Individual financial statements in accordance with IFRS for the financial year ended 31 December 2018

Statement of financial position

ASSETS (€ thousands)	Notes	Decembre 31, 2018	Decembre 31, 2017
Intangible assets	7-1-1	3	3
Property, plant and equipment	7-1-2	242	214
Other financial assets	7-1-3	9	9
Non-current assets		**254**	**226**
Inventories and work in progress	7-1-4	308	163
Trade receivables	7-1-5	3 336	223
Tax receivables	7-1-6	843	886
Other current assets	7-1-3	1 695	553
Financial assets	7-1-7	170	300
Cash and cash equivalents	7-1-7	26 232	36 183
Current assets		**32 585**	**38 308**
Total assets		**32 839**	**38 533**

LIABILITIES (€ thousands)	Notes	Decembre 31, 2018	Decembre 31, 2017
Share capital	7-1-8	1 612	1 601
Additional paid-in capital		52 626	51 895
Reserves		-19 830	-13 937
Net loss		-5 015	-6 048
Total shareholders' equity		**29 394**	**33 511**
Borrowings and financial debt	7-1-11	172	454
Provisions	7-1-9 / 10	148	106
Non-current liabilities		**321**	**560**
Borrowings and financial debt	7-1-11	248	248
Trade payables	7-1-12	1 569	1 314
Other current liabilities	7-1-12	1 306	2 901
Current liabilities		**3 123**	**4 463**
Total liabilities		**32 839**	**38 533**

Income statement and statement of comprehensive income

INCOME STATEMENT (€ thousands)	Notes	Decembre 31, 2018	Decembre 31, 2017
Revenue	8-2-1	963	557
Income from partnerships		5 000	1 091
Other operating income	8-2-2	961	924
Total revenue and other income		**6 924**	**2 572**
Cost of goods sold		-474	-314
Research and development expenses	8-2-3	-7 218	-4 955
Sales and marketing expenses	8-2-3	-2 220	-1 496
Overhead and general expenses	8-2-3	-2 304	-1 781
Operating loss		**-5 292**	**-5 974**
Net financial costs	8-2-4	-10	-69
Other financial expenses			-4
Other financial income	8-2-4	287	-
Résultat avant impôt		**-5 015**	**-6 048**
Impôts sur les bénéfices	8-2-5	-	-
Net loss		**-5 015**	**-6 048**
Loss per share (€/share)	8-2-6	-0,62	-1,01
Diluted loss per share (€/share)	8-2-6	-0,62	-1,01

OTHER COMPREHENSIVE INCOME (€ thousands)	Notes	Decembre 31, 2018	Decembre 31, 2017
Net Loss		**-5 015**	**-6 048**
Revaluation of pension plan liabilities		-16	-4
Tax effect			
Other comprehensive loss not recyclable through profit and loss		**-16**	**-4**
Comprehensive loss		**-5 031**	**-6 052**

(*) Revenues from partnerships were previously reported under Other Operating Income; The have been put on a separate line in order to be comparable to the 2018 presentation

Statement of changes in shareholders' equity

CHANGE IN SHAREHOLDERS' EQUITY (€ thousands)	Capital	Primes liées au capital	Réserves	Capitaux propres
Situation au 31 décembre 2016	**774**	**8 829**	**-14 755**	**-5 151**
Loss from the period			-6 048	-6 048
Other comprehensive income, after taxes			-4	-4
Comprehensive loss	**-**	**-**	**-6 052**	**-6 052**
Capital increase	826	43 065		43 891
Share-based payments			822	822
Position as of 31 December 2017	**1 601**	**51 894**	**-19 984**	**33 511**
Loss from the period			-5 015	-5 015
Other comprehensive income, after taxes			-16	-16
Comprehensive loss	**-**	**-**	**-5 031**	**-5 031**
Share-based payments	12	732		744
Acquisition or sale of treasury shares			-330	-330
Share-based payments			500	500
Position as of 31 December 2018	**1 612**	**52 626**	**-24 845**	**29 394**

The capital increase of €744 thousand in 2018 corresponds to the over-allotment option
The acquisition of treasury shares for €330 thousand in 2018 results from the implementation of the liquidity contract.

Cash flow statement

CASH FLOW (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Net loss	-5 015	-6 048
Amortisation, depreciation and provisions	131	186
Share-based payments	500	822
Other calculated income and expenses	-111	-62
Net financial costs	10	69
Self-financing capacity	**-4 484**	**-5 032**
Changes in inventory	-145	129
Changes in trade receivables and other receivables	-4 213	-569
Changes in trade payables and other payables	-1 339	-328
Cash flow from operations	**-10 181**	**-5 801**
Acquisition of property, plant and equipment and intangible assets	-142	-35
Acquisition of treasury shares	-330	
Acquisition of financial assets	130	-303
Cash flow from investing activities	**-342**	**-338**
Capital increase	744	40 830
New borrowings and refundable advances	-	500
Repayment of borrowings and refundable advances	-172	-521
Interest received (paid)		-69
Cash flow from financing activities	**571**	**40 739**
Change in cash	**-9 951**	**34 600**
Opening cash	36 183	1 583
Closing cash	26 232	36 183

NOTES TO THE FINANCIAL STATEMENTS

Advicenne (the "Company") is domiciled in France. The Company's registered office is located at 2 rue Briçonnet – 30000 Nimes.

These notes are an integral part of the Company's individual financial statements for the financial year ended 31 December 2018. The financial statements were approved by the Board of Directors on 20 March 2019.

1 DESCRIPTION OF THE COMPANY'S BUSINESS ACTIVITIES

Advicenne is a French pharmaceutical company founded in 2007 that markets and develops innovative paediatric products and products for people of all ages for nephrology (renal diseases) and neurology. In order to build its product portfolio, Advicenne started from the observation that for certain rare diseases, there are no treatments suitable or optimal for children. Advicenne intends to provide a therapeutic response to unmet, often serious, medical needs, especially for certain renal and neurological diseases.

Advicenne's strategy is to design innovative products and implement clinical, pharmaceutical and regulatory strategies to reach orphan markets with strong demand for which there are no treatments that have received Marketing Authorisations (MAs) in Europe or the United States. Advicenne has developed a portfolio of products, the first of which obtained an MA in several European countries in 2018. A second product is in the registration stage for its first indication and advanced clinical development for the second. Advicenne also markets two other products authorised in France for which the Company has either acquired an exclusive operating licence or signed a distribution agreement covering several territories, including France.

Advicenne's flagship product, ADV7103, is positioned for the treatment of renal diseases (nephrology). Advicenne has generated convincing clinical results with ADV7103 in several clinical trials and is in the final clinical development phase before applying for marketing authorisation (MA) for Europe. ADV7103 was designed to become a leading medicine for the treatment of distal renal tubular acidosis. Advicenne submitted a marketing authorisation application for ADV7103 in that first indication to the European Medicines Agency (EMA) in Q1 2019 on the basis of the positive results of the European Arena 1 Phase III clinical trial. Advicenne will capitalise on the clinical studies already conducted in Europe, and it initiated the clinical development of ADV7103 in the United States for its first indication. The US Food and Drug Administration (FDA) has approved the application for Investigational New Drug (IND) status for ADV7103, officially launching the pivotal Phase III clinical trial. Advicenne obtained orphan disease designation from the EMA for ADV7103 for distal renal tubular acidosis. The major advantage of this status is that it allows laboratory-manufacturer selling products with orphan drug status to enjoy marketing exclusivity after obtaining an MA for the product for 10 years in Europe.

In addition to its flagship product ADV7103 and the product sold to Primex ADV6209, which was granted marketing authorisation in the third quarter of 2018, the company has other products under development in the field of nephrology and neurology that will strengthen this portfolio and enter the clinical phase in the near future.

In Europe, the Company decided to market its products via its own infrastructure. The networks of medical visitors required to sell this type of product are limited in size, given that the prescriber population will primarily be limited to paediatric nephrologists and neurologists.

2. HIGHLIGHTS OF THE FINANCIAL YEAR

2.1 Highlights of the 2018 financial year

The year 2018 was rich in positive developments, in line with the plan presented during its IPO, which allowed the company to plan its growth with confidence.

Financial and commercial events

On 5 January 2018, nearly 72% of the over-allotment option was partially exercised as part of Advicenne's IPO on the Euronext regulated market in Paris. This option resulted in the issuance of 59,648 additional new shares at the offer price of €14.03 per share, for a total amount of €743,717.56 (net of issuance costs).

The first positive opinion for its product Ozalin® (ADV6209), licensed to Primex, was obtained on 10 September 2018, and triggered the recognition of the second contractual milestone of €5 million, which consists of a €3 million receivable and €2 million previously recognised as an advance.

The launch of the ARENA 2 clinical trial in the USA for ADV7103 in the treatment of dRTA resulted in the signing of a contract with a US CRO.

The Company has kept its cash consumption under control, limiting it to less than €10 million, and, with more than €26 million has a visibility of 24 months based on the current activities.

Scientific, clinical and regulatory events

In May 2018, Advicenne obtained authorisation from the ANSM to initiate the pivotal Phase II/III clinical trial for ADV7103 for a second indication (cystinuria).

In late May 2018, Advicenne signed a partnership with the European Society for Paediatric Nephrology (ESPN) to improve knowledge of distal renal tubular acidosis (dRTA) and its management in Europe.

On 2 July 2018, Advicenne announced the preliminary results of the Phase III extension study (B22CS) with ADV7103 for distal Renal Tubular Acidosis (dRTA). This open-label clinical study confirmed ADV7103's efficacy and safety after 24 months of treatment.

On 3 September 2018, Advicenne was granted Investigational New Drug (IND) status by the FDA, which enabled it to initiate the pivotal Phase II/III clinical trial of ADV7103 for dRTA. This study was extended to Canada on 15 October and, thanks to its innovative design, it received the Galien Foundation's "MedStartUp" Award on 26 October in New York.

On 12 September 2018, Advicenne received the first positive notification for its Ozalin (ADV6209) product licensed to Primex, which allows Primex to market the product in several European countries.

On 15 October 2018, Advicenne received a Letter of No Objection from Health Canada's Office of Clinical Trials to expand its ARENA-2 pivotal Phase III study in distal Renal Tubular Acidosis (dRTA) into Canada.

Other events and governance

Advicenne prepared its international deployment during the financial year.

In January, it announced the arrival of Dr Linda Law as the head of clinical operations in the United States.

On 20 September 2018, Advicenne appointed Charlotte Sibley as a member of the Board of Directors and Paul Michalet as Chief Financial Officer.

2.2 Subsequent events

On 7 January 2019, Advicenne obtained authorisation from the Belgian Federal Agency for Medicines and Health Products (FAMHP) to initiate a pivotal Phase II/III clinical trial (CORAL study) with its flagship drug candidate, ADV7103, for cystinuria.

On 12 March 2019, the Company filed the application for the marketing of its flagship product ADV7103 for distal renal tubular acidosis (dRTA).

3. THE COMPANY'S IFRS FINANCIAL STATEMENTS

The Company prepares its corporate financial statements in application of French accounting rules (*Plan Comptable Général*). However, since its IPO on the Euronext Paris market, the Company has also prepared individual financial statements in accordance with IFRS. The goal is to be able to present accounting and financial data which is comparable with most companies in its field and, notably with listed ones. The financial statements are a complete set of additional financial statements with respect to the Company's historical corporate financial statements, which are prepared using French accounting standards.

4. BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

The Company's financial statements are prepared in euros, the operating currency of the Company. All of the amounts shown in this note to the financial statements are denominated in euros, unless otherwise indicated.

4.1 IFRS

The financial statements were prepared in accordance with the IFRS as adopted by the European Union in effect on 31 December 2018.

These accounting standards, which are available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm), include international accounting standards (IAS and IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Interpretations Committee (IFRIC).

The financial statements are also compliant with the standards and interpretations adopted by the IASB on the same date.

4.1.1. First application of IFRS 15 and IFRS 9

The Company applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time as of 1 January 2018.

A. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 is the reference framework for determining whether and when revenue is to be recognised, and by what amount. It replaces IAS 18 Revenue and IAS 11 Construction Contracts and their interpretations. The Company adopted IFRS 15 using the cumulative impact method (without practical simplification measures), resulting in a first application of this standard on its effective date (1 January 2018). It follows that the information indicated for 2017 has not been restated, that is to say, it is presented as it was previously, in accordance with IAS 18 and IAS 11, and their interpretations. This standard has no significant impact on the Company's individual financial statements.

Sales of licensed products
Revenue from the sales under license of drugs developed by a third party (Levidcen® and Likozam®) was recognised under IAS 18 upon transfer of the significant risks and rewards of ownership to the purchaser, which corresponded to when the goods are delivered to customers. This is also the case under IFRS 15, since the time when goods are delivered to customers is also deemed as the time when the customers get control of the products.

Income from partnerships [Primex contract]
This is an agreement for the sale of assets relating to the product ADV6209 in paediatric anaesthesiology to the Swiss company PRIMEX signed in February 2016. The contract provides for an initial payment of €4 million, which was made in 2016, an additional payment of €3 million on obtaining the first positive notification, and future additional payments contingent upon the achievement of certain future sales thresholds as well as royalties based on a percentage of future sales.

i) Analysis under IAS 18

The initial payment of €4 million corresponds to:

- the €2 million for financing by Primex of work the Company has carried out to obtain a first positive opinion to obtain an MA for the ADV6209 product. The revenue recognised for this purpose was recognised prorata temporis from 1 March 2016 to 31 December 2017, which corresponds to the period for the completion of the work that resulted in the receipt of the first positive notification. This amount was fully recognised as revenue as at 31 December 2017 (€909 thousand in 2016 and €1,091 thousand in 2017);
- a "success fee" of €2 million in the event that the first positive opinion is received. This amount was recorded as deferred revenue as at 31 December 2017, as the first positive notification was not received.

The right to an additional payment of €3 million upon receipt of the first positive notification and future additional payments contingent upon the achievement of future sales were not recognized as at 31 December 2017 since the conditions for their achievement were not met.

ii) Analysis under IAS 15

Performance obligations

Under IFRS 15, the Primex contract mainly contains two performance obligations:

- provision of services that allowed the registration of ADV6209 to be filed with the competent authority to obtain the first positive notification;
- sale of assets and intangible rights (product, file, know-how, etc.) that comprise ADV6209.

Considerations

The contract consists of:

- a fixed consideration of €2 million corresponding to the portion of the initial payment not subject to receipt of the first positive notification; this consideration is compensation for services and the sale of assets and rights;
- a variable consideration of €5 million subject to receipt of the first positive notification;
- variable considerations related to the marketing phase.

Variable considerations are regarded as compensation for the assets and rights sold.

Recognition of revenue

The performance obligation related to services is considered to be satisfied as the efforts (costs incurred or time spent) are made by the Company.

The performance obligation related to the sale of rights and assets is considered to be satisfied as of the date of the signing of the sale agreement in February 2016.

The fixed consideration of €2 million that covers services and the sale of rights were not retroactively allocated between the two performance obligations as they were fully satisfied at 31 December 2017 and the Company chose the cumulative impact transition method without restatement of the comparative information. The variable consideration attached to the sale of rights and assets is recognised as revenue only if it is highly probable that the uncertainty relating to the variable consideration will subsequently disappear and not result in a significant downward adjustment of the cumulative amount of revenue recognised. Given the uncertainties surrounding the marketing authorisation process for drugs, considerations related to the first positive notification were recognised simultaneous with its receipt. As such, the company recognised revenue of €5 million on 12 September 2018.

The variable considerations related to the marketing of the products were not recognised in the absence of actual marketing.

B. IFRS 9 "Financial Instruments"

IFRS 9 sets out the provisions for the recognition and measurement of financial assets and liabilities, as well as certain contracts for the purchase or disposal of non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. This standard has no significant impact on the Company's individual financial statements.

4.1.2 Other standards whose application is mandatory as of 1 January 2018

A number of other new standards came into effect on 1 January 2018.

They are listed below and have little to no effect on the financial statements of the Company:

IAS 16 and IAS 41 - Agriculture: Bearer Plants
IAS 19 - Defined Benefit Plans: Employee Contributions
Amendments to IAS 7 - Disclosure Initiative
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IAS 27 - Equity Method in Separate Financial Statements
Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception
Amendments to IAS 40 – Transfers of Investment Property
Annual improvements (2014-2016 Cycle) - annual improvements to IFRS published in December 2016

4.1.3 Standards applicable as of 1 January 2019

In addition, after assessing its very limited impact, the Company chose not to apply in advance the following standards, amendments and interpretations whose application is optional as of 31 December 2018:

IFRS 16 – Leases
Amendments to IFRS 9 – Prepayment Features with Negative Compensation

These standards and amendments will become mandatory as of 1 January 2019, it being specified that the Company is currently assessing the potential impacts of their application.

IFRS 16 "Leases", which supersedes IAS 17 "Leases" and its related interpretations, introduces a single lease recognition model for lessees that requires the recognition of assets and liabilities for all leases, except for leases with a term of less than 12 months or leases with an underlying asset of low value, for which exemptions exist. When the asset included in the lease is identifiable and the beneficiary controls the use of that asset, the beneficiary of the contract must recognise on its balance sheet a right of use asset offset by financial debt. In addition, the rents for these leases must be recognised partly as depreciation in operating income and partly as financial expenses in financial income. On the basis of the analysis conducted by the Company, the impact of this new standard will be limited and mainly affects property leases related to the Nîmes and Grenoble locations and car leases.

According to initial estimates, the impact of the implementation of IFRS 16 would be as follows:
- increase in fixed assets and debts of €121 thousand;
- the impact on operating income would be insignificant (less than €2 thousand).

4.2 Use of estimates and assumptions

The preparation of financial statements requires that Management make estimates and assumptions that it deems reasonable and which may have an impact on the amounts of assets, liabilities, shareholders' equity, income and expenses appearing in the financial statements and in the information in the notes. These estimates are based on the assumption of a going concern and are established based on the information available when they are made.

The main estimates concern the fair value measurement of share-based payments.

Management revises its estimates and assumptions constantly based on its past experience and on a number of other factors it deems to be reasonable and which provide the basis for its assessments of the value of assets and liabilities. Actual results may differ significantly from these estimates due to different assumptions or conditions.

The impact of changes in accounting estimates is recorded on a forward-looking basis.

5. ACCOUNTING METHODS AND POLICIES

The accounting methods and policies used by the Company are described in the sections below.

5.1 Research and development – Research and development work performed in-house

In accordance with IAS 38 - Intangible Assets, research costs are expensed as incurred.

Pursuant to IAS 38, development costs are recognized as intangible assets if and only if all six of the following criteria are fulfilled:

(a) technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) intention of the Company to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) demonstration of the likelihood that the asset will generate future economic benefits. Among other things, the entity should be able to demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(e) availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company's research and development carried out in-house was not capitalised as of 31 December 2018 and 31 December 2017, as all of the above criteria were not met in full. Technical feasibility is not deemed to be demonstrated until marketing authorization has been granted.

5.2 Other intangible assets

These primarily include software. Other intangible assets purchased are stated in the balance sheet at acquisition cost less, where relevant, amortisation and accumulated impairment losses, and amortised on a systematic basis over their useful lives (from 1 to 10 years)

5.3 Property, plant and equipment

Property, plant and equipment is measured at cost (purchase price plus any associated costs) and is not subject to any revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual value is not factored in due to its non-significant effect. Typically, the depreciation periods used are as follows:

- plant, machinery and equipment: 2 to 10 years;
- main facilities, fixtures and various fittings: 5 to 10 years;
- office equipment: 3 to 5 years;
- IT equipment and furniture: 3 to 10 years.

The application of IAS 23 - Borrowing costs, did not result in the capitalisation of any interest, as no assets were concerned.

5.4 Leases

In accordance with IAS 17 - Leases, these are divided into two classifications:

Finance leases

Finance leases typically transfer substantially all the risks and rewards of ownership to the lessee.

Operating leases

Leases in which the lessor maintains substantially all the risks and rewards of ownership are recognized as operating leases. Lease payments are recorded as operating expenses over the lease term on a straight-line basis.

All of the company's contracts are operating leases.

5.5 Impairment of non-current assets

In accordance with IAS 36 - Impairment of assets, the Company assesses the recoverable amount of its assets. At the close of each reporting period, the Company performs impairment tests on its depreciated property, plant and equipment and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. These indications can be identified based on external or internal criteria, such as a change in technology or the ending of operations.

If necessary, an impairment test is performed by comparing the net carrying amount of the asset with its recoverable amount, which corresponds to the higher of fair value less costs to sell or value in use. If the carrying amount of the asset is greater than its recoverable amount, an impairment loss is recognized. In practice and where applicable, the impairment test is run on the asset's value in use, i.e. the present value of the future cash flows expected to be derived from the asset's use.

Future cash flows are taken from the business plan put in place and approved by Management.

5.6 Financial assets

Loans and receivables

The Company's financial assets include security deposits (non-current financial assets), liquidity and securities repurchase agreements, trade receivables, certain other short-term receivables and cash and cash equivalents consisting of term deposits. These assets are classified as loans and receivables.

Upon initial recognition, loans and receivables are measured at fair value, plus, where applicable, the transaction costs directly associated with them, after which they are measured at amortised cost. Typically, their value is close to their nominal amount.

An estimate of the risk of non-recovery of receivables is made at each reporting date, either on an individual basis or on the basis of the age of assets and results in the recognition of an appropriate impairment loss. The risk of non-recovery is assessed based on various criteria, such as financial difficulties, disputes or late payments.

5.7 Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is determined by using the first-in first-out (FIFO) method.

The cost of goods for resale and supplies comprises the purchase price (excl. tax but including handling costs) and incidental expenses.

5.8 Cash and cash equivalents

Cash and cash equivalents include cash, highly liquid short-term investments that can easily be converted into a predetermined amount of cash and whose exposure to a risk of change in value is limited, and bank overdrafts. Cash and cash equivalents are primarily denominated in euros. Bank overdrafts are recognized as current expenses in the statements of financial position, under short-term financial liabilities. Investments with an initial maturity of more than three months from the acquisition date and that are not subject to early redemption are not included in cash and cash equivalents.

5.9 Provisions

In accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, the Company recognizes a provision when a present obligation exists, whether legal or constructive, arising from past events, the settlement of which is expected to result in an outflow of resources representative of economic benefits and a reliable estimate can be made of the amount of said resources.

5.10 Financial liabilities

Financial liabilities include bank loans, contingent advances, trade payables and certain current liabilities.

These financial liabilities are initially measured at fair value of the consideration received, less, where applicable, costs directly associated with the transaction. Subsequently, these are measured at amortized cost using the effective interest method.

Where contingent advances are initially recognised, the difference between their fair value (future cash flows discounted at market interest rate) and the amount received in cash is recognised as a government subsidy in deferred income. Subsequently, the liability is recognised at amortised cost and deferred income is booked to the income statement each time expenses financed by these advances are recognised.

The effective interest rate includes any premium that might have been provided for in the contract and liable to be paid in the event of redemption and factors in estimated future revenue if the repayable advances are indexed on revenue from the projects.

In the event of any change in the repayment schedule for refundable advances, such as a change in estimated projected revenue, the Company recalculates the net carrying amount of the liability by discounting the new expected future cash flows. If the subsequent adjustment is significant, it is recognised in financial income/loss in the income statement during the period in which it occurred.

In the event of a bad debt, the corresponding waiver is recognized in other operating income.

5.11 Employee benefits

IAS 19 identifies two types of post-employment benefit plans.

Defined contribution plans (legal and supplementary retirement plans) are recognized as expenses during the period in which employees perform the corresponding services. The Company's obligation is limited only to the payment of contributions, therefore no liability is recognized in the balance sheet.

Defined benefit plans are plans which place actuarial risks on the Company. These are related to post-employment obligations provided for in the French Labour Code. The retirement obligation is determined using the projected unit credit method, which takes account of the rules laid down in the collective bargaining agreement for determining the rights employees will have acquired at the time of their retirement, wages and salaries at the end of their service and actuarial assumptions (discount rate, rate of salary increase, turnover rate, mortality rate, etc.).

The Company does not outsource the financing of its post-employment obligations.

The obligation is recognised in the balance sheet as a non-current liability for the full amount.

In accordance with IAS 19, cost of services rendered is presented in operating income and expenses. The financial cost is recognized in financial income and expenses. Liability remeasurements (actuarial gains and losses) are recognized in other comprehensive income (OCI).

The impact from pension plan amendments is immediately recognized through profit or loss. There were no amendments during the financial years under review.

5.12 Share-based payments

In accordance with IFRS 2 - Share-based payments, the benefits granted to certain employees in the form of share-based payments are measured at the fair value of the instruments granted.

Stock options are granted to executives and certain key employees of the Company. These options are instruments that are paid in shares.

They are measured at fair value on the date of the grant.

The Company uses the Black & Scholes model to measure the fair value of such instruments. This model enables the terms of the plan to be factored in (strike price, exercise period), market information at the time of the allocation (risk-free interest rate, volatility, expected dividends) and a beneficiary behaviour scenario. These instruments are not subject to any remeasurement.

The amount is gradually recognized in personnel expenses upon the vesting of each tranche, it being specified that the options of each tranche vest on a straight-line basis, between the grant date and the vesting date (vesting period), with the corresponding adjustment to equity.

Where necessary, the amount expensed is adjusted to reflect the number of rights for which the service conditions and non-market performance conditions will be met.

5.13 Revenue recognition

The company's revenue consists of the sales under licence of drugs developed by a third-party company (Levidcen® and Likozam®). Customers obtain control of the products when the goods are delivered to the customers. Invoices are issued and revenue is recognised at that time.

Revenue is recognized after deduction of pharmaceutical taxes and, where applicable, social security contributions and credits.

5.14 Other operating income

Other operating income includes costs relating to subsidies, research tax credits, employment competitiveness tax credits and revenue recognised under the contract with PRIMEX (see Note 4.1.1 (A), 7.1.12 and 8.2.2).

Subsidies

In accordance with IAS 20, subsidies are recognized as income pro rata to the related costs, when there is reasonable assurance that the subsidy will be received and that the Company will meet any conditions attached. Accordingly, a subsidy receivable can be booked if the allocation agreement has been signed, costs have already been incurred but the subsidy has not yet been received.

Research Tax Credit (CIR)

Industrial and commercial companies taxed on the basis of actual profit, which invest in research can benefit from a tax credit.
The tax credit is calculated on a calendar year basis and deductible against income tax payable in respect of the year during which the research expenses were incurred. In accordance with common law, an unused tax credit can be utilised during a three-year period following the year in which it was initially recognised. At the end of this period, any unused portion is paid to the Company. Within the meaning of European Community law, the Company falls under the small and medium-sized enterprise category, therefore the reimbursement of the Research Tax Credit takes place in the year following its initial recognition.

5.15 Financial income and expenses

Financial income and expenses includes the cost of debt, primarily interest on bank loans, contingent advances and convertible bonds.

Other financial income and expenses include costs associated with the discounting of long-term provisions, such as provisions for post-employment benefits and foreign exchange gains and losses.

5.16 Income tax

The "income tax" line item in the income statement includes tax liabilities and deferred tax. Where necessary, the tax effects on items recognized in other comprehensive income or directly in equity are recorded respectively in other comprehensive income or shareholders' equity.

Current tax liability

The current tax liability corresponds to the amount due to the tax authorities.

Deferred taxes

Deferred taxes are calculated using the liability method, applying the tax rates enacted or substantively enacted at the reporting date for each financial year, applicable to the period in which the Group expects the reimbursement to be settled. They are not discounted.

Deferred tax assets are recognized for all temporary differences between the carrying amounts of assets and liabilities, and their taxable amounts (unless otherwise stated).

Deferred tax assets relating to temporary differences, tax losses that may be carried forward and unused tax credits are recognized if and only if it is likely that there will be future taxable profits against which they can be utilized.

The tax losses for the periods under review were not capitalised due to a lack of visibility on future profits against which they could be matched.

5.17 Earnings per share

Basic earnings per share are determined by dividing the net profit (Group share) by the weighted average number of shares outstanding during the financial year. Treasury stock is not included in the calculation.

Diluted earnings per share is calculated by dividing the net profit (Group share) by the weighted average number of shares outstanding during the period, adjusted to reflect the maximum dilutive effect from the conversion of dilutive instruments into ordinary shares, using the treasury stock formula.

5.18 Cash flow statement

The cash flow statement is prepared using the indirect method and cash flows are analysed separately between operating, investing and financing activities.

Operating activities include the entity's main cash generating activities as well as all other activities, which cannot be classified as investing or financing activities. The Company decided to classify subsidies received in this category. Cash flows from operating activities are calculated by adjusting net profit so as to reflect the changes in working capital requirement, non-cash items (depreciation, amortisation and impairment, etc.), gains on disposals and other calculated income and expenses.

Cash flows from investing activities refer to cash flows associated with asset acquisitions, after deduction of trade payables of said assets, asset disposals and other investments.

Financing activities are transactions resulting from outflows associated with changes in the entity's equity and long-term borrowings. Capital increases and the collection of loan repayments fall within this classification. The Company decided to classify repayable advances in this category.

Increases in non-cash assets and liabilities are eliminated. Subsequently, goods funded by means of a finance lease are not included in the capital expenditure for the period. The reduction in financial debt due to lease payments under finance leases is therefore included in borrowing repayments for the period.

5.19 Segment reporting

In accordance with IFRS 8 - Operating segments, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The chief operating decision maker of the Company is the Chairman and Chief Executive Officer, who makes the strategic decisions.

Accordingly, the Company identified only one operating segment corresponding to the pharmaceutical business, namely the development and marketing of pharmaceutical products.

5.20 Fair value measurement

Certain accounting methods and certain disclosures involve the measurement of financial and non-financial assets and liabilities at fair value.

To the extent possible, for fair value measurement of an asset or liability, the Company uses observable market inputs. Fair value measurements are categorized into three levels of the fair value hierarchy depending on the inputs used in valuation techniques.

- Level 1: fair value measurement based on quoted (non-adjusted) prices in active markets for identical assets or liabilities.
- Level 2: fair value measurement based on inputs other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly (price) or indirectly (calculated based on a price).
- Level 3: fair value measurement of the asset or liability that is not based on observable market inputs (unobservable inputs).

If the inputs used to measure fair value of the asset or liability are categorized into different levels of the fair value hierarchy, the fair value measurement obtained is categorized in its entirety in the level of the lowest level input that is significant for the fair value taken as a whole.

6 SEGMENT REPORTING

6.1 Information by geographic area

REVENUE (€ thousands)	Decembre 31, 2018		Decembre 31, 2017	
European Union	963	100%	557	100%
Rest of the world	-	0%	-	0%
Revenue	**963**	**100%**	**557**	**100%**

7 NOTES ON BALANCE SHEET ITEMS

7.1. Notes to the balance sheet

7.1.1 Intangible assets

GROSS INTANGIBLE ASSETS (€ thousands)	Software	Total gross
Position as of 1 January 2016	**20**	**20**
Augmentations de l'exercice	3	3
Position as of 31 December 2017	**23**	**23**
Increases during the financial year	2	2
Position as of 31 December 2018	**25**	**25**

AMORTISATION OF INTANGIBLE ASSETS (€ thousands)	Software	Total amortisation
Position as of 1 January 2016	**-18**	**-18**
Allowances for the financial year	-2	-2
Position as of 31 December 2017	**-21**	**-21**
Allowances for the financial year	-2	-2
Position as of 31 December 2018	**-22**	**-22**

NET INTANGIBLE ASSETS (€ thousands)	Software	Total net
As of 31 December 2017	3	3
As of 31 December 2018	3	3

7.1.2 Property, plant and equipment

GROSS PROPERTY, PLANT AND EQUIPMENT (€ thousands)	Plant, Machinery, & Equip.	Other tangible assets	Fixed assets In progress and advances	Total gross
Position as of 1 January 2016	**518**	**116**	**-**	**634**
Increases during the financial year		32		32
Decreases during the financial year	-72	-6		-78
Position as of 31 December 2017	**446**	**142**	**-**	**588**
Increases during the financial year	65	47	27	140
Decreases during the financial year		-12		-12
Position as of 31 December 2018	**511**	**177**	**27**	**716**

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT (€ thousands)	Plant, Machinery, & Equip.	Other tangible assets	Fixed assets In progress and advances	Total depreciation
Position as of 1 January 2016	**-291**	**-61**	**-**	**-352**
Allowances for the financial year	-80	-16		-96
Decreases during the financial year	72	2		74
Position as of 31 December 2017	**-299**	**-75**	**-**	**-374**
Allowances for the financial year	-86	-26		-112
Decreases during the financial year		12		12
Position as of 31 December 2018	**-385**	**-90**	**-**	**-474**

NET PROPERTY, PLANT AND EQUIPMENT (€ thousands)	Plant, Machinery, & Equip.	Other tangible assets	Fixed assets In progress and advances	Total net
As of 31 December 2016	147	67	-	214
As of 31 December 2017	127	88	27	242

7.1.3 Current and non-current financial assets

NON-CURRENT FINANCIAL ASSETS (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Loans, guarantees and other receivables - non-current	9	9
Gross values	**9**	**9**
Impairments	-	-
Net values	**9**	**9**

The loans, guarantees and other non-current receivables primarily include security deposits paid by the Company to the owners of the facilities in Montbonnot, Nîmes and Paris.

CURRENT FINANCIAL ASSETS (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Loans, guarantees and other receivables	170	300
Gross values	**170**	**300**
Impairments	-	-
Net values	**170**	**300**

Other current receivables consist of the balance of cash made available to the coordinator:

- under the liquidity contract to promote trading liquidity and the pricing regularity of the Company's shares (for €70 thousand in 2018 and €300 thousand in 2017);
- and under an intermediation contract concerning a share buyback programme not yet activated as at 31 December 2018 for €100 thousand.

7.1.4 Inventories and work in progress

INVENTORIES (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Invetory finished products	99	24
Inventory purchased products	261	207
Gross values	**360**	**231**
Impairments	-52	-68
Net values	**308**	**163**

Finished products correspond to the finished products for ADV7103 in the context of the sales with a temporary authorisation for use in several European countries.
Purchased products refer to "Likozam" and "Levidcen", products commercialised and sold in France.
Impairment mainly corresponds to products with a short expiry date.

7.1.5 Trade receivables

TRADE RECEIVABLES (€ thousands)	Gross value	Due	Not Due	Impairments	Net value
Position as of December 31, 2017	3 344	126	3 218	-8	3 336
Position as of December 31, 2018	225	111	114	-2	223

At 31 December 2018, the trade receivables item includes a €3,000 thousand receivable from Primex, payable in the first half of 2019.

7.1.6 Tax credits and other current assets

TAX RECEIVABLES AND OTHER CURRENT ASSETS (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Research Tax Credit	821	870
Tax credit for employment and competitiveness	21	16
Sub-total	843	886
Fiscal receivables (VAT, etc.)	222	444
Prepaid expenses	1 468	104
Misc. receivables	5	5
Gross values	**2 538**	**1 439**
Impairments	-	-
Net values	**2 538**	**1 439**

The Research Tax Credit amount stated in the financial statements at 31 December 2018 refers to the amount sought in respect of financial year 2018, and the amount stated as of 31 December 2017, to that sought in respect of financial year 2017.
Prepaid expenses mainly relate to the advance paid to a CRO for the start of the clinical trial with ADV7103 for dRTA in the United States.

7.1.7 Cash and cash equivalents

CASH AND CASH EQUIVALENTS (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Bank current accounts	26 232	36 183
Cash and cash equivalents	**26 232**	**36 183**

7.1.8 Share capital

Number of shares	Ordinary shares	Preference shares category A	Preference shares category B	Preference shares category C	Preference shares category O'	TOTAL
Position as of December 31, 2016	**216 208**	**322 022**	**236 026**	**-**	**-**	**774 256**
Capital increase - March13th, 2017				503 157		**503 157**
Conversion in shares O' - March 13th, 2017	-91 208				91 208	**-**
Division by five of nomial - october 24th, 2017	625 000	1 610 110	1 180 130	2 515 785	456 040	**6 387 065**
Initial Public Offer -December 6th, 2017	1 924 448					**1 924 448**
capital decrease - Decembre 7th, 2017				-308 817		**-308 817**
Conversion in ordinary shares - December 7th, 2017	5 453 248	-1 610 110	-1 180 130	-2 206 968	-456 040	**-**
Position as of December 31, 2017	**8 002 696**	**-**	**-**	**-**	**-**	**8 002 696**
Capital increase - January 5th, 2018	59 648					**59 648**
Position as of December 31, 2018	**8 062 344**	**-**	**-**	**-**	**-**	**8 062 344**

At 31 December 2018, the Company's share capital consisted of 8,062,344 fully paid-up ordinary shares with a par value of €0.20.

The capital increase of 59,648 shares on 5 January 2018 relates to the partial exercise of the over-allotment at the end of the IPO process. This resulted in the issuance of 59,648 additional new shares at the offer price of €14.03 per share, for a total amount of €743,717.56 (net of issuance costs).

7.1.9 Provisions for risks and charges

PROVISIONS (€ thousands)	Pensions and retirement benefit obligations	Total
Position as of 1 January 2016	**80**	**80**
Allowances for the financial year	21	21
Actuarial Losses /(Gains)	5	5
Position as of 31 December 2017	**106**	**106**
Allowances for the financial year	26	26
Actuarial Losses /(Gains)	15	15
Position as of 31 December 2018	**148**	**148**
Less than one year as of 31 December 2018	-	-
More than one year as of 31 December 2018	148	148

7.1.10 Post-employment – Employee benefits

The contributions recognised through profit or loss for defined contribution plans amounted to €26 thousand in 2018 and €21 thousand in 2017.

Provisions for retirement benefits are measured using the following actuarial data:

	Decembre 31, 2018	Decembre 31, 2017
Retirement age	65 years old (Mgr), 63 years old (Non-mgr)	65 years old (Mgr), 63 years old (Non-mgr)
Discount rate	1,75%	1,97%
Salary growth rate	3% (Mgr), 3% (Non-mgr)	3% (Mgr), 3% (Non-mgr)
Social security expenses rate	44% (Mgr), 44% (Non-mgr)	44% (Mgr), 44% (Non-mgr)
Mortality table	INSEE 2012-2014	INSEE 2012-2014
Likelihood of being present at retirement age (before death)	Less than 30 years old: 85% From 30 to 40 years old: 90% From 40 to 50 years old: 97% From 50 to 60 years old: 100% More than 60 years old: 100%	Less than 30 years old: 85% From 30 to 40 years old: 90% From 40 to 50 years old: 97% From 50 to 60 years old: 100% More than 60 years old: 100%

The changes to the post-employment obligation between 1 January 2017 and 31 December 2018 are as follows:

		Impact on income			impact on other comprehensive income	
	1 Jan	cost of services rendered	financial cost	sub-total	actuarial gains and losses	31 Dec
2017 - Overall commitment	80	19	1	**21**	5	106
2018 - Overall commitment	106	25	2	**26**	16	148

Due to a lack of hedging assets, the Company's entire obligation mentioned above is recognized in liabilities.

A one-point change in the discount rate had no significant impact on the total liabilities as of 31 December 2018 and 31 December 2017.

7.1.11 Financial liabilities

BORROWINGS AND FINANCIAL DEBT (€ THOUSANDS)	January 1, 2016	Issuances	Repayments	Reclassifications / Other	December 31, 2017
Bank loans	94	500	-80	-172	342
Refundable advances	112				112
Bond issue	-			-	-
Non-current financial debt	**206**	**500**	**-80**	**-172**	**454**
Bank loans	50		-50	172	172
Refundable advances	466		-391		75
Bond issue	3 061			-3 061	-
Current financial debt	**3 578**	**-**	**-441**	**-2 889**	**248**
Total	**3 784**	**500**	**-521**	**-3 061**	**701**

Maturities (€ thousands)	December 31, 2017
Less than one year	248
Between one and five years	342
More than five years	112
Total	**701**

EMPRUNTS ET DETTES FINANCIERES (K€)	December 31, 2017	Issuances	Repayments	Reclassifications / Other	Decembre 31, 2018
Bank loans	342			-170	172
Refundable advances	112			-112	-
Bond issue	-			-	-
Non-current financial debt	**454**	**-**	**-**	**-282**	**172**
Bank loans	172		-172	170	170
Refundable advances	75			1	76
Bond issue	-			-	-
Current financial debt	**248**	**-**	**-172**	**171**	**248**
Total	**701**	**-**	**-172**	**-111**	**420**

Maturities (€ thousands)	Decembre 31, 2018
Less than one year	248
Between one and five years	172
More than five years	-
Total	**420**

Bank loans

During the first half of 2017, the Company took out a nominal loan of €500 thousand with BNP Paribas Bank with a fixed interest rate of 2.45% and a term of 48 months. This loan is secured by a pledge on the Company's goodwill. The bank loan line also includes a loan to finance material and equipment with an interest rate of 2.45%.

Refundable Advances

Contingent advances are subject to agreements with BPI France (formerly OSEO). At 31 December 2018, the Company now has only one repayable advance contract, because on 2 March 2018, Bpifrance Financement decided to transform the reimbursable TOUPI advance of €112 thousand into a subsidy.

The main terms of this refundable advance are set out below:

FORMS4KIDS

This interest-free credit for an amount of €220 thousand granted by OSEO INNOVATION is associated with the financing of the development of formulations and medical products that meet paediatric needs.

At 31 December 2017, the residual amount of this refundable advance amounted to €76 thousand and represented the difference between the amounts cashed-in by the Company, i.e. €101 thousand and the partial repayment of this contingent advance, i.e. €25 thousand.

The Company acknowledged the failure of the project in August 2015 and is waiting for BPI France (formerly OSEO) to officially announce the commercial failure of the program. Once the failure of the project becomes official, the repayable advance will be recognized as a granted subsidy.

7.1.12 Trade payables, deferred income and other liabilities

TRADE AND OTHER PAYABLES (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Social security payables	839	667
Tax payables	65	31
Advances and deposits received		2 000
Other creditors	403	204
Sub-total	1 307	2 901
Trade payables	1 569	1 314
Deferred income		
TOTAL	**2 876**	**4 215**

Maturities (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Less than one year	2 876	4 215
More than one year		
TOTAL	**2 876**	**4 215**

At 31 December 2017, the advances and deposits received relate to the payment initially received for the PRIMEX contract signed on 12 February 2016. This advance was recognised as revenue in the 2018 financial year following the receipt on 12 September 2018 of the first positive notification for ADV6209, which is covered under the PRIMEX contract. (see Note 4.1.1.(A))

The other payables item mainly includes payments or remittances to social security recovery agencies.

7.1.13 Financial instruments

En K€	Categories	December 31, 2018 Net book value	December 31, 2018 Fair value	December 31, 2017 Net book value	December 31, 2017 Fair value
Assets					
Other non-current financial assets	A	9	9	9	9
Trade and other receivables	A	3 336	3 336	223	223
Cash and cash equivalents	B	-	-	-	-
Total		**3 346**	**3 346**	**232**	**232**
Liabilities					
Financial liabilities (share at > and < one year)	C	420	420	702	702
Trade and other payables	C	1 569	1 569	1 314	1 314
Total		**1 989**	**1 989**	**2 016**	**2 016**

A - Loans and receivables
B - Assets at fair value through profit or loss
C - Liabilities valued at amortised cost
D - Liabilities valued at fair value through profit or loss

The net carrying amount of current financial assets and liabilities is deemed to be a reasonable approximation of their fair value.

8 NOTES TO THE ITEMS OF THE CASH FLOW STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

8.1. Notes to the cash flow statement

CASH FLOW (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Net loss	-5 015	-6 048
Amortisation, depreciation and provisions	131	186
Share-based payments	500	822
Other calculated income and expenses	-111	-62
Net financial costs	10	69
Self-financing capacity	**-4 484**	**-5 032**
Changes in inventory	-145	129
Changes in trade receivables and other receivables	-4 213	-569
Changes in trade payables and other payables	-1 339	-328
Cash flow from operations	**-10 181**	**-5 801**
Acquisition of property, plant and equipment and intangible assets	-142	-35
Acquisition of treasury shares	-330	
Acquisition of financial assets	130	-303
Cash flow from investing activities	**-342**	**-338**
Capital increase	744	40 830
New borrowings and refundable advances	-	500
Repayment of borrowings and refundable advances	-172	-521
Interest received (paid)		-69
Cash flow from financing activities	**571**	**40 739**
Change in cash	**-9 951**	**34 600**
Opening cash	36 183	1 583
Closing cash	26 232	36 183

Cash flow from operations for the financial years ended 31 December 2018 and 2017 was €10,181 thousand and -€5,801 thousand, respectively.

In 2018, the change in trade receivables was linked to the milestone payment of Primex (see Note 4.1.1 (A)), and payable in 2019.

Cash flow from investing activities was -€342 thousand and -€338 thousand respectively.

Cash flow from financing in 2017 is due to capital transactions and the IPO. In 2018, it was due to the partial exercise of over-allotment at the end of the IPO process. This resulted in the issuance of 59,648 additional new shares at the offer price of €14.03 per share, for a total amount of €743,717.56 (net of issuance costs).

8.2. Notes to the income statement

8.2.1 Revenue

REVENUE (€ thousands)	Decembre 31, 2018		Decembre 31, 2017	
European Union	963	100%	557	100%
Rest of the world	-	0%	-	0%
Revenue	**963**	**100%**	**557**	**100%**

Sales of goods comprise mainly two products sold under license for epilepsy: Likozam and Levidcen. Likozam is sold under a temporary authorisation for use (ATU). In 2018, Advicenne registered its first sales for ADV7103 under a nominative ATU.

8.2.2 Income from partnerships

INCOME FROM PARNERSHIPS (€ thousands)	Decembre 31, 2018		Decembre 31, 2017	
Primex	5 000	100%	1 091	100%
Income from partnerships	**5 000**	**100%**	**1 091**	**100%**

Income from partnerships was generated by the PRIMEX contract (see Notes 4.1.1 (A) and 7.1.12).

8.2.3 Other operating income

Other operating income includes the following items:

OTHER OPERATING INCOME (€ thousands)	Decembre 31, 2018		Decembre 31, 2017	
Research Tax Credit	821	85%	861	93%
Tax credit for employment and competitivene	21	2%	16	2%
Grants	111	12%	4	0%
Other income	8	1%	42	0%
Other operating income	**961**	**100%**	**924**	**95%**

At 31 December 2018, subsidies were related to the termination of the TOUPI project.

8.2.4 Expenses by type

December 31, 2017 - in € thousands	Research and development expenses	Sales and marketing expenses	Overhead and general expenses	TOTAL
Personnel expenses	1 799	995	750	3 544
Net depreciation and amortisation	86	-	28	114
Other external costs	5 333	1 225	1 526	8 085
Total	**7 218**	**2 220**	**2 304**	**11 742**

December 31, 2018 - in € thousands	Research and development expenses	Sales and marketing expenses	Overhead and general expenses	TOTAL
Personnel expenses	2 039	843	442	3 324
Net depreciation and amortisation	87	1	9	97
Other external costs	2 830	651	1 330	4 811
Total	**4 956**	**1 495**	**1 781**	**8 233**

Expenses in connection with IFRS 2 are detailed in "personnel expenses" for €500 thousand and €822 thousand in 2018 and 2017 respectively.

The increase in other external costs in research and development expenses was related to the progress of two new clinical studies: ADV7103 dRTA in the USA and ADV7103 cystinuria in Europe.

Share-based payments (IFRS 2)

Stock options were granted to executives, certain key employees and members of the Board of Directors in the form of share subscription warrants (BSA) and founders' warrants (BSPCE).

During the 2018 financial year, 80,000 BSPCEs were awarded to one employee:

Security types	BSPCE 2008	BSA 2008	BSPCE 2011 - pool 2	BSA 2011	BSPCE 2011 Bis	BSPCE 2013/1	BSA 2013	BSPCE 2013/1 - part 2	BSPCE 2017 - Pool 1	BSPCE 2017 - Pool 2	BSPCE
Date of the AGM or Board granting the warrants	07/08/2009	07/08/2009	19/10/2012	19/10/2012	03/01/2014	03/01/2014	17/04/2015	17/04/2015	11/07/2017	11/07/2017	07/12/2018
Exercise price per newly subscribed share	10 €	10 €	16,10 €	16,10 €	16,10 €	16,10 €	16,10 €	16,10 €	7,54 €	7,54 €	11,74 €
Vesting	NA	NA	- exercise of 1/4 starting from the first anniversary of award - exercise of 1/4 starting from the second anniversary of award - exercise of 1/2 starting from the third anniversary of award		- 25% exercisable on award - 25% if French regulatory approval obtained for the two licensed products (ADV5803 and 5901) before 31/12/2014 - 25 % if the last patient out of the 24 patients for the pivotal phase II/III study aimed at regulatory approval for ADV 7103 is recruited before 31/3/2015 - 25% if and from the date that revenue reaches €350 thousand in 2014 (excluding licenses and other distribution contracts)	- exercise of 1/4 starting from the first anniversary of award - exercise of 1/4 starting from the second anniversary of award - exercise of 1/2 starting from the third anniversary of award	- exercise of 1/4 starting from the first anniversary of award - exercise of 1/4 starting from the second anniversary of award - exercise of 1/2 starting from the third anniversary of award		- exercise of 1/4 starting from the first anniversary of award - exercise of 1/4 starting from the second anniversary of award - exercise of 1/2 starting from the third anniversary of award	Conditionned upon IPO and tranches of price per share upon IPO	- exercise of 1/4 starting from the first anniversary of award - exercise of 1/4 starting from the second anniversary of award - exercise of 1/4 starting from the third anniversary of award - exercise of 1/4 starting from the fourth anniversary of award
Validity period	07/08/2019	07/08/2019	19/10/2019	19/10/2019	19/10/2019	03/01/2021	17/04/2022	17/04/2022	11/07/2024	11/07/2024	07/12/2028
Number of warrants applicable as of December 31, 2017	13 320	6 660	32 617	10 409	6 054	31 000	5 000	10 650	72 000	20 000	0
Number of warrants applicable as of December 31, 2018	13 320	6 660	32 617	10 409	6 054	31 000	5 000	10 650	72 000	20 000	80 000
Maximum number of new shares available for subscription as of 31 December 2017	66 600	33 300	163 085	52 045	30 270	155 000	20 000	26 625	0	100 000	0
Maximum number of new shares available for subscription as of 31 December 2018	**66 600**	**33 300**	**163 085**	**52 045**	**30 270**	**155 000**	**25 000**	**53 250**	**90 000**	**100 000**	**0**

The fair value of the warrants granted was measured by an independent expert using the Black & Scholes method, based on the following assumptions:

Main data and assumptions	BSPCE 2008	BSA 2008	BSPCE 2011 - pool 2	BSA 2011	BSPCE 2011 Bis	BSPCE 2013/1	BSA 2013	BSPCE 2013/1 - part 2	BSPCE 2017 - Pool 1	BSPCE 2017 - Pool 2	BSPCE	TOTAL
Maturity	10 ans	10 ans	7 ans	7 ans	5 ans	7 ans	7 ans	7 ans	7 ans	7 ans	10 ans	
Iboxx EUR Non financial AAA	1,12%	1,12%	1,12%	1,12%	1,12%	1,12%	1,12%	1,12%	1,23%	1,23%	1,11%	
Volatility	35,43%	35,43%	35,43%	35,43%	35,43%	35,43%	35,43%	35,43%	62,36%	60,80%	14,10%	
Expected dividends	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	
Price of the underlying	6,65 €	6,65 €	6,65 €	6,65 €	6,65 €	6,65 €	6,65 €	6,65 €	7,54 €	7,54 €	10,90 €	
Exercise price	2,00 €	2,00 €	3,22 €	3,22 €	3,22 €	3,22 €	3,22 €	3,22 €	7,54 €	7,54 €	11,74 €	
Fair value of the option	**4,54 €**	**3,29 €**	**3,29 €**	**3,29 €**	**3,29 €**	**3,29 €**	**3,29 €**	**3,29 €**	**3,18 €**	**2,51 €**	**1,26 €**	
IFRS 2 expense - employees as of 31/12/2017	7,8 k€	13,0 k€	33,6 k€	19,0 k€	30,1 k€	24 k€	14,6 k€	23,0 k€	73,5 k€	62,8 k€	-	**301,4 k€**
IFRS 2 expense - executives as of 31/12/2017	18,2 k€	-	34,0 k€	-	106,7 k€	33,3 k€	-	12,4 k€	220,4 k€	188,2 k€	-	**613,2 k€**
IFRS 2 expense - employees as of 31/12/2018	0k€	0k€	0k€	0k€	0k€	0k€	4k€	5k€	121k€	0k€	0k€	**130k€**
IFRS 2 expense - executives as of 31/12/2018	0k€	0k€	0k€	0k€	0k€	0k€	0k€	2k€	364k€	0k€	3k€	**370k€**

8.2.5 Financial income and expenses

FINANCIAL INCOME AND EXPENSE (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Foreign currency gain	290	5
Revenues on VMP	18	
Foreign currency loss	-19	-7
Financial income	**289**	**-3**
Interest on borrowings and refundable advances	-10	-11
Interest on convertible bonds		-58
Other financial expenses	-2	-
Financial expenses	**-12**	**-69**
Financial income and expenses	**277**	**-72**

8.2.6 Income tax

TAX EXPENSES (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Tax liabilities		
Deferred taxes		
Tax expense	**-**	**-**

The reconciliation between the income tax recognised in the income statement and the theoretical tax expense based on the applicable French tax rate is as follows:

TAX RECONCILIATION (€ thousands)	Decembre 31, 2018	Decembre 31, 2017
Net loss	-5 015	-6 048
Income taxes	-	-
Loss before tax	**-5 015**	**-6 048**
Theoretical tax rate	28,00%	33,33%
Theoretical tax income	**1 404**	**2 016**
Non-activated financial year deficit	**-1 548**	-2 724
Tax credits	**236**	292
Tax effect on the restatement of development costs	**-**	
Tax effect on IPO expenses allocated to additional paid-in capital	**26**	692
Tax effect on the restatement of IFRS 2	**-140**	-274
Other	**22**	-3
Net tax expense	**-0**	**0**

Tax loss carry forwards amounted to €32.1 million as of 31 December 2018 (€26.2 million as of 31 December 2017). The Company did not recognise any deferred tax assets for tax loss carry forwards and temporary differences.

8.2.7 Earnings per share

EARNINGS PER SHARE (€)	Decembre 31, 2018	Decembre 31, 2017
Net loss (in € thousands)	-5 015	-6 048
Number of ordinary shares	8 037 632	8 002 696
Weighted average number of ordinary shares	8 036 977	6 008 161
Loss per ordinary share in euros	**-0,62**	**-1,01**
Diluted loss per share in euros	**-0,62**	**-1,01**

8.2.8 Related party information

The related parties involved in the transactions completed include physical persons and entities, related to the Company, that have a direct or indirect stake in the Company, as well as the main executive corporate officers.

No related party contracts were in progress in 2018, and no contracts were entered into during the year.

8.2.9 Executive compensation

In accordance with IAS 24, the main executives of the Company are the Chief Executive Officer and the Deputy Chief Executive Officers.

EXECUTIVE COMPENSATION	Total as of 31 December 2018	Short-term compensation (1)	Share-based compensation (2)	Total as of 31 December 2017	Short-term compensation (1)	Share-based compensation (2)
Compensation of the CEO and Deputy CEOs	1 069 659	698 926	370 733	1 125 953	576 465	549 488

(1) Includes gross salary, remuneration, bonuses, incentives, Directors' fees and benefits in kind.
(2) This amount is equal to the annual expense related to grants of BSPCEs and stock options.

8.2.10 Fees of the Statutory Auditors and members of their networks

	Decembre 31, 2018		Decembre 31, 2017	
STATUTORY AUDITORS' FEES (€ thousands)	KPMG		KPMG	
Audit				
Statutory audit, certification, review of company and consolidated financial statements	102	92%	96	31%
Services other than certification of accounts	9	8%	213	69%
Honoraires commissaires aux comptes	**111**	**100%**	**309**	**100%**

This is a free translation into English of the 2018 IFRS annexe issued in the French language and is provided solely for the convenience of English-speaking readers. In case of discrepancy, the French version prevails.

8.2.11 Average headcount

Average headcount	Decembre 31, 2018	Decembre 31, 2017
Managers	23	19
Employees	3	1
Average headcount	**26**	**20**

9 FINANCIAL COMMITMENTS

FINANCIAL COMMITMENTS (in € thousands)	Decembre 31, 2018	Decembre 31, 2017
Commitments given		
Business capital pledges	691	431
Commercial lease	60	45
Commitments given	**751**	**476**
Commitments received	**-**	**-**
Net commitments	**751**	**476**

10 RISKS

10.1 Liquidity risk

Since its founding, the Company has financed its development by strengthening its equity through successive capital increases, refinancing its expenses through borrowings, obtaining subsidies and government grants for innovation and Research Tax Credit reimbursements, as well as short and medium-term bank loans. However, the Company is not exposed to a liquidity risk resulting from the potential execution of early repayment clauses of said loans due to covenants.

In future, the Company will continue to have significant financing needs for its business development.

Financial liabilities broken down by maturity are as follows:

December 31, 20178- in € thousands	Maturities			TOTAL
	Less than one year	Between one and five years	more than five years	
Bank loans	171	172	-	343
Refundable advances	76			76
Tax and social security obligations	904	-	-	904
Deferred income	-			-
Trade payables	1 569			1 569
Other creditors	403			403
TOTAL	**3 123**	**172**	**-**	**3 295**

December 31, 2017 - in € thousands	Maturities			TOTAL
	Less than one year	Between one and five years	more than five years	
Bank loans	172	342	-	514
Refundable advances	76		111	187
Tax and social security obligations	697	-	-	697
Deferred income	2 000			2 000
Trade payables	1 314			1 314
Other creditors	204			204
TOTAL	**4 463**	**342**	**111**	**4 916**

10.2 Credit risk

The credit risk mainly stems from cash and cash equivalents and trade receivables, primarily unpaid receivables and transactions underway.

Cash and cash equivalents are held by banks and financial institutions rated A to A-1 (Standard & Poor's rating agency).

10.3 Currency risk

The Company monitored the US dollar exchange rate in 2018 but has not set up any medium-term hedges at this stage of its development to protect its business from foreign currency fluctuations due to the non-significant number of transactions carried out in foreign currencies, which for the time being are limited to the costs of the Arena 2 clinical trial.
However, the Company cannot rule out that a significant increase in its business, due to its business in the United States in particular, would expose it to greater foreign currency risks. If this were to be the case, the Company would set up a suitable policy to hedge this risk. In the event it were not able to set up an efficient currency hedging system in future, this could have a negative effect on its results.