938	79 740 228	32 247 263	13 065 932	8 919 476
c) Number of convertible bonds	0	174 729	20.174.729	0	40
II - Comprehensive income from continuing operations					
a) Revenues excluding tax					
b) Profit before tax, amortization & provisions	-16 689 639	-10 209 825	-12 259 505	-13 895 598	-9 569 133
c) Income tax	-2 920 726	-1 858 284	-2 456 672	-2 219 940	-1 885 792
d) Profit after tax, before amortization & provisions	-13 768 913	-8 351 541	-9 802 832	-11 675 658	-7 683 341
e) Profit after tax, amortization & provisions	-14 126 019	- 8 595 907	-10 291 539	-12 022802	-8 115 983
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	39	28	20	18	21
b) Payroll expense	3 255 568	2 364 834	1 695 687	1 587 537	1 919 689
c) Amount paid for employee benefits	1 626 966	1 000 593	658 675	709 121	697 719

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. Scott Myers	Director and Chairman Member and Chairman of the Remuneration Committee Member of the Audit Committee	Selecta Biosciences (Public (SELB) USA)- Director, Member of the Nomination and Governance Committee and Chairman of Compensation committee Harpoon Therapeutics (Public (HARP) USA) - Director and Chairman of the Board, Chairman of the Nomination and Governance Committee, Chairman of Audit Committee Dynavax Technologies (Public (DVAX) USA) - Director and Chairman of the Board Iron Shore Pharmaceuticals (Private USA, Canada) - Director and Chairman of the Board
Mrs. Nawal Ouzren	CEO and Director	Director of Inventiva (France)
Mr. Eric Forquenot de la Fortelle	Representative of Health Opportunities (Director) Member and Chairman of the Audit Committee	CEO of Health Opportunities GmbH (Switzerland)

	Mandates in the Company	Mandates or functions held in other companies
Health Opportunities GmbH	Director	None
Bpifrance Investissement	Director	Director of ONA Therapeutics (Spain) Director of Egle Therapeutics
Mr. Jean-François Morin	Director Member of the Audit Committee	Director of Observer Orphalan
Mr. Julien Miara	Director Member of the Audit Committee	Director of Onxeo (France)
Mr. Khalil Barrage	Director Member of the Remuneration Committee	Director of Protagenic therapeutics Inc. (United-States) Director of Orthobond (United-States)
Mr. Cédric Moreau	Representative of Sofinnova Partners (Director) Member of Remuneration Committee	Board member of Gensight SA Board member of Mainstay Medical plc Board member of Association France Biotech Board member of Association Life Sciences Acceleration Alliance (LSAA)

	Mandates in the Company	Mandates or functions held in other companies
		Member of the Endowment fund Health Tech For Care (HTFC)
Sofinnova Partners	Director	
Mr. Anis Girach	Director	Employee at ProQSMr (NL) Director at Panagium Therapeutics (UK)
Mr. John Furey	Director Member of Remuneration Committee	CEO and Director of Imvax 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
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 *** Upper common limit	38 months Until July 27, 2022	no

Resolution reference	Purpose of the resolutions of the General Meeting on May 18, 2021	Upper limit (nominal value)	Validly period	Use
13th Resolution	Authorization granted to the Board of Directors to proceed with the issue of **BSA 2021** in favor of a category of persons	€100,000 **** Independent limit	18 months Until November 19, 2022	Board of 03.01.2022 : issue of 70,000 BSA 2021

Resolution reference	Purpose of the resolutions of the General Meeting on March 24, 2021	Upper limit (nominal value)	Validly period	Use
1st Resolution	Authorization granted to the Board of Directors to grant stock options (**Options 2021**) in favor of a category of persons	€300,000 **** Independent limit	38 months Until May 20, 2024	Board of 02.07.21: grant 200,000 Options 2021 Board of 11.08.21: grant 1,814,855 Options 2021 Board of 19.12.21: grant 900,000 Options 2021

Resolution reference	Purpose of the resolutions of the General Meeting on April 14, 2022	Upper limit (nominal value)	Validly period	Use
1st Resolution	Delegation of authority granted to the Board of Directors to decide on the issue of shares and/or securities giving immediate or future access to the share capital or giving entitlement to a debt security, **with cancellation of the shareholders' preferential subscription right and public offering**, excluding the offers referred to in 1° of Article L. 411-2 of the Monetary and Financial Code	Nominal amount of the capital increases: 10 M€ * Nominal amount of bonds and other debt securities giving access to the capital: 20 M € **	26 months Until June 14, 2024	no
2nd Resolution	Delegation of authority to be granted to the Board of Directors to decide on the issue of shares and/or securities giving immediate or future access to the share capital or giving entitlement to a debt security, **with cancellation of the preferential subscription right**, as part of an offer referred to in 1° of Article L. 411-2 of the Monetary and Financial Code	Nominal amount of the capital increases: 10 M€ * Nominal amount of bonds and other debt securities giving access to the capital: 20 M € **	26 months Until June 14, 2024	no
3rd Resolution	Delegation of authority to the Board of Directors to decide on the issue of shares and/or securities giving immediate or future access to the share capital or giving entitlement to a debt security, **with cancellation of the shareholders' preferential subscription right in favour of categories of beneficiaries**	Nominal amount of the capital increases: 10 M€ * Nominal amount of bonds and other debt securities giving access to the capital:	26 months Until June 14, 2024	no

		20 M € **		
4th Resolution	Delegation of authority to the Board of Directors to decide on the issue of financial instruments consisting of and/or giving the right (upon exercise of warrants) to debt securities giving access to the Company's capital to which share warrants are attached, **with cancellation of the shareholders' preferential subscription right in favour of a category of persons** in accordance with Article L. 225-138 of the Commercial Code	Nominal amount of the capital increases: 10 M€ * Nominal amount of bonds and other debt securities giving access to the capital: 20 M € **	26 months Until June 14, 2024	no
5th Resolution	Delegation of authority to the Board of Directors to decide on the issue, **with preferential subscription rights**, of shares and/or securities giving immediate or future access to the capital or giving entitlement to a debt security	Nominal amount of the capital increases: 10 M€ * Nominal amount of bonds and other debt securities giving access to the capital: 20 M € **	26 months Until June 14, 2024	no
6th Resolution	Delegation of authority to the Board of Directors to issue ordinary shares and/or securities giving access to the Company's capital, **in consideration for contributions in kind** consisting of equity securities or securities giving access to capital	Nominal amount of the capital increases: 10 M€ *	26 months Until June 14, 2024	no

		Nominal amount of bonds and other debt securities giving access to the capital: 20 M € **		
7th Resolution	Delegation of authority to the Board of Directors to decide to increase the share capital by capitalisation of premiums, reserves, profits or other	Nominal amount of the capital increases: 10 M€ * Nominal amount of bonds and other debt securities giving access to the capital: 20 M € **	26 months Until June 14, 2024	no
8th Resolution	Delegation of authority to the Board of Directors to issue ordinary shares and/or securities giving access to the Company's capital, in the event of a public exchange offer initiated by the Company	Nominal amount of the capital increases: 10 M€ * Nominal amount of bonds and other debt securities giving access to the capital: 20 M € **	26 months Until June 14, 2024	no

9th Resolution	Authorisation to be given to the Board of Directors to increase the number of shares 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 maintenance or cancellation of the preferential subscription right, as the case may be (**Over-allotment Option**)	15% of the initial issue	26 months Until June 14, 2024	no

* The nominal amount of the authorized capital increase upper limit will be deducted from the global authorized upper limit of €10,000,000 in the 10th Resolution of the General Meeting on April 14, 2022.

** 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 10th Resolution of the General Meeting on April 14, 2022

*** 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

**** Non-common ceiling, which does not count against the individual amount of each financial instrument or against the overall ceiling of €10,000,000 authorised in the 10th Resolution of the General Meeting of April 14, 2022.

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
13th 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	€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 Until November 31, 2023
14th 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 Until November 31, 2023
15th Resolution	Reverse split of the Company's shares by allocation of 1 new ordinary share of EUR 0.30 par value against 3 ordinary shares of EUR 0.10 par value held		Allocation to each shareholder of 1 share with a nominal value of EUR 0.30 each for every 3 shares with a nominal value of EUR 0.10 previously held. The Company's shares will now have a par value of EUR 0.30 each	18 months Until November 31, 2023
16th Resolution	Delegation of authority to be granted to the Board of Directors to decide to issue warrants to subscribe for common shares (**BSA 2022**) in favor of categories of persons (Note 2)	€100,000 *	Note 1	18 months Until November 31, 2023
17th Resolution	Delegation of authority to be granted to the Board of Directors to decide to issue warrants to subscribe for common shares (**BSPCE 2022**) in favor of the Company's employees, corporate officers subject to the employee tax regime (Chairman of the Board of Directors, Chief Executive Officer and Deputy	€100,000 *	Note 2	18 months Until November 31, 2023

Resolution reference	Purpose of the resolution	Upper limit (nominal value)	Method of determing the issue price	Validly period
	Chief Executive Officer) of the Company and members of the Board of Directors of the Company (Note 2)			
18th Resolution	Delegation of authority to be granted to the Board of Directors to decide to issue **Options 2022** in favor of salaried staff and corporate executives	€300,000 *	Note 3	38 months Until July 31, 2025
19th Resolution	Delegation of authority to be granted to the Board of Directors to decide tofree shares (**AGA 2022**) in favor of a category of beneficiaries (Note 2)	€15,000 *		38 months Until July 31, 2025
20th 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 Until November 31, 2023

* Non-common ceiling, which does not count against the individual amount of each financial instrument nor against the overall authorised ceiling of €10,000,000 in the 10th Resolution of the General Meeting of 14 April 2022..

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 : The subscription of the BSA 2022 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 2022 must be at least equal to 10% of the subscription price of the share to which the BSA 2022 will give right.
The exercise price of the BSA 2022 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 2022 by the Board, as long as the Company's shares are admitted to trading on a market or stock exchange.

Note 2: The subscription of the BSPCE 2022 is reserved for the benefit of the Company's employees, corporate officers subject to the employee tax regime (Chairman of the Board of Directors, Chief Executive Officer and Deputy Chief Executive Officer) of the Company and members of the Board of Directors of the Company.

Each BSPCE 2022 will allow the subscription of one ordinary share of the Company at a price per share determined by the Board of Directors at the time of granting said warrants, it being specified that this price will be at least equal to :

- in the event of the completion of one or more capital increases in the six months preceding the implementation of this delegation by the Board of Directors, the subscription price of the ordinary share retained during the most recent of said capital increases, assessed on the date of allocation of each BSPCE 2022, provided that the ordinary shares to be issued upon exercise of the BSPCE 2022 confer rights equivalent to those issued in the context of the capital increase, it being specified that, in order to determine the subscription price of an ordinary share upon exercise of a BSPCE 2022, the Board of Directors shall not take into account the capital increases resulting from the exercise of founders' warrants, share warrants or stock options as well as the allocation of free shares,
- for any allocation that would occur outside the hypothesis referred to in (i) above, at the volume-weighted average price of the last 20 stock market sessions preceding the date of allocation of the said BSPCE 2022 by the Board of Directors (reduced, if necessary, by a maximum discount of 20%) for as long as the Company's shares are admitted to trading on a market or stock exchange.

Note 3: The subscription of the Options 2022 is reserved for the benefit of (i) members or certain members of the salaried personnel of the Company and of the companies linked to it under the conditions referred to in Article L.225-180 I of the French Commercial Code, and (ii) the Company's corporate officers, with the options giving the right to subscribe for new ordinary shares to be issued by way of an increase in its capital.

The subscription or purchase price upon exercise of the share subscription or purchase options, as long as the shares are admitted to trading on Euronext Growth, shall be determined in accordance with the provisions of Article L.225-177 of the French Commercial Code and shall be set by the Board of Directors on the day on which the options are granted, it being specified that :

- in the case of options to subscribe for new shares, the price may not be less than 95% of the average of the prices quoted during the 20 trading sessions preceding the day on which the option is granted

- in the case of options to purchase existing shares, the price may not be less than 95% of the average of the prices quoted in the 20 stock market sessions preceding the day on which the option is granted, nor the average purchase price of the shares held by the Company on the day on which the option is granted under Article L.22-10-62 of the Commercial Code.

2. Annual accounts as of December 31, 2021 in accordance with IFRS and report of the statutory auditor

ERNST & YOUNG Audit
Immeuble Le Blasco
966, avenue Raymond Dugrand
CS 66014
34060 Montpellier

Tél. : +33 (0) 4 67 13 31 00
www.ey.com/fr

Sensorion

Year ended December 31, 2021

Statutory auditor's report on the consolidated 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 consolidated financial statements of Sensorion for the year ended December 31, 2021.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)* for the period from January 1, 2021 to the date of our report.

S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Société de Commissaires aux Comptes
Société d'expertise comptable inscrite au Tableau
de l'ordre de la Région de Montpellier

Siège social : 1-2, place des Saisons - 92400 Courbevoie - Paris-La Défense 1

Justification of Assessments

Due to the global crisis related to the COVID-19 pandemic, the financial statements for this period have been prepared and audited under special circumstances. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organization and on the performance of audits.

It is in this complex, 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, to the reasonableness of the significant accounting estimates and to the overall presentation of the consolidated financial statements.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements were approved by the Board of Directors.

Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated 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 made on the basis of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

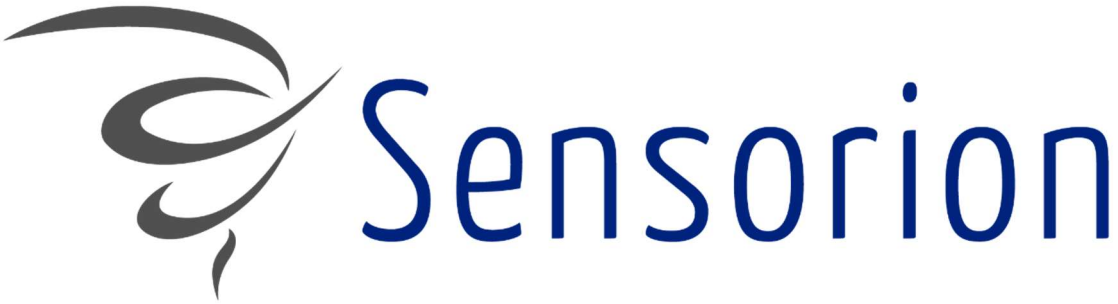
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Montpellier, Avril 27, 2022

The Statutory Auditor
French original signed by
ERNST & YOUNG Audit

Marie-Thérèse Mercier



Limited liability company with share capital of €7,993,793.80 Registered office: 375 rue du Professeur Joseph Blayac

34080 Montpellier

Consolidated financial statements as of December 31, 2021 presented in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

(Amounts in euros)

	Note	12/31/2021	12/31/2020
ASSETS			
Non-current assets			
Intangible Assets	**3**	569,655	589,552
Property, Plant and Equipment	**4**	514,344	174,844
Use rights	**5**	986,752	670,888
Non-current financial assets	**6**	72,134	38,835
Total non-current assets		**2,142,885**	**1,474,119**
Currents assets			
Other current assets	**7**	6,946,055	4,254,909
Cash and cash equivalents	**8**	50,001,110	62,174,948
Total current assets		**56,947,165**	**66,429,858**
TOTAL ASSETS		**59,090,050**	**67,903,976**
LIABILITIES			
Equity			
Share capital	**9**	7,993,794	7,974,023
Additional paid-in-capital	**9**	50,611,693	59,055,944
Reserves		589,977	327,775
Net income		(15,136,789)	(8,978,089)
Cumulative exchange differential		(2,871)	-
Total equity		**44,055,803**	**58,379,653**
Non-current liabilities			
Non-current conditional advances	**10**	1,011,899	1,511,340
Long term debts	**10**	2,635,694	3,005,582
Non-current rental liabilities	**5**	721,207	584,540
Non-current provisions	**11**	135,892	144,946
Total non-current liabilities		**4,504,691**	**5,246,408**
Current liabilities			
Convertible bonds	**10**	-	191,625
Current conditional advances	**10**	400,000	170,000
Short term debt		314,892	1,569
Current rental liabilities	**5**	313,910	99,548
Trade payable and related accounts	**12.1**	4,962,869	2,198,485
Other current liabilities	**12.2**	4,537,884	1,616,688
Total current liabilities		**10,529,556**	**4,277,915**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**59,090,050**	**67,903,976**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in euros)

	Note	As of December 31 2021	2020
Operating revenue			
Other revenue		4,348,647	2,421,267
Total revenue	**13**	**4,348,647**	**2,421,267**
Operating expenses			
Research and development		14,623,652	7,679,365
Overhead expenses		4,749,593	3,631,123
Total expenses	**14**	**19,373,245**	**11,310,488**
Operating income		**(15,024,597)**	**(8,889,220)**
Financial income		53,552	43,428
Financial expenses		(165,744)	(132,296)
Financial income	**16**	**(112,192)**	**(88,869)**
Pre-tax current income		**(15,136,789)**	**(8,978,089)**
Corporate income tax		-	-
Net profit (loss)		**(15,136,789)**	**(8,978,089)**
Other non-recyclable items of comprehensive income			
Actuarial gains/losses on pension plans		43,776	2,689
Comprehensive income		**(15,093,013)**	**(8,975,400)**
Weighted average number of shares		79,691,358	60,760,952
Net earnings per share		**(0.19)**	**(0.15)**
Diluted earnings per share		**(0.19)**	**(0.15)**

CASH FLOW STATEMENT

(Amounts in euros)

	Note	As of December 31 2021	2020
Cash flows associated with operational activities			
Net income for the period		(15,136,789)	(8,978,089)
Reconciliation of net income and cash used for operating activities			
Depreciation/amortization and impairment			
Amortissements et dépréciations		333,125	311,944
Expenses on share-based payments	**15**	561,108	358,963
Other items excluded from cash and cash equivalents		(6,603)	14,896
Lease agreement		162,393	103,213
Provisions for pension liabilities		66,375	32,481
Operating cash flow before financial income and taxes		**(14,020,391)**	**(8,156,592)**
Trade receivables		-	-
Other receivables		(2,521,902)	1,697,357
Suppliers		2,764,384	593,431
Other current liabilities		3,004,836	551,706
Net cash flow associated with operational activities		**(10,773,072)**	**(5,314,097)**
Cash flows associated with investment activities			
Acquisitions of property, plant and equipment		(469,981)	(75,820)
Acquisitions of intangible assets		(182,748)	(89,107)
Acquisitions of financial assets		(33,299)	-
Acquisitions (decrease) of use rights		(388,673)	-
Net cash flow from investment activities		**(1,074,701)**	**(164,927)**
Cash flow from financing activities			
Bonds convertible into shares		-	(20,000,000)
Increase/(decrease) of financial liabilities		146,029	3,000,000
Collection/(disbursement) of repayable advances		(360,000)	554,000
Payment of lease liabilities		(157,428)	(97,579)
Treasury shares		45,004	(3,387)
Capital increase		3,200	53,772,620
Cumulative exchange differential		(2,871)	-
Net cash flow from financing activities		**(326,066)**	**37,225,654**
Cash and cash equivalent at the start of the period		62,174,948	30,428,319
Cash and cash equivalent at the end of the period		50,001,110	62,174,948
(Decrease)/Increase in cash position		**(12,173,839)**	**31,746,629**

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 1st, 2020	**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
Set-off 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 profit (loss)					(8,978,089)	(8,978,089)
Share-based payments				358,963		358,963
As of December 31st, 2020	**79,740,228**	**7,974,023**	**59,055,945**	**327,775**	**(8,978,089)**	**58,379,654**
Appropriation of net income			(8,595,907)	(382,182)	8,978,089	-
Capital increase	197,710	19,771	151,310			171,081
Issuance of stock warrants (BSA)			345			345
Neutralization of treasury shares				(33,470)		(33,470)
Neutralization of boni/mali of treasury shares				78,474		78,474
Actuarial gains/losses				43,776		43,776
Application of new pension commitment standard				32,013		32,013
Net profit (loss)					(15,136,789)	(15,136,789)
IFRS16 restatement				(37,517)		(37,517)
Cumulative exchange differential				(2,871)		(2,871)
Share-based payments				561,108		561,108
As of December 31, 2021	**79,937,938**	**7,993,794**	**50,611,693**	**587,105**	**(15,136,789)**	**44,055,803**

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). On January 17th, 2022, Sensorion released the topline data of the Phase 2 trial in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 was safe and well tolerated in 115-patient study, however, primary endpoint was not met. Based on thorough analysis of the secondary endpoints of AUDIBLES-S SENS-401 study, Sensorion will continue the proof-of-concept clinical (POC) study for the CIO indication. A disciplined capital allocation approach supports Sensorion willingness to look for potential partner to pursue SENS-401 development in 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).

Regarding Usher Syndrome Type 1, the results of the study done in 2021 showed that there was a complete restoration of the vestibular function but that audition couldn't be restored at a satisfactory level. As Sensorion is optimizing its capital allocation, it has decided to terminate this program (See in 2022 announcements).

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

As of December 31, 2021, the Company's share capital amounts to €7,993,793.80, i.e., 79,937,938 shares with a nominal value of €0.10 each.

In December 2021, an Option holder converted 195,210 2020 Options 2020 at a unit price of €0.86, which generated added capital of €167,881, including a €19,521 increase in the share capital. The share

capital was called but had not been paid in by the end of the 2021 fiscal year. Funds from the exercise of these Options 2020 have been paid to the Company on 7th February 2022. However, the capital increase is deemed to be completed on 19 December 2021.

The Group's available cash amounts to €50,001,000 as of December 31, 2021, compared to €62,175,000 as of December 31, 2020.

Based on its expenditure forecasts and taking into account cash on hand as of December 31, 2021, the Company believes it will be able to finance its activities until the end of second quarter of 2023.

3. Research and development

In fiscal 2021, 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 programs

- **OTOF-GT**

Sensorion received scientific advice from regulatory agencies on the preclinical and clinical development plans for OTOF-GT, the Company's dual vector AAV gene therapy program for the treatment of children born with hearing loss caused by Otoferlin deficiency.

The European Medicines Agency's advisors welcomed the ongoing Natural History Study, Audioferline (NCT04202185), a component of the AUDINNOVE project coordinated by researchers at Hôpital Necker-Enfants malades (Necker Hospital) in partnership with Sensorion. Sensorion is expanding the study across Europe to document the natural course of disease progression in otoferlin deficiency patients, define clinically meaningful endpoints suitable for market approval, and identify the patient populations that would benefit the most from Sensorion's OTOF-GT treatment. The Natural History Study will enable Sensorion to select the most relevant and clinically meaningful endpoints and clinical trial design as OTOF-GT progresses into the clinic.

At the Association for Research in Otolaryngology (ARO) 45th MidWinter Meeting in February 2022, Sensorion presented a poster on OTOF gene therapy. The data indicated potential for safe and efficient clinical translation of gene therapy for Otoferlin delivered by a dual AAV vector. The chosen capsid of AAV-OTOF in both mouse and non-human primate (NHP) models targets Inner Hair Cells (IHCs) and not Outer Hair Cells. Otof *de novo* expression in IHCs in a DFNB9 mouse model (OTOF-KO) demonstrates long-term expression of Otoferlin and hearing restoration up to one year post injection. In NHPs, the surgical procedure similar to cochlear implantation has been optimized to achieve an effective transduction rate of the targeted IHCs at levels compatible with therapeutic intervention in humans.

Sensorion goal is to start producing toxicological batches for OTOF-GT at intended clinical-scale volumes by mid-2022. The company is on track to file a Clinical Trial Application (CTA) for its OTOF-GT program in H1 2023.

- **GJB2-GT**

On February 15, 2021, Sensorion announced its largest gene therapy program to date, a collaboration with Institut Pasteur, targeting the GJB2 gene in pediatric and adult deafness. Research by Institut Pasteur demonstrated that anomalies in GJB2 are both the most common cause of congenital deafness as well as a wide contributor of severe age-related hearing loss in adults. Although the types of GJB2 mutation in children and adults may differ, gene therapy could potentially provide solutions for both.

Sensorion's GJB2 gene therapy programs have the potential to address three pathologies related to GJB2 mutations: early onset of presbycusis in adults, progressive forms of hearing loss in children, and pediatric congenital deafness. Sensorion plans to select a candidate by mid-2022.

- **SONOVA**

In September 2021, Sensorion announced the signing of an important multi-year collaboration with Sonova, a leading international player in the hearing solutions market. The collaboration aims to create new diagnostic and therapeutic solutions for hearing loss and expands a commitment made between the two companies in December 2020, when Sonova acquired a 3.7% stake in Sensorion.

Part of the collaboration is a jointly funded study of natural history in age-related progressive hearing loss (presbycusis) in adults. It will involve the collection of disease information and samples via selected Sonova Audiological Care stores. The collaboration could lead to the introduction of genetic analysis to the routine diagnosis of progressive hearing loss in adults and subsequently open the way for improved care through a combination of advanced therapeutic interventions and traditional hearing solutions including hearing aids. Sonova and Sensorion will jointly fund the study with €7.0 million, split 70/30%, respectively, between the two companies.

- **USHER-T1-GT**

During 2021, Sensorion completed the preclinical proof-of-concept study for its gene therapy approach in Usher’s syndrome type 1G (USHER-GT). This study was designed to test whether a gene therapy approach would be effective in older mice, thereby opening the possibility of extended treatment windows for clinical studies.

The results of the completed study show that there is a full restoration of the vestibular function, but that audition cannot be restored at a satisfactory level. In line with a focused approach to capital allocation, Sensorion has decided to terminate this program. The Master Research Agreement provides us the possibility to explore other opportunities with Institut Pasteur.

SENS-401

- **SENS-401 Cochlear**

At the beginning of 2021, Sensorion released positive preclinical data demonstrating that the combination of its SENS-401 molecule and a cochlear implantation helped reduce loss of residual hearing at a frequency located beyond the electrode array. Preservation of 'natural' hearing is particularly important in speech recognition.

Following this initial success, Sensorion and its partner Cochlear Limited (Cochlear) announced the initiation of a POC (Proof of Concept) clinical trial of SENS-401 (Arazasetron) in patients scheduled for cochlear implantation. The two companies are progressing with a trial of SENS-401 for hearing preservation in targeted patients. Sensorion already submitted the proposed trial design to regulatory authorities in Australia and France. The approval is anticipated in H1 2022 and the first patient enrolment is expected by mid-2022.

- **SENS-401 SSNHL**

On January 17, 2022, Sensorion provided an update on SENS-401 and released the topline data of the Phase 2 AUDIBLE-S study in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 was safe and well tolerated in the 115-patient study, however, the primary endpoint was not met.

In March 2022, a supplementary analysis of the Phase 2 AUDIBLE-S study data showed positive findings for certain trial population sub-groups within SSNHL. SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (PTA) with a 10 decibels improvement vs placebo in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of the Intent to Treat population).

In particular, it was observed that patients entering the study with profound hearing loss emerged post-treatment with mild hearing loss, meaning that they did not have difficulty hearing what is being said in quiet environments. SENS-401 induces a significative PTA change of at least 19 dB at day 28 and up to 25 dB at Day 84 allowing a reduction of the hearing loss degree from profound to mild hearing loss. A better response was observed in both treatment groups with a continuous improvement compared to control group.

However, in line with a disciplined approach to capital allocation, Sensorion has decided to explore partnership opportunities with this program and to prioritize the development of the CIO Proof-of-Concept clinical study.

- **SENS-401 Cisplatin Induced Ototoxicity (CIO)**

In a preclinical model of cisplatin-induced ototoxicity (CIO) (Petremann et al., 2017), SENS-401 demonstrated an ability to significantly reduce hearing loss. Following a supplementary analysis of the AUDIBLE-S study, Sensorion has decided to continue the POC clinical study in CIO indication as it represents a significant unmet need for patients and a very attractive market for treatment with over 500,000 patients in 2025 in G7 countries.

We filed for approval of the NOTOXIS clinical trial (CTA) at the end of 2021 and received approval earlier this year. The scientific and clinical teams have reviewed the clinical design of NOTOXIS following the AUDIBLE-S study of SENS-401. An amendment will be filed to strengthen this design based on the results obtained. Approval of this amendment is expected by H2 2022.

Expansion of technology platform

Sensorion has built a unique R&D technology platform over the years to deepen our 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.

To further strengthen its technology base, Sensorion is expanding its CMC gene therapy platform by building state of the art process development labs. Alongside Sensorion reinforced its CMC team by onboarding highly skilled Upstream (USP) and Downstream (DSP) Processing experts. Small scale bioreactors have been operating since the end of 2021 and Sensorion looks forward to the next expansion of capabilities.

Expected future milestones and estimated timelines:

- H1 2022 – CTA approval for SENS-401 study to preserve residual hearing post cochlear implantation
- Mid-2022 – First patient enrolled for SENS-401 study to preserve residual hearing post cochlear implementation
- Mid-2022 – GJB2-GT Candidate selection
- Mid-2022 – Delivery of toxicological batches in OTOF-GT
- H2 2022 – SENS-401 CIO (cisplatin-induced ototoxicity) CTA study amendment submission
- H1 2023 – Submission of the Clinical Trial Application for the OTOF-GT program (CTA/IND)

4. Others

In 2021, Sensorion created two subsidiaries. Sensorion Inc was established in the United States of America in the first half of 2021, to allow Sensorion to increase its visibility and to develop partnerships with American academic institutions. Sensorion Australia Pty Ltd was incorporated in July 2021 to manage the collaboration with Cochlear regarding the future clinical trial.

5. Post-Year-End Events

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

2022 announcements

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

On January 4th, 2022, Sensorion appointed Dr. Aniz Girach as Independent Board Member. He brings over 22 years' experience in the industry. He is currently serving as Chief Medical Officer at ProQR Therapeutics NV, where he is leading the development of genetic therapies for inherited retinal diseases.

On January 17th, 2022, Sensorion provided an update on SENS-401 and released the topline data of the Phase 2 trial in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 was safe and well tolerated in 115-patient study, however, the primary endpoint was not met.

Sensorion presented a poster OTOF gene therapy highlighting long-term durable efficacy in preclinical mice and non-human primate data and Sensorion's inner hair cell specific delivery at the Association for Research in Otolaryngology (ARO) 45th MidWinter Meeting. On this occasion Laurent Désiré, Sensorion's Preclinical Development Director participated in a workshop on "Translational Delivery Approaches for inner ear therapies" and gave a talk entitled "Local deliveries of inner ear gene therapies." Sensorion also presented three posters on SENS-401 in Cisplatin Ototoxicity Models at ARO.

On March 17 2022, Sensorion presented a supplementary analysis of the Phase 2 AUDIBLE-S study data showing positive findings for certain trial population sub-groups within SSNHL. SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (≥ 10 decibels improvement vs placebo) in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of study population). In order to balance clinical development priorities with efficient capital allocation, Sensorion is assessing the next steps for SENS-401 in SSNHL and Cisplatin-Induced Ototoxicity (CIO) and will update the market in due course.
Sensorion will continue its joint development program with Cochlear Ltd for hearing preservation in patients following cochlear implantation.

On 28 April 2022, for the release of its 2021 annual results, Sensorion confirmed the progress of the SENS- 401 development program in collaboration with Cochlear Ltd, for the preservation of hearing in cochlear implant patients, with recruitment of the first patient expected in mid-2022. In addition, based on an in-depth analysis of the secondary endpoints of the AUDIBLES-S SENS-401 study, the proof-of-concept (PoC) clinical study for the CIO indication will be continued. Finally, a rigorous approach to capital allocation leads Sensorion to explore partnership opportunities to further develop SENS-401 in the SSNHL.

6. Going Concern

The Board of Directors applied the going concern assumption. As of December 31, 2021, the Company had sufficient net working capital to meet its cash needs.

As of this date the Company has sufficient cash to cover its current and development expenses until the end of second quarter 2023.

Sensorion has obtained a commitment from its two majority shareholders to finance the company through a bond issue of €3.5 million for Invus and €1.5 million for Sofinnova.

The Company plans to use its cash to develop its current gene therapy programs (OTOF and GJB2), potentially expand its gene therapy pipeline and for working capital and general corporate purposes.

Note 2: Accounting policies and declaration of compliance

The financial statements are presented in euros.

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

The IFRS consolidated financial statements as of December 31, 2021 and December 31, 2020 were prepared on the basis of the standalone financial statements of the Group's companies. The standalone financial statements of the parent company were approved by the Board of Directors on April 27, 2022.

In accordance with European Regulation No. 1606/2002 adopted on July 19, 2002 by the European Parliament and European Council, the Company's consolidated financial statements as of December 31, 2021 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 consolidated 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, 2021 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 consolidated financial statements also comply with the standards and interpretations adopted by the IASB as of the same date.

The new IFRS standards applicable as of the year ended December 31, 2021 have no impact on the Group's financial statements, with the exception of the application of the new IFRIC/IFC standard (see Note 2.9).

Consolidation method

The Group applies IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements," and IFRS 12 "Disclosure of Interests in Other Entities."

IFRS 10, which sets out the accounting requirements for consolidated financial statements, establishes a single consolidation model that identifies control as the requisite criterion for consolidating an entity. An investor exercises control over an investee if it holds power over the investee, is exposed to variable returns from the investee or has rights to such variable returns due to its involvement with the investee and has the ability to use its power over the investee to affect the amount of such returns.

Subsidiaries are those entities over which the Group exercises control.

Subsidiaries are fully consolidated as of the year ending December 31, 2021, the date on which the Company obtained control. Intragroup balances and transactions are eliminated.

Group companies

As of December 31, 2021, the Group comprises the following entities:

Companies	Country	Group control in %
Sensorion Pharmaceuticals SA	France	Parent company
Sensorion Pharmaceuticals, Inc.	United States	100%
Sensorion Australia Pty Ltd	Australia	100%

2.1 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, with the exception of the Palau license, which is amortized over 14 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.

2.2. 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 to 10 years
Laboratory equipment ……..	3 to 5 years
Furniture ……	5 years
Office and computer equipment …….	3 to 5 years

2.3 Financial Instruments

IFRS 9 “Financial Instruments,” which has been in effect 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.

2.4. 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.

2.5. 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.

2.6 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.

2.7 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.

2.8 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.

2.9 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.

Changes in accounting policies: new valuation method for retirement benefits

In April 2021, the IFRS Interpretations Committee (IFRIC) sent the International Accounting Standards Board (IASB) a Tentative Agenda Decision (TAD) proposing changes to the way the commitments relative to certain defined benefit plans are calculated. The IAS Board validated this position at the beginning of June 2021 without modifying IAS 19, which already allowed this interpretation.

The new method conditions the allocation of rights both on the basis of seniority for a maximum capped amount and on the fact that a staff member is employed when he or she reaches retirement age. Thus, at the assessment date, the value of the commitment is prorated to the length of service at the time of retirement (intermediate steps method).

Previously, at the assessment date, the value of this commitment was prorated according to the length of service with the company over the total length of service at the time of retirement.

The consequences of applying the new method are a decrease in the provision at the date of the first application (January 1, 2021) and a prospective increase in future service costs to reach the same compensation, as under the previous method, at the time of retirement.

At December 31, 2021, this change of method has been accounted for retrospectively, as if the new method had always been applied, with a cumulative effect, i.e. €32,013 recorded as an increase in retained earnings at January 1, 2021.

This change of method had no significant impact on the consolidated accounts as of 31 December 2021.

2.10 Revenue from Ordinary Operations

The Company does not yet have revenue from ordinary operations.

2.11 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 2021, the Company received a refund of the research tax credit for 2020 for €1,739,000. The difference between the amount provisioned as at 31 December 2020 and the amount received per Sensorion is related to a rejection by the tax authorities of non-eligible subcontracting expenses. The refund of the 2021 research tax credit, in the amount of €3,045,136 is expected in 2022 pursuant to

the Community SME scheme. The increase in this receivable is due to the increase in R&D expenditures in 2021.

2.12 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. If the useful life is difficult to determine, the lease term is considered to be the useful life of the asset.

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 the initial measurement of the lease liability.

As of December 31, 2021, the net user rights, in the company's assets, amounted to €986,752. The financial debt resulting from IFRS 16, amounts, to the liabilities of the Company, to €1,035,117.

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.

2.13 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.

2.14 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, in the US and in Australia.

2.15 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."

2.16 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 2.1.

Note 3: Intangible Assets

Intangible assets break down as follows:

INTANGIBLE ASSETS
(Amounts in euros)

	12/31/2021	12/31/2020
Patents, licenses, trademarks	1,670,292	1,523,409
Software	79,027	43,162
Total historical cost	**1,749,319**	**1,566,570**
Accumulated amortization of patents, licenses, trademarks	1,121,891	944,652
Accumulated amortization of software	57,773	32,367
Accumulated amortization	**1,179,664**	**977,019**
Net total	**569,655**	**589,552**

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:

	1/1/2021	Increases	Decreases	12/31/2021
Industrial and laboratory equipment	653,676	375,599	-	1,029,275
Building fixtures and fittings	-	39,942	-	39,942
Computer equipment	80,121	54,440	-	134,561
Office furniture	21,890	-	-	21,890
Gross total	**755,686**	**469,981**	**-**	**1,225,667**
Accumulated amortization of industrial and laboratory equipment	519,438	104,860	-	624,298
Accumulated amortization of building fixtures and fittings	-	985	-	985
Accumulated amortization of computer equipment	39,515	24,635	-	64,150
Accumulated amortization of office furniture	21,890	-	-	21,890
Total accumulated amortization	**580,842**	**130,481**	**-**	**711,323**
Net total	**174,844**			**514,344**

	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**

Property, plant and equipment comprise laboratory and technical equipment, as well as computer equipment and furniture. Building improvements consist of expansions of the Company's premises.

Note 5: Leases

The rights of use break down as follows:

USE RIGHTS

(Amounts in euros)

Real estate	12/31/2021	12/31/2020
Leases	1,388,117	877,315
Gross total	**1,388,117**	**877,315**
Amortization	(986,752)	206,427
Total amortization	**(986,752)**	**206,427**
Net total	**986,752**	**670,888**

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

(Amounts in euros)

Opening amount	670,888
Contract reassessment	122,288
New contract	388,514
Amortization	(194,938)
Closing amount	986,752

Debts relating to lease liabilities break down as follows:

As of December 31st, 2021	Non courant	Courant	Total
Real estate lease liabilities	721,207	313,910	1,035,117
Gross total	**721,207**	**313,910**	**1,035,117**

As of December 31st, 2020	Non courant	Courant	Total
Real estate lease liabilities	584,540	99,548	684,088
Gross total	**584,540**	**99,548**	**684,088**

Movements relating to debts relating to lease liabilities are detailed as follows:

(Amounts in euros)

Opening amount	684,088
Debt revaluation	122,288
Lease debt new contract	388,514
Debt repayment	(159,773)
Closing amount	1,035,117

As of December 31, 2021, real estate use rights were measured at a gross amount of €1,388K and a net amount of €987K.

As of December 31, 2021, their residual term was 2 to 5.5 years.

Depreciation allowances on rights of use amounts to €157K in fiscal year 2021, the principal repayments under lease liabilities at €160K, and financial interest amounted to €16K. The associated lease liability paid during the year was cancelled for an amount of €176K.

The Group entered into a new real estate lease during the year. 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 first half.

Note 6: Non-Current Financial Assets

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

Note 7: Other Current Assets

Other current assets break down as follows:

OTHER CURRENT ASSETS

(Amounts in euros)

	12/31/2021	12/31/2020
Advances and down payments	52,640	13,253
State, Research Tax Credit	3,131,039	1,863,221
State, VAT	1,541,629	646,536
Liquidity agreement	73,367	33,244
Prepaid expenses	1,675,251	1,697,156
Other	472,131	1,500
Net total	**6,946,055**	**4,254,909**

The increase in research tax credit and VAT receivables is primarily due to the increase in the Group's R&D activities.

Prepaid expenses consist essentially of CMC (Chemistry, Manufacturing and Controls) related costs.

Other current assets consist mainly of an URSSAF receivable that was repaid in the first quarter of 2022.

CHANGE IN RECEIVABLE FROM RESEARCH TAX CREDIT

(Amounts in euros)

	Montant
Receivable as of 1/1/2020	**4,676,612**
Income	1,851,221
Payment received	(4,671,675)
CIR adjustment 2018	(4,937)
Receivable as of 12/31/2020	**1,851,221**
Other income from State receivables Tax reduction	12,000
Receivable as of 12/31/2020	**1,863,221**
Receivable as of 1/1/2021	**1,863,221**
Income France	3,045,136
Income Australia	84,544
Exchange difference	1,359
CIR adjustment 2020	(124,410)
Payment received	(1,738,811)
Receivable as of 12/31/2021	**3,131,039**

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, 2021, the research tax credit is recognized in "Other revenue" in the year to which the qualifying research expenses relate.

The refund of the 2020 research tax credit, in the amount of €1,738,811, was received in fiscal year 2021 pursuant to the Community SME scheme. The refund of the 2021 research tax credit, in the amount of €3,045,136, will be requested in May 2022, and the refund is expected in the second half of 2022. The Group is also entitled to a research tax credit in Australia, in the amount of €85,903, which is expected to be refunded in the fourth quarter of 2022.

Note 8: Cash and cash equivalents

The cash and cash equivalents item break down as follows:

CASH AND CASH EQUIVALENTS

(Amounts in euros)

	12/31/2021	12/31/2020
Cash	11,973,435	50,159,997
Term deposits	38,027,675	12,014,951
Net total	**50,001,110**	**62,174,948**

Term deposits can all be withdrawn in 2022.

Note 9: Capital

9.1 Capital Issued

As of December 31, 2021, the share capital is €7,993,793.80 (seven million nine hundred ninety-three thousand seven hundred ninety-three euros and eighty cents). It is divided into 79,937,938 fully subscribed shares with a nominal value of €0.10 each. The number of paid-up shares is 79,742,728.

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, 2021

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	0.00 €	-38,109,973.00 €	0	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 19, 2019	Capital increase by conversion of convertible bonds	8,387.20 €	98,969.00 €	83,872	0.10 €
September 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 €**	**21,327,248.67 €**	**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	Imputation of retained earnings on share premium	0.00 €	-10,291,539.34 €	0	0.10 €
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 €**	**62,287,612.03 €**	**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 €
May 10, 2021	Capital increase by exercise of BSPCE	250.00 €	2,950.00 €	2,500	0.10 €
June 30, 2021	Imputation of retained earnings on share premium		-8,595,906.76 €		
December 19, 2021	Capital increase by exercise of stock-options	19,521.00 €	148,359.60 €	195210	
	Balance as of December 31, 2021	**7,993,793.80 €**	**50,577,247.21 €**	**79,937,938**	0.10 €

The issue premium is understood to mean, excluding the share subscription warrants account for €34,100.

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 instruments issued	Number of instruments exercised	Number of instruments lapsed	Number of outstanding instruments	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	15,000	-	-	15,000	15,000
BSA 2018	7/30/2019	30,000	-	-	30,000	30,000
BSA 2020	2/2/2021	2,000	-	-	2,000	2,000
Total as of 12/31/2021		**56,750**	**-**	**-**	**56,750**	**65,750**

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

BSA warrants issued on February 02, 2021

Each BSA warrant entitles its holder to subscribe for one ordinary share at a subscription price of €1.73 per share.

The warrants may be exercised until February 1, 2028. The following conditions for exercising the warrants apply:

- 33.33% on February 1, 2022
- 33.33% on February 1, 2023
- 33.33% on February 1, 2024

BSPCE warrants:

Type	Date	Price per share	Number of instruments issued	Number of instruments exercised	Number of instruments lapsed	Number of outstanding instruments	Number of potential shares
BSPCE 2011	1/17/2012	2.40 €	2,500	-	-	2,500	25,000
BSPCE 2012	3/5/2012	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 €	300	-	200	100	1,000
BSPCE 2014-M	11/20/2014	2.40 €	13,600	-	-	13,600	136,000
BSPCE 2014-3	7/7/2015	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	2/2/2016	6.31 €	60,000	-	-	60,000	60,000
BSPCE 2014-3	2/2/2016	6.31 €	25,000	-	-	25,000	25,000
BSPCE 2014-3	3/15/2016	6.31 €	7,500	-	3,000	4,500	4,500
BSPCE 2016	5/19/2017	4.31 €	71,500	-	3,000	68,500	68,500
BSPCE 2017	5/30/2017	4.31 €	195,000	-	-	195,000	195,000
BSPCE 2017	5/30/2017	2.50 €	25,500	-	4,500	21,000	21,000
BSPCE 2018	4/29/2019	1.20 €	416,000	-	11,000	405,000	405,000
BSPCE 2019	9/6/2019	1.28 €	336,735	2,500	27,625	306,610	306,610
Total as of 12/31/2021			**1,358,348**	**2,500**	**49,325**	**1,306,523**	**1,653,734**

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.

SOs:

Type	Date	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	195,210	390,420	-
SO 2020	7/30/2020	0.90 €	165,000	-	10,000	155,000
SO 2020	8/22/2020	1.20 €	100,000	-	-	100,000
SO 2020	2/2/2021	1.73 €	47,370	-	5,500	41,870
SO 2021	7/2/2021	1.96 €	200,000	-	-	200,000
SO 2021	8/11/2021	1.81 €	1,814,855	-	-	1,814,855
SO 2021	12/19/2021	1.73 €	900,000	-	-	900,000
Total as of 12/31/2021			**3,912,855**	**195,210**	**405,920**	**3,311,725**

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 03, 2020, the Company's Board of Directors awarded 585,630 stock options to 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

Following the departure of the sole beneficiary, 195,210 options were exercised. The remaining 390,420 options lapsed and were cancelled during the year.

On July 30, 2020, the Company's Board of Directors awarded 165,000 stock options to 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 to 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

On February 02, 2021, the Company's Board of Directors awarded 47,370 stock options. These options entitle their holder the right to subscribe to one ordinary share at a subscription price of €1.73 per share.

These options may be exercised until February 1, 2028. The following conditions for exercising the warrants apply:

- 33.33% from February 01, 2022
- 33.33% from February 01, 2023
- 33.33% from February 01, 2024

On July 02, 2021, the Company's Board of Directors awarded 200,000 stock options. These options entitle their holder the right to subscribe to one ordinary share at a subscription price of €1.96 per share.

These options may be exercised until July 1, 2028. The following conditions for exercising the warrants apply:

- 33.33% from July 02, 2022
- 33.33% from July 02, 2023
- 33.33% from July 02, 2024

On August 11, 2021, the Company's Board of Directors awarded 1,814,855 stock options. These options entitle their holder the right to subscribe to one ordinary share at a subscription price of €1.81 per share.

These options may be exercised until August 10, 2028. The following conditions for exercising the warrants apply:

- 33.33% from August 11, 2022
- 33.33% from August 11, 2023
- 33.33% from August 11, 2024

On December 19, 2021, the Company's Board of Directors awarded 900,000 stock options. These options entitle their holder the right to subscribe to one ordinary share at a subscription price of €1.73 per share.

These options may be exercised until December 19, 2028. The following conditions for exercising the warrants apply:

- 33.33% from December 19, 2022
- 33.33% from December 19, 2023
- 33.33% from December 19, 2024

The impact of share-based payments on the net result is presented in Note 16.

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, 2021, 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):

Amounts in euros	BPI France	PATRIOT
Balance sheet liability 12/31/2020	449,607	422,358
Receipts	0	-
Repayments	170,000	-
Financial expenses	58,645	33,789
Balance sheet liability 12/31/2021	338,252	456,147
Prepaid revenue at the end of the period	36,449	255,879

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.

As of December 31, 2021, Sensorion had repaid at total of €470,000 on these refundable advances.

The nominal value of the balance of this innovation aid must be repaid as follows:

Repayment amounts	Repayment due dates
50,000 €	3/31/2022
50,000 €	6/30/2022
50,000 €	9/30/2022
60,000 €	12/31/2022
60,000 €	3/31/2023
60,000 €	6/30/2023
60,000 €	9/30/2023

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, 2022,
- Key step number two: €898,000 from July 1, 2023,
- Key step number three: €762,000 from July 1, 2024,
- Key step number four: €430,000 from July 1, 2025,
- Balance subsidy: €726,748 from July 1, 2026.

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. Thel 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.
In fiscal year 2021, the Company repaid four additional installments totaling €180,000.

As of December 31, 2021, the balance of this loan represents €617,500.

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: €50,000, repaid during the year
- December 31, 2022: €200,000
- December 31, 2023: €200,000
- December 31, 2024: €200,000
- December 31, 2025: €200,000
- December 31, 2025: €150,000

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 obtained a GGL from Société Générale for an amount of €1,500,000. This loan is repayable in 48 installments starting on October 24, 2022. The annual interest rate is 0.58%.

On October 8, 2020, the Company obtained a GGL from CIC for an amount of €500,000.
This loan is repayable in 48 installments starting on November 5, 2022. The annual interest rate is 0.70%.

10.5 Bonds convertible into shares (OCAs)

OCA 2019: OC 0321

On March 11, 2019, the Company carried out a bond issue (OC 0321) for a nominal amount of €4.7 million, consisting of (i) a convertible bond issue for a nominal amount of €3.4 million, which was subscribed by several new European investors, and (ii) an ordinary bond issue for a nominal amount of €1.3 million, which was subscribed by the same European investors for an amount of €1 million, as well as by the Company's management. In total, 3,440,862 convertible funds and 1,290,325 ordinary bonds were issued and subscribed. No application for admission to trading on Euronext Growth was submitted for these bonds. During the first half of 2021, the remaining OC0321 convertible bonds outstanding as of December 31, 2020 were redeemed without interest.

10.6 Maturity of Financial Liabilities

FINANCIAL LIABILITIES

(Amount in euros)

As of December 31, 2021	Gross amount	Less than one year	From one to five years	More than 5 years
Non-current conditional advances	1,011,899	-	555,752	456,147
Non-current rental liabilities	721,207	-	654,886	66,321
Long term debts	2,635,694	-	2,635,694	-
Provisions non courantes	135,892	-	-	135,892
Current conditional advances	400,000	400,000	-	-
Short term debts	314,892	314,892	-	-
Current rental liabilities	313,910	313,910	-	-
Trade payables and related accounts	4,962,869	4,962,869	-	-
Other current liabilities	4,537,884	4,537,884	-	-
Total financial liabilities	**15,034,247**	**10,529,556**	**3,846,331**	**658,360**

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**

Note 11: Non-Current Provisions

Non-current provisions break down as follows:

NON-CURRENT PROVISIONS

(Amounts in euros)

	12/31/2021	12/31/2020
Pension liabilities	135,892	144,946
Net total	**135,892**	**144,946**

Retirement allowances obligation

	Amounts (€)
As of January 1, 2020	(115,154)
Cost of services rendered (operating expense)	(31,594)
Cost of services rendered (operating expense)	(887)
Allowances paid	-
Actuarial gains/losses	2,689
As of December 31, 2020	**(144,946)**
Cost of services rendered (operating expense)	(66,351)
Cost of services rendered (operating expense)	(384)
Change of method IFRIC	32,013
Allowances paid	-
Actuarial gains/losses	43,776
As of December 31, 2021	**(135,892)**

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

	12/31/2021	12/31/2020
Social charges rate	45%	45%
Salary increase	2%	2%
Discount rate	0.98%	0.34%

- Retirement age: 67 years old (executives) 62 years old (non-executives)
- Departure terms: voluntary departure
- Mortality table: TGH-TGF 05
- Collective bargaining agreement: Collective bargaining 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)

	12/31/2021	12/31/2020
Trade payables and related accounts	4,962,869	2,198,485
Net total	**4,962,869**	**2,198,485**

12.2 Other current liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES

(Amounts in euros)

	12/31/2021	12/31/2020
Social security liabilities	1,307,777	1,118,546
Tax liabilities	200,197	57,729
Other debts	82,583	10,357
Prepaid income	2,947,327	430,055
Net total	**4,537,884**	**1,616,688**

Prepaid income includes advances received in connection with a collaboration agreement with Sonova, the award of a grant in advance, and revenue generated by discounting repayable 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, 202&	Balance sheet value	Term deposits	Fair valur through profit and loss	Loans and receivables	debt at amortized cost
FINANCIAL ASSET					
Non-current financial assets	72,134			72,134	
Other current assets	6,946,055			6,946,055	
Cash and cash equivalent	50,001,110	38,027,675	11,973,435		
Total financial assets	**57,019,298**	**38,027,675**	**11,973,435**	**7,018,189**	-
FINANCIAL LIABILITIES					
Non-current conditional advances	1,011,899				1,011,899
Long term debts	3,356,900				3,356,900
Non-current provisions	135,892				135,892
Current conditional advances	400,000				400,000
Short term debts	628,803				628,803
Trade payables and related accounts	4,962,869				4,962,869
Other current liabilities	4,537,884				4,537,884
Total financial liabilities	**15,034,247**	-	-	-	**15,034,247**

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**

Note 14: Operating revenue

Operating revenue breaks down as follows:

OTHER REVENUE

(Amounts in euros)

	12/31/2021	12/31/2020
Research tax credit	3,005,270	1,846,284
Grants	1,013,449	505,801
Collaboration contract	245,000	-
Reimbursable advances	84,929	69,182
Total net	**4,348,647**	**2,421,267**

Note 15: Operating expenses

Research and development costs break down as follows:

R&D COSTS

(Amounts in euros)

	12/31/2021	12/31/2020
Payroll expense	3,528,277	2,022,320
Preclinical and clinical studies	8,132,266	4,089,209
Patent royalties	49,812	31,721
Fees	1,361,100	782,442
Real estate leases and tenancy charges	89,955	177,724
Research supplies	791,395	172,610
Conventions, Travel costs	100,382	41,487
Provision allowances and depreciation/amortization	458,051	288,104
Other	112,413	73,748
Total net	**14,623,652**	**7,679,365**

A breakdown of overhead expenses by type is shown below:

OVERHEAD EXPENSES

(Amounts in euros)

	12/31/2021	12/31/2020
Payroll expense	2,247,491	1,776,264
Fees	1,659,888	1,109,299
Entertainment and travel expenses	101,655	330,257
Public relation/web	184,291	-
Bank fees	22,986	20,377
Directors' fees	88,500	119,000
Provision allowances and depreciation/amortization	55,455	23,839
Postage and telecommunication costs/data room	63,324	74,370
Real estate leases and tenancy charges	111,747	117,519
Insurance	26,855	19,412
Administrative supplies, minor equipment	15,811	5,662
Other	171,589	35,123
Net total	**4,749,593**	**3,631,123**

Payroll expense

The Company employed 39 persons on December 31, 2021, compared with 28 persons on December 31, 2020.

Payroll expense breaks down as follows:

PAYROLL EXPENSE

(Amounts in euros)

	12/31/2021	12/31/2020
Salaries and wages	3,462,523	2,364,834
Social contributions	1,685,787	1,043,194
Contributions on pension liabilities	66,351	31,594
Share-based payments	561,108	358,963
Net total	**5,775,769**	**3,798,585**

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, 2021			December 31, 2020		
In euros	R&D	G&A	Total	R&D	G&A	Total
BSA	**0**	**(726)**	**(726)**	**0**	**(9,682)**	**(9,682)**
4/26/2016	0	0	**0**	0	0	**0**
5/19/2017	0	0	**0**	0	(3,677)	**(3,677)**
5/30/2017	0	0	**0**	0	0	**0**
7/30/2019	0	0	**0**	0	(6,005)	**(6,005)**
2/2/2021	0	(726)	**(726)**			
BSPCE	**(787)**	**(52,338)**	**(53,125)**	**(9,321)**	**(167,485)**	**(176,806)**
3/15/2016			**0**	0	0	**0**
5/19/2017			**0**	4,380	(10,510)	**(6,130)**
5/30/2017			**0**	0	(10,340)	**(10,340)**
5/30/2018	(810)	(46)	**(856)**	(2,653)	(125)	**(2,778)**
4/29/2019			**0**	(7,496)	(70,571)	**(78,067)**
9/6/2019	23	(52,292)	**(52,269)**	(3,552)	(75,940)	**(79,491)**
SO	**(146,958)**	**(360,299)**	**(507,257)**	**(26,627)**	**(145,848)**	**(172,475)**
5/20/2020	0	0	**0**	0	(42,000)	**(42,000)**
7/3/2020	0	(9,571)	**(9,571)**	0	(80,501)	**(80,501)**
7/30/2020	(43,069)	1,718	**(41,351)**	(26,627)	(1,718)	**(28,345)**
8/22/2020	0	(48,735)	**(48,735)**	0	(21,629)	**(21,629)**
2/2/2021	(14,067)	(5,391)	**(19,458)**			
7/2/2021	(50,541)	0	**(50,541)**			
8/11/2021	(39,282)	(284,769)	**(324,051)**			
12/19/2021	0	(13,550)	**(13,550)**			
Total	**(147,745)**	**(413,363)**	**(561,108)**	**(35,948)**	**(323,015)**	**(358,963)**

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: -0.60% to -0.40%
- Dividends: none
- Volatility: 56.50%, 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)

	12/31/2021	12/31/2020
Financial income	53,552	43,428
Financial expenses	(165,744)	(132,296)
Net total	**(112,192)**	**(88,869)**

Note 18: Corporate taxes

Under the laws in force, the Company has tax losses that can be carried forward indefinitely in France for a total amount of €86,069K as of December 31, 2021 (€69,066K as of December 31, 2020).

The tax rate applicable to the company is the rate in force in France, i.e., 26.50%. The tax rate will be lowered 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, 2021.

Commitments received

The company received a 90% state guarantee on two guaranteed loans of 1,800,000 euros.

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)

	12/31/2021	12/31/2020
Wages and treatments	570,540	677,316
Attendance fees	88,500	119,000
Share-based payments	511,811	306,716
Net total	**1,170,851**	**1,103,033**

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 79,691,358 as of December 31, 2021 and 60,760,952 as of December 31, 2020.

EARNINGS PER SHARE

	12/31/2021	12/31/2020
Loss of the year (in euros)	(15,136,789)	(8,978,089)
Weighted average number of shares outstanding	79,691,358	60,760,952
Net loss per share (in euros)	**(0.19)**	**(0.15)**

These instruments conferring deferred equity rights are considered anti-dilutive because they lead to an increase in earnings 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: Auditors' fees

The amount of auditors' fees reported in the income statement for the statutory audit of the financial statements totals €39,404.

Note 23: Financial risk management

The Group's principal financial instruments consist of financial assets, cash and cash equivalents, and investment instruments. These instruments are managed so as to enable the Group to finance its

activities. The Group's policy is to not invest in financial instruments for speculative purposes. The Group does not use derivative financial instruments.
The main risks to which the Group is exposed are interest rate risk and credit risk.

Liquidity risk

The Group may need to strengthen its equity base or seek additional financing in order to ensure its development.

Since its creation, the Group has financed its growth by strengthening its equity base through successive capital increases and obtaining research tax credit refunds, but it has never taken out bank loans. Consequently, the Group is not exposed to liquidity risk due to the possible application of acceleration clauses in bank loans.

Substantial research and development expenses have been incurred since the Group's operations began, which have to date generated negative operating cash flows.

In the future, the Group will continue to experience significant financing requirements in order to develop its technology, pursue its clinical development program, and produce and market its products. The Group may be unable to self-finance its growth, which would require it to seek other sources of financing, such as carrying out additional capital increases.

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

- higher costs and slower progress than anticipated for its research and development programs and clinical studies;

- the costs of preparing, filing, defending and maintaining its patents and other intellectual property rights;

- higher costs and longer time frames than anticipated to obtain regulatory market authorizations and eligibility for social security reimbursement for its products, including the time required to prepare applications to be submitted to the competent authorities;

- new opportunities for developing new products or acquiring technologies, products or companies.

The Group may be unable to procure additional capital when needed or such capital may not be available on financial terms acceptable to the Group. If the necessary funds are not available, the Group may have to:

- delay, reduce or eliminate the number or scope of its preclinical and clinical trial programs;

- license its technologies to partners or third parties; or

- enter into new collaboration agreements on terms less favourable to it than those it might have been able to negotiate in a different context.

Furthermore, if the Group raises capital by issuing new shares, the stakes of its shareholders may be diluted. In addition, debt financing, if available, could impose restrictive terms on the Group and its shareholders.

The occurrence of one or more of these risks could have a material adverse impact on the Group's business activity, financial position, results, development, and prospects.

This risk is particularly sensitive to health and geopolitical risks, including financial market volatility. A worsening of the health crisis situation as well as a continuation or increase of economic sanctions against Russia in the context of the Russian-Ukrainian conflict, or a wider extension of the conflict involving other countries, could significantly amplify this risk, reducing, delaying, or making it more difficult or costly for the Company to obtain financing in the markets.

Interest rate risk

The Group's exposure to interest rate risk concerns primarily investment instruments, which consist of term deposits. Changes in interest rates directly impact the rate of return on these investments and the cash flows they generate.

The Group has no variable rate debt. Therefore, its debt repayments are not subject to interest rate risk.

To date, the Group has not taken out any loans with bank institutions (except PGE and BPI advances) and is therefore only marginally exposed to interest rate risk.

Credit risk

Credit risk associated with cash, cash equivalents and current financial instruments is not material given the quality of the financial institutions with which the Group contracts.

Note 24: Subsequent events

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

On January 4th, 2022, Sensorion appointed Dr. Aniz Girach as Independent Board Member. He brings over 22 years' experience in the industry. He is currently serving as Chief Medical Officer at ProQR Therapeutics NV, where he is leading the development of genetic therapies for inherited retinal diseases.

On January 17th, 2022, Sensorion provided an update on SENS-401 and released the topline data of the Phase 2 trial in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 was safe and well tolerated in 115-patient study, however, the primary endpoint was not met.

Sensorion presented a poster OTOF gene therapy highlighting long-term durable efficacy in preclinical mice and non-human primate data and Sensorion's inner hair cell specific delivery at the Association for Research in Otolaryngology (ARO) 45th MidWinter Meeting. On this occasion Laurent Désiré, Sensorion's Preclinical Development Director participated in a workshop on "Translational Delivery Approaches for inner ear therapies" and gave a talk entitled "Local deliveries of inner ear gene therapies." Sensorion also presented three posters on SENS-401 in Cisplatin Ototoxicity Models at ARO.

On March 17 2022, Sensorion presented a supplementary analysis of the Phase 2 AUDIBLE-S study data showing positive findings for certain trial population sub-groups within SSNHL. SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (≥ 10 decibels improvement vs placebo) in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of study population). In order to balance clinical development priorities with efficient capital allocation, Sensorion is assessing the next steps for SENS-401 in SSNHL and Cisplatin-Induced Ototoxicity (CIO) and will update the market in due course.
Sensorion will continue its joint development program with Cochlear Ltd for hearing preservation in patients following cochlear implantation.

On 28 April 2022, for the release of its 2021 annual results, Sensorion confirmed the progress of the SENS- 401 development program in collaboration with Cochlear Ltd, for the preservation of hearing in cochlear implant patients, with recruitment of the first patient expected in mid-2022. In addition, based on an in-depth analysis of the secondary endpoints of the AUDIBLES-S SENS-401 study, the proof-of-concept (PoC) clinical study for the CIO indication will be continued. Finally, a rigorous approach to capital allocation leads Sensorion to explore partnership opportunities to further develop SENS-401 in the SSNHL.

The company's next catalyst points are:

- H1 2022 – CTA approval for SENS-401 study to preserve residual hearing post cochlear implantation
- Mid-2022 – First patient enrolled for SENS-401 study to preserve residual hearing post cochlear implementation
- Mid-2022 – GJB2-GT Candidate selection
- Mid-2022 – Delivery of toxicological batches in OTOF-GT
- H2 2022 – SENS-401 CIO (Cisplatin-Induced Ototoxicity) CTA study amendment submission
- H1 2023 – Submission of the Clinical Trial Application for the OTOF-GT program (CTA/IND)

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. Recruitment re-started progressively in 2021 following the reduction in social restrictions. As mentioned in our press release of January 5, 2021, we took further mitigation steps including by getting the approvals for a protocol amendment which reduced the number of patients required for the study to 115. For patients already in the SENS-401 Phase 2 study, the Company was able to mitigate this risk through the use of teleconferences and videoconferences.

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 two ongoing programs. 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 2021. The health and safety of the Company's employees is and continues to be a key priority for Sensorion.

3. Annual accounts as of December 31, 2021 in accordance with the French accounting framework and report of the statutory auditor

ERNST & YOUNG Audit
Immeuble Le Blasco
966, avenue Raymond Dugrand
CS 66014
34060 Montpellier

Tél. : +33 (0) 4 67 13 31 00
www.ey.com/fr

Sensorion

Year ended December 31, 2021

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, 2021.

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, 2021 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 the independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)* for the period from January 1, 2021 to the date of our report.

Emphasis of Matters

We draw your attention to the following matter described in the Note to the financial statements entitled « *Changements de méthodes comptable : Nouvelle méthode d'évaluation des indemnités de fin de carrière* » relating to the change in accounting method relating to the end-of-career liabilities in connection with the modification of ANC recommendation 2013-02, and its impact on the Company's financial statements. Our opinion is not modified in respect of this matters.

S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Société de Commissaires aux Comptes
Société d'expertise comptable inscrite au Tableau
de l'ordre de la Région de Montpellier

Siège social : 1-2, place des Saisons - 92400 Courbevoie - Paris-La Défense 1

Justification of Assessments

Due to the global crisis related to the COVID-19 pandemic, the financial statements for this period have been prepared and audited under special circumstances. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organization and on the performance of audits.

It is in this complex, 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, 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 purchase of investments and controlling interests and the identity of the shareholders and holders of 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 made 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, April 27, 2022

The Statutory Auditor
French original signed by
ERNST & YOUNG Audit

Marie-Thérèse Mercier

Balance sheets and P&L

ASSETS	Values 31/12/21			Net amount 31/12/20
	Brut	Amort.	Net amount	
Uncalled subscribed capital				
FIXED ASSETS				
Intangible assets				
Preliminary expenses				
Research and development costs				
Concessions-patents & similar assets	1 749 319	1 179 664	569 655	582 352
Goodwill (1)				
Other intangible assets				
Intangible fixed assets in progress				
Payments on account in advance				7 200
Tangible fixed assets				
Land				
Buildings	39 942	985	38 957	
Indus.fit. machines equipmt, tooling	1 029 275	624 298	404 977	134 238
Other tangible fixed assets	156 450	86 040	70 410	40 606
Tangible fixed assets in progress				
Payments on account in advance				
Long term loans & trade investments (2)				
Investment in related companies or subsidiaries	87		87	
Loans to group and related companies				
Investment in securities				
Other investment				
Loans				
Other financial assets	252 577	4 880	247 696	142 483
TOTAL (I)	**3 227 650**	**1 895 867**	**1 331 783**	**906 878**
CURRENT ASSETS				
Inventories				
Raw materials and supplies				
Work in progress (goods and services)				
Finished goods and by - products				
Merchandise				
Payments on account in advance	51 140		51 140	
Receivables (3)				
Trade accounts receivable (3)				
Other (3)	5 336 801		5 336 801	2 524 510
Shares of the company				
Other securities				
Available funds				
AVAILABILITY				
Charges recorded in advance (3)				
CURRENT ASSETS	49 946 394		49 946 394	62 174 948
Inventories	1 586 966		1 586 966	1 697 156
TOTAL (II)	**56 921 301**		**56 921 301**	**66 396 614**
Expenses to spread/several years (III)				1 018
Premiums on redemption (IV)				
Exchange rate differences - Assets (V)				
GENERAL (I + II + III + IV + V)	**60 148 951**	**1 895 867**	**58 253 084**	**67 304 511**

(1) Including leasehold premium
(2) Including amounts due within 1 year
(3) Including amounts due over a year

LIABILITIES	Net amount 31/12/21	Net amount 31/12/20
SHAREHOLDERS' FUNDS		
Share capital	7 993 794	7 974 023
paid amount : 7 974 273		
Share premium account (issue-merger...)	50 611 693	59 055 944
Revaluation variance		
Equity method evaluation difference		
Reserves		
Required by law		
Stautory or contractual reserves		
Restricted reserves		
Other reserves		
P&L carried forward	32 013	
Result for the financ. period. Profit or Loss	-14 126 019	-8 595 907
NET EQUITY	**44 511 481**	**58 434 061**
Investment grants		
Special provisions for tax purposes		
TOTAL (I)	**44 511 480**	**58 434 060**
OTHER EQUITY		
Product od issues of equity securities		
Special advances		
TOTAL (I) *Bis*		
PROVISIONS		
Provision for contingencies		
Provision for probable liabilities	135 892	144 946
TOTAL (II)	**135 893**	**144 946**
LIABILITIES (1)		
Convertible debenture loans		192 644
Other debenture loans		
Borrowings / credit institution (2)	2 953 292	3 003 444
Other borrowings (3)	1 731 587	2 091 500
Advances and deposit received on orders in hand		
Trade accounts payable	4 624 335	2 198 485
Taxes and social debts	1 446 883	1 176 275
Fixed assets and related liabilities	122 257	
Other liabilities	72 357	10 357
Financial instruments		
Income recorded in advance	2 655 000	52 799
TOTAL (III)	**13 605 712**	**8 725 505**
Exchange rate diff. Liabilities (IV)		
TOTAL GENERAL (I+II+III+IV)	**58 253 084**	**67 304 511**
(1) Amounts due over a year	*3 967 868*	*4 731 500*
(1) Amounts due within 1 year	*9 637 844*	*3 994 005*
(2) Including common bank facilities and credit bank balances	*2 706*	
(3) Including participating borrowing		

	01/01/21 to 31/12/21	01/01/20 to 31/12/20	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	1 013 449	505 801	507 648	100,37
Write-back of provisions and transferred charges	20 462	128 270	-107 808	-84,05
Other income	246 685	10 866	235 819	
TOTAL OPERATING INCOME (I)	**1 280 596**	**644 938**	**635 658**	**98,56**
Operating expenses (2)				
Purchase of goods				
Variation in stocks of purchased goods				
Purchases of raw materials and other supplies	687 995	138 341	549 655	397,32
Variation in inventory of raw materials and supplies				
Other purchases and expenses	12 258 942	7 025 664	5 233 278	74,49
Taxes	65 766	54 187	11 579	21,37
Wages and salaries	3 255 568	2 364 834	890 734	37,67
Social security charges	1 626 966	1 000 593	626 373	62,60
Depreciation and provisions				
On fixed assets : depreciation	334 144	319 005	15 139	4,75
On fixed assets : provisions				
On current assets : provisions				
For possible and probable liabilities : provisions	22 959	29 792	-6 833	-22,93
Other expenses	145 403	165 185	-19 782	-11,98
TOTAL OPERATING EXPENSES (II)	**18 397 744**	**11 097 600**	**7 300 143**	**65,78**
OPERATING RESULT (I - II)	**-17 117 148**	**-10 452 663**	**-6 664 485**	**-63,76**
Share of joint venture operations :				
Profit or loss transferred **(III)**				
Loss or profit transferred **(IV)**				

(1) Including income rel.to prior acc.periods
(2) Including expenses rel.to prior acc.periods

	01/01/21 to 31/12/21	01/01/20 to 31/12/20	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)	47 935	19 046	28 890	151,69
Write-back of provisions and charges transferred		24 382	-24 382	-100,00
Profit on exchange				
Net profit on disposals of financial current investments				
TOTAL FINANCIAL INCOME (V)	**47 935**	**43 428**	**4 508**	**10,38**
FINANCIAL EXPENSES				
Increase of provisions against financial assets	4 880		4 880	
Interests payable and similar charges (4)	51 110	1 875	49 235	
Loss on exchange	16		16	
Net losses on disposals of trade investments				
TOTAL FINANCIAL EXPENSES (VI)	**56 007**	**1 875**	**54 132**	
NET FINANCIAL RESULT (V - VI)	**-8 072**	**41 553**	**-49 624**	**-119,43**
RESULT OF ORD.OPERS before tax/profit (I-II+III-IV+V-VI)	**-17 125 219**	**-10 411 110**	**-6 714 109**	**-64,49**
EXTRAORDIANARY INCOME				
On operating items				
On capital items	96 485	36 124	60 361	167,09
Write-back of provisions and charges transferred	20 987		20 987	
TOTAL EXTRAORDINARY INCOME (VII)	**117 472**	**36 124**	**81 348**	**225,19**
EXTRAORDINARY EXPENSES				
On operating items	20 987	25 045	-4 058	-16,20
On capital items	18 011	30 321	-12 310	-40,60
Provisions		23 839	-23 839	-100,00
TOTAL EXTRAORDINARY EXPENSES (VIII)	**38 998**	**79 205**	**-40 207**	**-50,76**
RESULT OF EXTRAORDINARY ITEMS	**78 474**	**-43 081**	**121 555**	**282,16**
Employees' profit share (IX)				
Corporation tax on profit (X)	-2 920 726	-1 858 284	-1 062 442	-57,17
TOTAL INCOME (I+III+V+VII)	**1 446 003**	**724 489**	**721 513**	**99,59**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	**15 572 022**	**9 320 396**	**6 251 626**	**67,07**
PROFIT OR LOSS	**-14 126 019**	**-8 595 907**	**-5 530 113**	**-64,33**

(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, 2021**.

The notes below are an integral part of the balance sheet and of the income statement. The balance sheet total is €58,253,084 and the income statement reports a loss of €14,126,019.

1. SIGNIFICANT EVENTS DURING THE FISCAL YEAR

1.1. Update on R&D projects:

Gene therapy programs

- **OTOF-GT**

Sensorion received scientific advice from regulatory agencies on the preclinical and clinical development plans for OTOF-GT, the Company's dual vector AAV gene therapy program for the treatment of children born with hearing loss caused by otoferlin deficiency.

The European Medicines Agency's advisors welcomed the ongoing Natural History Study, Audioferline (NCT04202185), a component of the AUDINNOVE project coordinated by researchers at Hôpital Necker-Enfants malades (Necker Hospital) in partnership with Sensorion. Sensorion is expanding the study across Europe to document the natural course of disease progression in otoferlin deficiency patients, define clinically meaningful endpoints suitable for market approval, and identify the patient populations that would benefit the most from Sensorion's OTOF-GT treatment. The Natural History Study will enable Sensorion to select the most relevant and clinically meaningful endpoints and clinical trial design as OTOF-GT progresses into the clinic.

At the Association for Research in Otolaryngology (ARO) 45th MidWinter Meeting in February 2022, Sensorion presented a poster on OTOF gene therapy. The data indicated potential for safe and efficient clinical translation of gene therapy for Otoferlin delivered by a dual AAV vector. The chosen capsid of AAV-OTOF in both mouse and non-human primate (NHP) models targets Inner Hair Cells (IHCs) and not Outer Hair Cells. Otof *de novo* expression in IHCs in a DFNB9 mouse model (OTOF-KO) demonstrates long-term expression of Otoferlin and hearing restoration up to one year post injection. In NHPs, the surgical procedure similar to cochlear implantation has been optimized to achieve an effective transduction rate of the targeted IHCs at levels compatible with therapeutic intervention in humans.

Sensorion goal is to start producing toxicological batches for OTOF-GT at intended clinical-scale volumes by mid-2022. The company is on track to file a Clinical Trial Application (CTA) for its OTOF-GT program in H1 2023.

- **GJB2-GT**

On February 15, 2021, Sensorion announced its largest gene therapy program to date, a collaboration with Institut Pasteur, targeting the GJB2 gene in pediatric and adult deafness. Research by Institut Pasteur demonstrated that anomalies in GJB2 are both the most common cause of congenital deafness as well as a wide contributor of severe age-related hearing loss in adults. Although the types of GJB2 mutation in children and adults may differ, gene therapy could potentially provide solutions for both.

Sensorion's GJB2 gene therapy programs have the potential to address three pathologies related to GJB2 mutations: early onset of presbycusis in adults, progressive forms of hearing loss in children, and pediatric congenital deafness. Sensorion plans to select a candidate by mid-2022.

- **SONOVA**

In September 2021, Sensorion announced the signing of an important multi-year collaboration with Sonova, a leading international player in the hearing solutions market. The collaboration aims to create new diagnostic and therapeutic solutions for hearing loss and expands a commitment made between the two companies in December 2020, when Sonova acquired a 3.7% stake in Sensorion.

Part of the collaboration is a jointly funded study of natural history in age-related progressive hearing loss (presbycusis) in adults. It will involve the collection of disease information and samples via selected Sonova Audiological Care stores. The collaboration could lead to the introduction of genetic analysis to the routine diagnosis of progressive hearing loss in adults and subsequently open the way for improved care through a combination of advanced therapeutic interventions and traditional hearing solutions including hearing aids. Sonova and Sensorion will jointly fund the study with €7.0 million, split 70/30%, respectively, between the two companies.

- **USHER-T1-GT**

During 2021, Sensorion completed the preclinical proof-of-concept study for its gene therapy approach in Usher's syndrome type 1G (USHER-GT). This study was designed to test whether a gene therapy approach would be effective in older mice, thereby opening the possibility of extended treatment windows for clinical studies.

The results of the completed study show that there is a full restoration of the vestibular function, but that audition cannot be restored at a satisfactory level. In line with a focused approach to capital allocation, Sensorion has decided to terminate this program. The Master Research Agreement provides us the possibility to explore other opportunities with Institut Pasteur.

SENS-401

- **SENS-401 Cochlear**

At the beginning of 2021, Sensorion released positive preclinical data demonstrating that the combination of its SENS-401 molecule and a cochlear implantation helped reduce loss of residual hearing at a frequency located beyond the electrode array. Preservation of 'natural' hearing is particularly important in speech recognition.

Following this initial success, Sensorion and its partner Cochlear Limited (Cochlear) announced the initiation of a POC (Proof of Concept) clinical trial of SENS-401 (Arazasetron) in patients scheduled for cochlear implantation. The two companies are progressing with a trial of SENS-401 for hearing preservation in targeted patients. Sensorion already submitted the proposed trial design to regulatory authorities in Australia and France. The approval is anticipated in H1 2022 and the first patient enrolment is expected by mid-2022.

- **SENS-401 SSNHL**

On January 17, 2022, Sensorion provided an update on SENS-401 and released the topline data of the Phase 2 AUDIBLE-S study in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 was safe and well tolerated in the 115-patient study, however, the primary endpoint was not met.

In March 2022, a supplementary analysis of the Phase 2 AUDIBLE-S study data showed positive findings for certain trial population sub-groups within SSNHL. SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (PTA) with a 10 decibels improvement vs placebo in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of the Intent to Treat population).

In particular, it was observed that patients entering the study with profound hearing loss emerged post-treatment with mild hearing loss, meaning that they did not have difficulty hearing what is being said in quiet environments. SENS-401 induces a significative PTA change of at least 19 dB at day 28 and up to 25 dB at Day 84 allowing a reduction of the hearing loss degree from profound to mild hearing loss. A better response was observed in both treatment groups with a continuous improvement compared to control group.

However, in line with a disciplined approach to capital allocation, Sensorion has decided to explore partnership opportunities with this program and to prioritize the development of the CIO Proof-of-Concept clinical study.

- **SENS-401 Cisplatin Induced Ototoxicity (CIO)**

In a preclinical model of cisplatin-induced ototoxicity (CIO) (Petremann et al., 2017), SENS-401 demonstrated an ability to significantly reduce hearing loss. Following a supplementary analysis of the AUDIBLE-S study, Sensorion has decided to continue the POC clinical study in CIO indication as it represents a significant unmet need for patients and a very attractive market for treatment with over 500,000 patients in 2025 in G7 countries.

We filed for approval of the NOTOXIS clinical trial (CTA) at the end of 2021 and received approval earlier this year. The scientific and clinical teams have reviewed the clinical design of NOTOXIS following the AUDIBLE-S study of SENS-401. An amendment will be filed to strengthen this design based on the results obtained. Approval of this amendment is expected by H2 2022.

Expansion of technology platform

Sensorion has built a unique R&D technology platform over the years to deepen our 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.

To further strengthen its technology base, Sensorion is expanding its CMC gene therapy platform by building state of the art process development labs. Alongside Sensorion reinforced its CMC team by onboarding highly skilled Upstream (USP) and Downstream (DSP) Processing experts. Small scale bioreactors have been operating since the end of 2021 and Sensorion looks forward to the next expansion of capabilities.

1.2. Capital transactions (see note 3.3)

1. During **March 2021**, the exercise of 2,500 BSPCEs resulted in a capital increase of €3,200 (€250 nominal value and €2,950 issue premium) by creating and issuing 2,500 new shares.

2. In **December 2021**, an Option holder converted 195,210 2020 Options 2020 at a unit price of €0.86, which generated added capital of €167,881, including a €19,521 increase in the share capital. The share capital was called but had not been paid in by the end of the 2021 fiscal year. Funds from the exercise of these Options 2020 have been paid to the Company on 7th February 2022. However, the capital increase is deemed to be completed on 19 December 2021.

1.3. Others

In 2021, Sensorion created two subsidiaries. Sensorion Inc was established in the United States of America in the first half of 2021, to allow Sensorion to increase its visibility and to develop partnerships with American academic institutions. Sensorion Australia was incorporated in July 2021 to manage the collaboration with Cochlear regarding the future clinical trial.

2. GROUP COMPANIES

As of December 31, 2021, the Group comprises the following entities:

Companies	Country	Group control in %
Sensorion Pharmaceuticals SA	France	Parent company
Sensorion Pharmaceuticals, Inc.	United States	100%
Sensorion Australia Pty Ltd	Australia	100%

3. ACCOUNTING PRINCIPLES, RULES AND POLICIES

The financial statements as of December 31, 2021 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 comparability and going concern concepts;

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, 2021, the Company had sufficient net working capital to meet its cash needs for the next 12 months. Cash and cash equivalents at year-end are €49,946,394 and cover the Company's needs until the end of second quarter of 2023.

Sensorion has obtained a commitment from its two majority shareholders to finance the company through a bond issue of €3.5 million for Invus and €1.5 million for Sofinnova.

The going concern assumption is not called into question as of December 31, 2021.

COVID PANDEMIC

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.

3.1. Intangible Assets

This item includes:

- Patent filing costs comprising the costs and fees of intellectual property lawyers. These costs are amortized on a straight-line basis over five years, with the exception of the Palau license, which is amortized over 14 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 one year.

The Company has always expensed its research and development costs in the period in which they are incurred. Trademark registration fees are also expensed.

3.2. 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:

- buildings and improvements: 3 to 10 years
- laboratory equipment: 3 to 5 years
- office and computer equipment: 3 to 5 years
- furniture: 5 years

3.3. Long-term investments

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.
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.

3.4. Receivables

Receivables are measured at their nominal value. If receivables have become impaired, a provision is recognized to take into account possible collection difficulties.

3.5. 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.

3.6. 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.”

3.7. Commitments to Employees

The Company has always opted for the preferred method of recognizing provisions for retirement allowances recommended by the ANC Regulation. The Company applies ANC recommendation 2013-02.
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.”

Changes in accounting policies: new valuation method for retirement benefits

On November 5, 2021, the French Accounting Standards Setter (ANC) amended recommendation No. 2013-02 of November 7, 2013 on the rules for assessing and recognizing retirement and similar benefit obligations by changing the method that modifies the evolution of rights and the vesting period.

The new method conditions the allocation of rights both on the basis of seniority for a maximum capped amount and on the fact that a staff member is employed when he or she reaches retirement age. Thus, at the assessment date, the value of the commitment is prorated to the length of service at the time of retirement (intermediate steps method).

Previously, at the assessment date, the value of this commitment was prorated according to the length of service with the company over the total length of service at the time of retirement.

The consequences of applying the new method are a decrease in the provision at the date of the first application (January 1, 2021) and a prospective increase in future service costs to reach the same compensation, as under the previous method, at the time of retirement.

At December 31, 2021, this change of method has been accounted for retrospectively, as if the new method had always been applied, with a cumulative effect, i.e. €32,013 recorded as an increase in retained earnings at January 1, 2021.

4. NOTES TO THE BALANCE SHEET

4.1. Non-current assets (gross values in thousands of euros)

	12.31.2020	Increase	Decrease	12.31.2021
Intangible assets				
- Patents, licenses, Trademarks	1,559	190		1,749
Tangible assets				
- Genral installations	-	40		40
- Technical installations	654	376		1,029
- Other fixed assets (IT, furniture)	102	54		156
- Tangible assets in progress	-			-
Avances and deposits	7		7	-
Financial assets				
- Other securities (1)	70	414	376	109
- Loans and various (2)	72	90	18	144
	2,465	**1,165**	**401**	**3,229**

(1) Treasury shares acquired in connection with the liquidity agreement (56,897 shares at €1.91 each).

(2) Recognition of the available balance of the liquidity agreement in the amount of €73K.

Depreciation/amortization and provisions for non-current assets (in thousands of euros)

	12.31.2020	Increase	Decrease	12.31.2021
Intangible assets				
- Patents, licenses, Trademarks	977	203		1,180
Tangible assets				
- Genral installations		1		1
- Technical installations	519	105		624
- Other fixed assets (IT, furniture)	61	25		86
- Tangible assets in progress				
Avances and deposits				
Financial assets				
- Own shares		5		5
	1,558	**339**	**1**	**1,897**

4.2. Receivables (in thousands of euros)

	Gross	Depreciation	Net	Less that one year
Other financial assets	253	5	248	
Payments on account in advance	51		51	51
Debtor suppliers	15		15	15
Social receivables	226		226	266
Taxes				
- VAT	1,522		1,522	1,522
- Other taxes (1)	3,045		3,045	3,045
- Various taxes	80		80	80
Various debtors	168		168	168
Group	282		282	282
	5,640	**5**	**5,635**	**5,388**

(1) The research tax credit calculated for 2021, which is refundable in 2022.

(2) In accordance with current accounting rules, impairment of treasury shares is calculated on the basis of the average stock market price for the month of December.

4.3. Share capital and reserves

	Nomber of shares	Nominal value	Capital
As of December 31, 2020	79,740,226	0.10	7,974,023
Shares issued during the year *	197,710	0.10	19,771
Reimbursed during the year			
As of December 31, 2021	79,937,938	0.10	7,993,794

- *A breakdown of shares issued is provided in Section 1.2*

All shares issued are of the same class.
As of December 31, 2021, 195,210 shares subscribed had not been paid up.

Statement of changes in equity (in thousands of euros)

	2020.12.31	Increase	Decrease	2021.12.31
Share capital	7,974	20		7,994
Share premium account	59,022	151	-8,596	50,577
Equity warrants	34	0		34
P&L carried forward	0	32		32
Net income	-8,596	-14,126	8,596	-14,126
	58,435	**-13,923**	**0**	**44,511**

Distribution of the share capital as of December 31, 2021

	Nomber of shares	% Equity holding
Innobio	3,499,874	4,38%
Interm Transfert Initiative	982,911	1,23%
Direction	160,000	0,20%
Private investors	54,739,562	68,48%
Floating	20,555,591	25,71%
	79,937,938	100%

Information on share warrants and their potential dilutivef impact on earnings per share

AS OF 12/31/2021

SENSORION	NUMBER OF SHARES	% of capital held	Number of shares resulting from the exercise of the BSPCE founders' warrants, BSA warrants and stock options	NUMBER OF FULLY DILUTED SHARES	% of fully diluted capital held
Inserm Transfert Initiative	982 911	1,23%		982 911	1,16%
Innobio	3 499 874	4,38%		3 499 874	4,12%
Sous-total Investisseurs historiques	4 482 785	5,61%		4 482 785	5,27%
DG - Nawal Ouzren [(1)]	160 000	0,20%	2 309 855	2 469 855	2,91%
Salariés		0,00%	737 495	737 495	0,87%
Administrateurs		0,00%	1 097 360	1 097 360	1,29%
Sous-total management, salariés, administrateurs	160 000	0,20%	4 144 710	4 304 710	5,06%
Invus Public Equities LP *	26 490 415	33,14%		26 490 415	31,17%
Sofinnova Partners	15 469 458	19,35%		15 469 458	18,20%
WuXi AppTec	5 249 608	6,57%		5 249 608	6,18%
3SBio	4 055 150	5,07%		4 055 150	4,77%
SONOVA AG	2 941 176	3,68%		2 941 176	3,46%
Cochlear	533 755	0,67%		533 755	0,63%
Flottant (y.c. anciens dirigeants et directeurs)	20 555 591	25,71%	907 124	21 462 715	25,25%
Total	**79 937 938**	**100,00%**	**5 051 834**	**84 989 772**	**100,00%**

1.1. Conditional Advances

On August 28, 2020, BPI France 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.
Other repayable advances granted by BPI France amounted to €1,367,500 as of December 31, 2020. In 2021, the Company repaid €360,000, which reduced the balance as of December 31, 2021 to €1,007,500.

At the end of the year, the conditional advances repayable in less than one year amounted to 400,000 euros.

At the end of the year, the amount of conditional advances repayable in more than 5 years was 724,000 euros.

1.2. Provisions for Contingent Liabilities

This provision, in the amount of €135,892 is for retirement allowances to be paid to salaried employees.
The change in the method for calculating retirement allowance obligations in accordance with the IFRIC's decision was taken into account in the calculation as of December 31, 2021. The impact of this change of method totals €32,013 and was recognized as a debit from a retained earnings account in equity.
Therefore, as of January 1, 2021, the provision amounted to €113K.

It covers the retirement allowances for all employees in the Company's workforce as of December 31, 2021. 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 0.98% was applied.

The company considers this provision to be a long-term provision, as no maturity is expected within one year.

1.3. Bond Financing

On March 6, 2019, the Company issued 3,440,862 **convertible bonds (OC 0321)** for a total amount of €3,440,862. As of December 31, 2020, 215,054 of the OC 0321 convertible bonds had not been converted.

In fiscal year 2021, the 215,054 convertible bonds not yet converted matured and were redeemed.

1.4. Loans from Financial Institutions

To deal with the financial consequences of the COVID-19 pandemic, the Company took out three government-guaranteed loans in 2020 for a total amount of €3,000,000.

The working capital loans, granted by CIC Bank for an amount of €500,000 and by Société Générale for an amount of €1,500,000, will be repaid over a period of five years starting in October 2022.

Repayment of the innovation loan of €1,000,000, granted by BPI France Financement, began on December 31, 2021 in accordance with the original amortization schedule.

At the end of the year, the amount of loans from credit institutions repayable within one year was 314,305.10 euros.

At the end of the year, the amount of loans from credit institutions repayable in more than 5 years was nil.

1.5. Miscellaneous Financial Liabilities

As of December 31, 2020, the Company had entered into two repayable advance agreements for a total amount of €1,007,500.

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 2021, repayments for €170,000 were made. Due to the COVID crisis, in 2020 the original payment schedule was deferred by six months and now ends on September 30, 2023.
As of December 31, 2021, the amount of the advance was €390,000.

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."
In 2021, repayments for €190,000 were made. Due to the COVID crisis, in 2020 the original payment schedule was deferred by six months and now ends on September 30, 2024.
As of December 31, 2021, the amount of the advance was €617,500.

1.6. Other payables

This item includes:

- trade payables and related accounts €4,624K
- taxes and social contributions €1,447K
- other payables €195K
- bank overdraft facilities €3K

All of these debts mature within one year.

1.7 Prepaid Expenses

Prepaid expenses in the amount of €1,587K correspond to operating expenses that will be recognized in future years.
The Company estimates that all prepaid expenses are due within one year.

1.8. Prepaid income

Prepaid income in the amount of €2,655K includes advances received under the collaboration agreement with Sonova.
The Company estimates that all prepaid incomes are due within one year.

2. NOTES TO THE INCOME STATEMENT

2.1. Research Activities

The Company recognizes as operating expenses its research and development costs incurred on its own behalf. These costs were €14,059K in 2021, compared to €7,283K in 2020.
The portion of these costs eligible for the research tax credit in fiscal year 2021, net of grants and conditional aid received and repaid, amounted to€10,150K.
A research tax credit of €3,045K was recognized for 2021.

In 2021, a joint venture agreement was entered into with Sonova, which generated revenue of €245K in 2021.

2.2. Financial Income and Expenses

. Revenue	
- Interest and similar revenue	€48K
. Expenses	
- Interest and similar expenses	€51K
- Provision for impairment of treasury shares	€5K
Net financial income	-€8K

2.3. Corporate Income Tax

This comprises the research tax credit for 2021 in the amount of €3,045K and an adjustment to the research tax credit for 2020 in the amount of -€124K.

As of December 31, 2020, the Company had tax loss carryforwards for €86,069K which confer a potential reduction of the Company's future tax liability of €21,517K.

3. ADDITIONAL INFORMATION

3.1. Workforce

	At 12.31.2021	Average
Executives	33	27
Employees	5	5
Total	**38**	**32**

3.2. Compensation of Senior Executives

As of December 31, 2021, gross compensation awarded to the Company's senior management amounts to €659,040. This includes salaries and directors' fees paid in 2021.

3.3. Off-Balance Sheet Commitments

3.3.1. Commitments Given

None.

3.3.2. Commitments Received

The Company received a 90% guarantee from the French government on two guaranteed loans for €1,800,000.

3.3.3. Auditors' fees

The amount of auditors' fees reported in the income statement for the statutory audit of the financial statements is €39,404.

3.3.4. Information on related-party transactions

In accordance with ANC Regulation 2010-02 of September 2, 2010, amending Uniform Chart of Accounts Articles 832-16 and 833-16, we inform you that in fiscal year 2021 no material transaction was entered into with related parties other than on arm's length terms.

3.4. Post-Year-End Events

Since the end of the fiscal year, the main events are as follows:

On January 4th, 2022, Sensorion appointed Dr. Aniz Girach as Independent Board Member. He brings over 22 years' experience in the industry. He is currently serving as Chief Medical Officer at ProQR Therapeutics NV, where he is leading the development of genetic therapies for inherited retinal diseases.

On January 17th, 2022, Sensorion provided an update on SENS-401 and released the topline data of the Phase 2 trial in Sudden Sensorineural Hearing Loss (SSNHL). SENS-401 was safe and well tolerated in 115-patient study, however, the primary endpoint was not met.

Sensorion presented a poster OTOF gene therapy highlighting long-term durable efficacy in preclinical mice and non-human primate data and Sensorion's inner hair cell specific delivery at the Association for Research in Otolaryngology (ARO) 45th MidWinter Meeting. On this occasion Laurent Désiré, Sensorion's Preclinical Development Director participated in a workshop on "Translational Delivery Approaches for inner ear therapies" and gave a talk entitled "Local deliveries of inner ear gene therapies." Sensorion also presented three posters on SENS-401 in Cisplatin Ototoxicity Models at ARO.

On March 17, Sensorion presented a supplementary analysis of the Phase 2 AUDIBLE-S study data showing positive findings for certain trial population sub-groups within SSNHL. SENS-401 demonstrated a statistically significant effect with the high dose on pure tone audiometry (≥ 10 decibels improvement vs placebo) in Phase 2 AUDIBLE-S trial in SSNHL at Day 84 in per protocol idiopathic population (81 patients) treated with corticosteroids – (c. 70% of study population). In order to balance clinical development priorities with efficient capital allocation, Sensorion is assessing the next steps for SENS-401 in SSNHL and Cisplatin-Induced Ototoxicity (CIO) and will update the market in due course.
Sensorion will continue its joint development program with Cochlear Ltd for hearing preservation in patients following cochlear implantation.

On 28 April 2022, for the release of its 2021 annual results, Sensorion confirmed the progress of the SENS- 401 development program in collaboration with Cochlear Ltd, for the preservation of hearing in cochlear implant patients, with recruitment of the first patient expected in mid-2022. In addition, based on an in-depth analysis of the secondary endpoints of the AUDIBLES-S SENS-401 study, the proof-of-concept (PoC) clinical study for the CIO indication will be continued. Finally, a rigorous approach to capital allocation leads Sensorion to explore partnership opportunities to further develop SENS-401 in the SSNHL.

3.5. Financial Risk management

The Company principal financial instruments consist of financial assets, cash and cash equivalents, and investment instruments. These instruments are managed so as to enable the Company to finance its activities. The Company's policy is to not invest in financial instruments for speculative purposes. The Company does not use derivative financial instruments.
The main risks to which the Group is exposed are interest rate risk and credit risk.

Liquidity risk

The Company may need to strengthen its equity base or seek additional financing in order to ensure its development.

Since its creation, the Company has financed its growth by strengthening its equity base through successive capital increases and obtaining research tax credit refunds, but it has never taken out bank loans. Consequently, the Company is not exposed to liquidity risk due to the possible application of acceleration clauses in bank loans.

Substantial research and development expenses have been incurred since the Company's operations began, which have to date generated negative operating cash flows.

In the future, the Company will continue to experience significant financing requirements in order to develop its technology, pursue its clinical development program, and produce and market its products. The Group may be unable to self-finance its growth, which would require it to seek other sources of financing, such as carrying out additional capital increases.

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

- higher costs and slower progress than anticipated for its research and development programs and clinical studies;

- the costs of preparing, filing, defending and maintaining its patents and other intellectual property rights;

- higher costs and longer time frames than anticipated to obtain regulatory market authorizations and eligibility for social security reimbursement for its products, including the time required to prepare applications to be submitted to the competent authorities;

- new opportunities for developing new products or acquiring technologies, products or companies.

The Company may be unable to procure additional capital when needed or such capital may not be available on financial terms acceptable to the Group. If the necessary funds are not available, the Company may have to:

- delay, reduce or eliminate the number or scope of its preclinical 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 been able to negotiate in a different context.

Furthermore, if the Company raises capital by issuing new shares, the stakes of its shareholders may be diluted. In addition, debt financing, if available, could impose restrictive terms on the Company and its shareholders.

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

This risk is particularly sensitive to health and geopolitical risks, including financial market volatility. A worsening of the health crisis situation as well as a continuation or increase of economic sanctions against Russia in the context of the Russian-Ukrainian conflict, or a wider extension of the conflict involving other countries, could significantly amplify this risk, reducing, delaying, or making it more difficult or costly for the Company to obtain financing in the markets.

Interest rate risk

The Company's exposure to interest rate risk concerns primarily investment instruments, which consist of term deposits. Changes in interest rates directly impact the rate of return on these investments and the cash flows they generate.

The Company has no variable rate debt. Therefore, its debt repayments are not subject to interest rate risk.

To date, the Company has not taken out any loans with bank institutions and is therefore only marginally exposed to interest rate risk.

Credit risk

Credit risk associated with cash, cash equivalents and current financial instruments is not material given the quality of the financial institutions with which the Group contracts.

4. Special report of the auditor on regulated agreements

ERNST & YOUNG Audit
Immeuble Le Blasco
966, avenue Raymond Dugrand
CS 66014
34060 Montpellier

Tel. : +33 (0) 4 67 13 31 00
www.ey.com/fr

Sensorion

Annual General Meeting held to approve the financial statements for the year ended December 31, 2021

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, 2021, 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

We hereby inform you that we have not been notified of any agreements authorized and concluded during the year ended December 31, 2021 to be submitted to the Annual General Meeting for approval in accordance with Article L. 225-38 of the French Commercial Code *(Code de commerce)*.

S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Société de Commissaires aux Comptes
Société d'expertise comptable inscrite au Tableau
de l'Ordre de la Région de Montpellier

Siège social : 1-2, place des Saisons - 92400 Courbevoie - Paris-La Défense 1

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 agreement, which was approved by the Annual General Meeting in prior years, continued during the year ended December 31, 2021.

- With Mrs. Nawal Ouzren, Chief Executive Officer and member of your Board of Directors

Nature, purpose and conditions

Your Board of Directors concluded on April 12, 2017 the Chief Executive Officer mandate agreement with Mrs. Nawal Ouzren.

Montpellier, April 27, 2022

The Statutory Auditor
French original signed by
ERNST & YOUNG Audit

Marie-Thérèse Mercier