Individual financial statements in accordance with IFRS for the financial year ended 31 December 2019

Statement of financial position

ASSETS (€ thousands)	Notes	Decembre 31, 2019	Decembre 31, 2018
Intangible assets	7-1-1	4	3
Property, plant and equipment	7-1-2	2 118	242
Other financial assets	7-1-3	119	9
Non-current assets		**2 241**	**254**
Inventories and work in progress	7-1-4	496	308
Trade receivables	7-1-5	553	3 336
Tax receivables	7-1-6	860	843
Other current assets	7-1-3	2 904	1 695
Financial assets	7-1-7	195	170
Cash and cash equivalents	7-1-7	16 629	26 232
Current assets		**21 638**	**32 585**
Total assets		**23 879**	**32 839**

LIABILITIES (€ thousands)	Notes	Decembre 31, 2019	31 décembre 2018
Share capital		1 683	1 612
Additional paid-in capital		53 565	52 296
Reserves		-24 329	-19 500
Net loss		-14 198	-5 015
Total shareholders' equity		**16 720**	**29 394**
Borrowings and financial debt	7-1-10	1 324	172
Provisions	7-1-8 / 9	212	148
Autres passifs	7-1-11	-	
Non-current liabilities		**1 536**	**321**
Borrowings and financial debt	7-1-10	288	248
Trade payables	7-1-11	3 907	1 569
Other current liabilities	7-1-11	1 427	1 306
Current liabilities		**5 623**	**3 123**
Total liabilities		**23 879**	**32 839**

*This is a free translation into English of the **2019 IFRS accounts** issued in the French language and is provided solely for the convenience of English-speaking readers. In case of discrepancy, the French version prevails.*

Income statement and statement of comprehensive income

INCOME STATEMENT (€ thousands)	Notes	Decembre 31, 2019	Decembre 31, 2018
Revenue	8-2-1	1 663	963
Revenue from Partnership	8-2-2	-	5 000
Other operating income	8-2-3	921	961
Total revenue and other income		**2 584**	**6 924**
Cost of goods sold		-691	-474
Research and development expenses	8-2-4	-8 562	-7 218
Sales and marketing expenses	8-2-4	-4 010	-2 220
Overhead and general expenses	8-2-4	-3 569	-2 304
Operating loss		**-14 248**	**-5 292**
Net financial costs	8-2-5	-28	-10
Other financial expenses			
Other financial income	8-2-5	78	287
Résultat avant impôt		**-14 198**	**-5 015**
Impôts sur les bénéfices	8-2-6	-	-
Net loss		**-14 198**	**-5 015**
Loss per share (€/share)	8-2-7	-1,74	-0,62
Diluted loss per share (€/share)	8-2-7	-1,74	-0,62

OTHER COMPREHENSIVE INCOME (€ thousands)	Notes	Decembre 31, 2019	31 décembre 2018
Net Loss		**-14 198**	**-5 015**
Revaluation of pension plan liabilities		-43	-16
Tax effect			
Other comprehensive loss not recyclable through profit and loss		**-43**	**-16**
Comprehensive loss		**-14 241**	**-5 031**

Clarification: all the items of other comprehensive income may be recycled in profit and loss except for actuarial gains and losses on post-employment benefits

Statement of changes in shareholders' equity

CHANGE IN SHAREHOLDERS' EQUITY (€ thousands)	Number of shares	Capital	Paid-in Capita	Reserves	Total
Position as of 31 December 2017	**8 002 696**	**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	59 648	12	732		744
Acquisition or sale of treasury shares			-330		-330
Share-based payments				500	500
Position as of 31 December 2018	**8 062 344**	**1 612**	**52 296**	**-24 515**	**29 394**
Loss from the period				-14 198	-14 198
Other comprehensive income, after taxes				-43	-43
Comprehensive loss		**-**	**-**	**-14 241**	**-14 241**
Share-based payments	351 300	70	939		1 009
Acquisition or sale of treasury shares			330	-287	43
Share-based payments				516	516
Position as of 31 December 2019	**8 413 644**	**1 683**	**53 565**	**-38 527**	**16 721**

The capital increase of €1,009 thousand corresponds to the exercise of the founders' warrants (BSPCE) and share subscription warrants (BSA). The 2018 capital increase of €744 thousand corresponded to the over-allotment option following the IPO.

The acquisition of €43 thousand in treasury shares (€330 thousand in 2018) reflects trading under the liquidity contract.

Cash flow statement

CASH FLOW (€ thousands)	Notes	Decembre 31, 2019	Decembre 31, 2018
Net loss	8-2	-14 198	-5 015
Amortisation, depreciation and provisions		305	131
Share-based payments	8-2-3	516	500
Other calculated income and expenses		46	-111
Net financial costs	8-2-4	28	10
Self-financing capacity		**-13 303**	**-4 484**
Changes in inventory	7-1-4	-188	-145
Changes in trade receivables and other receivables	7-1-5 / 6	1 557	-4 213
Changes in trade payables and other payables	7-1-12	2 459	-1 339
Cash flow from operations		**-9 475**	**-10 181**
Acquisition of property, plant and equipment and intangible assets	7-1-1/2	-934	-142
Acquisition of treasury shares		-43	-330
Acquisition of financial assets		-135	130
Cash flow from investing activities		**-1 112**	**-342**
Capital increase	7-1-8	1 009	744
New borrowings and refundable advances	7-1-10	276	-
Repayment of borrowings and refundable advances	7-1-10	-302	-172
Cash flow from financing activities		**983**	**571**
Change in cash		**-9 603**	**-9 951**
Opening cash	7-1-7	26 232	36 183
Closing cash	7-1-7	16 629	26 232

NOTES TO THE FINANCIAL STATEMENTS

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

These notes are an integral part of the Company's individual financial statements for the financial year ended 31 December 2019. The financial statements were approved by the Board of Directors on 12 March 2020.

1 DESCRIPTION OF THE COMPANY'S BUSINESS ACTIVITIES

Advicenne is a specialty pharmaceutical company focused on the development and marketing of innovative treatments for orphan diseases.

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 meet the strong demand in orphan markets for which there are no approved treatments in Europe or the United States.

ADV6209 - Ozalin, one of the first products developed by Advicenne, obtained an MA in several European countries in 2018. This product was the subject of an asset disposal agreement with Primex Pharmaceuticals AG stipulating minimum revenue of €40 million over a seven-year period, if all conditions are met.

ADV7103, its lead product, is currently undergoing advanced clinical trials for two rare chronic kidney diseases, distal renal tubular acidosis (dRTA) and cystinuria.

At the end of 2019, the European Commission granted orphan drug designation to ADV7103 for the treatment of cystinuria, a rare kidney disease that induces significant, recurring kidney stones. The same designation was obtained in 2017 for its first indication for distal renal tubular acidosis (dRTA), another rare kidney disease that occurs when the kidneys are unable to effectively eliminate the build-up of acids in the blood. ADV7103 is currently in Phase III clinical trials for this indication in Europe, the United States and Canada and its marketing application is being reviewed under the European centralised procedure.

While preparing for ADV7103's European commercial launch for dRTA, Advicenne is also conducting trials in the treatment of cystinuria, a genetic disease characterized by a build-up of cystine in the kidneys and bladder. ADV7103's Phase II/III European clinical trials for this second indication have been expanded to include Belgium.

At Advicenne, we are also committed to innovating in the areas of formulation and galenical preparations. Tasteless and easy to administer, our products are marketed in the form of granules or small tablets that offer flexible, personalised dosing - because pathbreaking treatments for rare diseases should be available to patients of all ages.

In Europe, the Company decided to market its products via its own infrastructure, which is in the process of being set up. 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.

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.

Based in Nîmes, Grenoble and Paris, Advicenne has been listed on Euronext Paris since 2017 and was cross-listed on Euronext Brussels in 2019.

2. HIGHLIGHTS OF THE FINANCIAL YEAR

2.1 Highlights of the 2019 financial year

The year 2019 was rich in positive developments and Advicenne remains on track to bring its lead drug candidate, ADV7103, to market as planned.

The two Phase III clinical trials in the United States and in Europe and preparation for commercial launch in Europe were the main investment items on the income statement.

Financial and commercial events

Advicenne:

Announced a successful cross-listing of its shares on the regulated market Euronext Brussels.

Announced a €20 million financing agreement with the European Investment Bank involving three tranches of €7.5 million, €5 million and €7.5 million, respectively.

Secured the commercial production of ADV7103 thanks to a long-term manufacturing supply agreement with Elaiapharm Lundbeck, signed on 4 September 2019.

Was awarded the Palme d'Oc in the Research & Health category at the 2019 "ambassadeurs d'Occitanie" gala organized by La Tribune on Tuesday, 12 November at the Opéra Comédie in Montpellier.

Scientific, clinical and regulatory events

In 2019, Advicenne also:

Obtained authorisation from the Belgian Federal Agency for Medicines and Health Products (FAMHP) to initiate a pivotal Phase II/III clinical trial (CORAL study) on its lead drug candidate, ADV7103, for cystinuria.

Filed the marketing application for its lead product ADV7103 for distal renal tubular acidosis (dRTA).

Confirmed the prevalence of dRTA and cystinuria at the ISPOR conference.

Announced the inclusion of the first patient in the ARENA-2 study, a pivotal Phase III clinical trial conducted in the United States with ADV7103 for distal renal tubular acidosis (dRTA).

Presented additional data regarding ADV7103's effectiveness in the treatment of dRTA during an oral presentation and via a poster at the 18th Congress of the International Pediatric Nephrology Association - IPNA.

Obtained Orphan Drug Designation from the EMA for ADV7103 for cystinuria in Europe.

Other events and governance

In 2019, Advicenne also:

Decided to appoint, in addition to the reappointment of KPMG, a second firm (Implid Audit) as co-Statutory Auditors. This selection was made in anticipation of the planned consolidation of financial statements that will take place during its international development.

Decided, based on best governance practices, to split the functions of Executive Management and the chairmanship of the Board of Directors. Accordingly, Mr David Horn Solomon was appointed Chairman of the Board of Directors as part of the Company's international strategy.

2.2 Subsequent events

Advicenne has made available ADV7103 8mEq and 24mEq, extended-release granules, in France as part of a Temporary Cohort Use Authorization

Advicenne announced, on March 13, 2020, the appointment of André Ulmann to the position of Acting Chief Executive Officer, replacing Mr. Luc-André Granier

The World Health Organization (WHO) declared on March 11, 2020 that COVID-19 coronavirus disease constitutes a pandemic. A strong and lasting expansion of the COVID-19 epidemic would have an impact on the activity of the Company, in particular on the progress of the clinical studies it conducts.

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 2019.

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 Standards whose application is mandatory as of 1 January 2019

Aside from IFRS 16 "Leases", the new standards, amendments and interpretations with mandatory application as of 1 January 2019 had no material impact on the financial statements:

Amendments to IAS 19 Employee benefits: Plan amendment, curtailment or settlement
Amendments to IAS 28: Long-term interests in associates and joint ventures
Amendments to IFRS 9: Prepayment features with negative compensation
IFRIC 23: Uncertainty over income tax treatments
IAS 12: Income tax consequences of payments on instruments classified as equity
IFRS 3 and IFRS 11: Previously held interests in a joint operation
IAS 23: Borrowing costs included in the cost of the asset

The Company did not early adopt the standards, amendments and interpretations that will become mandatory as of 1 January 2020 or later and is currently assessing the potential impacts of their application.

4.1.2 Leases

The Company applied IFRS 16 "Leases" for the first time. This standard introduces a new accounting model for leases and its application became mandatory on 1 January 2019. 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 a financial liability. In addition, the rents for these leases are recognised partly as reimbursement of underlying rental asset and partly as financial expenses in financial income. A amortisation for the right-of-use is reported under operational result. This new standard primarily impacts the property leases of the facilities in Nîmes, Grenoble and Paris, as well as car leases.

Leases, as defined by IFRS 16 "Leases", are recognised on the balance sheet, which results in the recognition of:

- An asset that corresponds to the right-of-use of the leased asset for the term of the lease;
- A liability with respect to the payment obligation.

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

- Leases of less than 12 months, including extension options reasonably likely to be exercised.
- Low replacement cost of the underlying asset in absolute terms (less than €5,000 when new).

The Company applied IFRS 16 as of 1 January 2019 using the simplified retrospective approach.

The discount rates were determined according to the residual term of the existing leases as of 1 January 2019. As of 1 January 2019, the estimated amount of the liability and the asset representing the right of use of the relevant property was assessed at €1.2 million.

The term of the two most significant leases falling within the scope of IFRS 16 was nine years.

The average marginal borrowing rate was 2.5%.

The application of this standard had no material impact on the income statement for the period. At end-2018, the Company had three ongoing leases with an off-balance sheet commitment of €60 thousand. The difference with the €1,261 thousand liability recognised at 31 December 2019 corresponds mainly to the new leases signed in 2019.

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 recognised 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 2019 and 31 December 2018, as all of the above criteria were not met in full. Technical feasibility is not deemed to be demonstrated until marketing authorisation has been granted.

5.2 Other intangible assets

These primarily include software licenses. Other intangible assets purchased are stated in the balance sheet at acquisition cost less, where relevant, amortisation and accumulated impairment losses.

They are 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 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 recognised. 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.

5.5 Financial assets

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 financial assets 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.

5.6 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.

5.7 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 recognised 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.

5.8 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.

5.9 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 amortised 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 recognised in other operating income.

5.10 Employee benefits

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

Defined contribution plans (legal and supplementary retirement plans) are recognised 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 recognised 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 recognised in financial income and expenses. Liability remeasurements (actuarial gains and losses) are recognised in other comprehensive income (OCI).

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

5.11 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 recognised 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.

5.12 Revenue recognition

- Product sales

The Company's revenue consists of the sales under license of drugs developed by a third-party company (Levidcen® and Likozam®), and sales of ADV7103, a product developed by the Company and sold under a nominative Temporary Authorisation for Use (ATU) in 2019. 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 recognised after deduction of pharmaceutical taxes and, where applicable, social security contributions and credits.

- Income from partnerships

Income from partnerships is recognised according to the contractual terms and conditions and only pertains to the Primex contract.

This is an agreement for the sale of assets relating to the product ADV6209 (Ozalin) 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.

A total of €7 million has been recognised and received since the signature of the contract. The most recent payment of €3 million, pertaining to income recognised in 2018, was paid in the first half of 2019 in accordance with the agreement.

5.13 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.

Subsidies

In accordance with IAS 20, subsidies are recognised 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 is deductible against income tax payable by the company 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 repaid 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.

5.14 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.

5.15 Income tax

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

Tax liabilities

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 recognised 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 recognised if and only if it is likely that there will be future taxable profits against which they can be utilised.

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.

5.16 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.

5.17 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.

5.18 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 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.

5.19 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 categorised 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 categorised into different levels of the fair value hierarchy, the fair value measurement obtained is categorised 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, 2019		Decembre 31, 2018	
European Union	1 663	100%	963	100%
Rest of the w orld	-	0%	-	0%
Revenue	**1 663**	**100%**	**963**	**100%**

*This is a free translation into English of the **2019 IFRS accounts** issued in the French language and is provided solely for the convenience of English-speaking readers. In case of discrepancy, the French version prevails.*

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 2017	**23**	**23**
Augmentations de l'exercice	2	2
Position as of 31 December 2018	**25**	**25**
Increases during the financial year	17	17
Decreases during the financial year	-20	-20
Position as of 31 December 2019	**21**	**21**

AMORTISATION OF INTANGIBLE ASSETS (€ thousands)	Software	Total amortisation
Position as of 1 January 2017	**-21**	**-21**
Allowances for the financial year	-2	-2
Position as of 31 December 2018	**-22**	**-22**
Allowances for the financial year	-22	-22
Decreases during the financial year	27	27
Position as of 31 December 2019	**-17**	**-17**

NET INTANGIBLE ASSETS (€ thousands)	Software	Total net
As of 31 December 2018	3	3
As of 31 December 2019	4	4

7.1.2 Property, plant and equipment

GROSS PROPERTY, PLANT AND EQUIPMENT (€ thousands)	Land & Buildings	Plant, Machinery, & Equip.	Other tangible assets	Fixed assets In progress and	Total gross
Position as of 1 January 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**
Increases during the financial year		192	123	602	917
Decreases during the financial year			-33	-59	-92
Opening right of use (IFRS 16)	102		20		122
Increase right of use (IFRS 16)	1 159				1 159
Position as of 31 December 2019	**1 261**	**704**	**287**	**570**	**2 822**

AMORTISSEMENTS DES IMMOBILISATIONS CORPORELLES (K€)	Land & Buildings	Plant, Machinery, & Equip.	Other tangible assets	Fixed assets In progress and advances	Total amortisation
Position as of 1 January 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**
Allowances for the financial year		-93	-40		-133
Decreases during the financial year			29		29
Dotations droit d'utilisation (IFRS 16)	-119		-8		-126
Position as of 31 December 2019	**-119**	**-478**	**-108**	**-**	**-704**

NET PROPERTY, PLANT AND EQUIPMENT (€ thousands)	Land & Buildings	Plant, Machinery, & Equip.	Other tangible assets	Fixed assets In progress and advances	Total net
As of 31 December 2018	-	127	88	27	242
As of 31 December 2019	1 142	226	179	570	2 118

The increase in fixed assets in progress concerns the investment in a secondary packaging machine for ADV7103, in preparation for the marketing of the product.
The increase in the right of use is linked to the signing of two new leases for the offices in Nîmes and Paris.

7.1.3 Current and non-current financial assets

NON-CURRENT FINANCIAL ASSETS (€ thousands)	Decembre 31, 2019	Decembre 31, 2018
Loans, guarantees and other receivables - non-current	119	9
Gross values	**119**	**9**
Impairments	-	-
Net values	**119**	**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, 2019	Decembre 31, 2018
Loans, guarantees and other receivables - non-current	195	170
Gross values	**195**	**170**
Impairments	-	-
Net values	**195**	**170**

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 €95 thousand in 2019 (€70 thousand in 2018);
- and under an intermediation contract concerning an as yet inactive share buyback programme €100 thousand.

7.1.4 Inventories and work in progress

INVENTORIES (€ thousands)	Decembre 31, 2019	Decembre 31, 2018
Inventory finished products	132	99
Inventory purchased products	377	261
Gross values	**508**	**360**
Impairments	-12	-52
Net values	**496**	**308**

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, 2018	581	350	231	-27	554
Position as of December 31, 2019	3 344	126	3 218	-8	3 336

At 31 December 2018, the trade receivables item included a €3,000 thousand receivable from Primex, which was paid during the first half of 2019.

7.1.6 Tax credits and other current assets

TAX RECEIVABLES AND OTHER CURRENT ASSETS (€ thousands)	Decembre 31, 2019	Decembre 31, 2018
Research Tax Credit	860	821
Tax credit for employment and competitiveness		21
Sub-total	860	843
Fiscal receivables (VAT, etc.)	390	222
Prepaid expenses	2 502	1 468
Misc. receivables	13	5
Gross values	**3 765**	**2 538**
Impairments	-	-
Net values	**3 765**	**2 538**

The Research Tax Credit amount stated in the financial statements at 31 December 2019 refers to expenses measured during financial year 2019, and the amount stated at 31 December 2018 to that sought in respect of financial year 2018.

Prepaid expenses primarily pertain to the advance paid to a CRO (Contract Research Organization) for managing the pivotal Phase III clinical trial for ADV7103 for dTRA in the United States.

7.1.7 Cash and cash equivalents

CASH AND CASH EQUIVALENTS (€ thousands)	Decembre 31, 2019	Decembre 31, 2018
Bank current accounts	16 629	26 232
Cash and cash equivalents	**16 629**	**26 232**

7.1.8 Provisions for risks and charges

PROVISIONS (€ thousands)	Pensions and retirement benefit obligations	Total
Position as of 1 January 2017	**106**	**106**
Allowances for the financial year	26	26
Actuarial Losses /(Gains)	16	16
Position as of 31 December 2018	**148**	**148**
Allowances for the financial year	36	36
Actuarial Losses /(Gains)	27	27
Position as of 31 December 2019	**212**	**212**
Less than one year as of 31 December 20	-	-
More than one year as of 31 December 20	212	212

7.1.9 Post-employment – Employee benefits

The contributions recognised through profit or loss for defined contribution plans amounted to €36 thousand in 2019 and €26 thousand in 2018.

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

	Decembre 31, 2019	Decembre 31, 2018
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 2018 and 31 December 2019 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
2018 - Overall commitment	106	25	2	**26**	16	148
2019 - Overall commitment	148	36	1	**36**	27	211

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

A one-point change in the discount rate has no significant impact on the total liabilities as of 31 December 2019 and 31 December 2018.

7.1.10 Financial liabilities

BORROWINGS AND FINANCIAL DEBT (€ THOUSANDS)	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)	31 décembre 2018
Less than one year	248
Betw een one and five years	172
More than five years	-
Total	**420**

BORROWINGS AND FINANCIAL DEBT (€ THOUSANDS)	31 décembre 2018	Issuances	Repayments	Reclassifications / Other	Decembre 31, 2019
Bank loans	172			-129	43
Refundable advances	-	276		-	276
Dettes financières crédit bail	-	1 164		-159	1 005
Non-current financial debt	**172**	**1 440**	**-**	**-288**	**1 324**
Bank loans	170		-170	129	129
Refundable advances	76		-15	-61	0
Bond issue	-	117	-117	159	159
Current financial debt	**246**	**117**	**-302**	**227**	**288**
Total	**418**	**1 557**	**-302**	**-61**	**1 612**

Maturities (€ thousands)	Decembre 31, 2019
Less than one year	288
Betw een one and five years	987
More than five years	337
Total	**1 612**

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

OSEO Innovation granted an interest-free refundable credit of €220 thousand for the FORMS4KIDS project. This credit is associated with the financing of the development of formulations and medical products that meet paediatric needs.

At 31 December 2018, 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 in 2019, BPI France (formerly OSEO) officially announced the commercial failure of the program. The Company made an additional repayment of €15 thousand, and the residual €61 thousand was converted into a subsidy permanently acquired by the Company.

In 2019, the Company obtained marketing insurance from Bpifrance assurance prospection to cover market development expenses in Germany and the UK. It comprises an amount of €552 thousand, €276 thousand of which was received by the Company during the second half of 2019.

The fixed amount of €83 thousand is repayable between September 2024 and June 2025. Additional repayments, depending on revenue, may take place beginning in September 2024 with an upper limit set at the insured amount.

7.1.11 Trade payables, deferred income and other liabilities

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

TRADE AND OTHER PAYABLES (€ thousands)	Decembre 31, 2019	Decembre 31, 2018
Social security payables	668	839
Tax payables	48	65
Advances and deposits received	-	-
Other creditors	712	403
Sub-total	1 427	1 307
Trade payables	3 907	1 569
Deferred income		
TOTAL	**5 335**	**2 876**

Maturities (€ thousands)	Decembre 31, 2019	Decembre 31, 2018
Less than one year	5 335	2 876
More than one year		
TOTAL	**5 335**	**2 876**

7.1.12 Financial instruments

€ thousands	Categories	December 31, 2019 Net book value	December 31, 2019 Fair value	December 31, 2018 Net book value	December 31, 2018 Fair value
Assets					
Other non-current financial assets	A	119	119	9	9
Trade and other receivables	A	553	553	3 336	3 336
Cash and cash equivalents	B	16 629	16 629	26 232	26 232
Total		**17 302**	**17 302**	**29 578**	**29 578**
Liabilities					
Financial liabilities (share at > and < one year)	C	1 612	1 612	420	420
Trade and other payables	C	3 907	3 907	1 569	1 569
Total		**5 520**	**5 520**	**1 989**	**1 989**

A - Assets valued at amortized cost
B - Assets in fair value through result
C - Liabilities valued at amortized cost

The net carrying amount of current financial assets and liabilities is deemed to be a reasonable approximation of their fair value, in view of their short-term maturity.

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)	Notes	Decembre 31, 2019	Decembre 31, 2018
Net loss	8-2	-14 198	-5 015
Amortisation, depreciation and provisions		305	131
Share-based payments	8-2-3	516	500
Other calculated income and expenses		46	-111
Net financial costs	8-2-4	28	10
Self-financing capacity		**-13 303**	**-4 484**
Changes in inventory	7-1-4	-188	-145
Changes in trade receivables and other receivables	7-1-5 / 6	1 557	-4 213
Changes in trade payables and other payables	7-1-12	2 459	-1 339
Cash flow from operations		**-9 475**	**-10 181**
Acquisition of property, plant and equipment and intangible assets	7-1-1/2	-934	-142
Acquisition of treasury shares		-43	-330
Acquisition of financial assets		-135	130
Cash flow from investing activities		**-1 112**	**-342**
Capital increase	7-1-8	1 009	744
New borrowings and refundable advances	7-1-10	276	-
Repayment of borrowings and refundable advances	7-1-10	-302	-172
Cash flow from financing activities		**983**	**571**
Change in cash		**-9 603**	**-9 951**
Opening cash	7-1-7	26 232	36 183
Closing cash	7-1-7	16 629	26 232

Cash flow from operations for the financial years ended 31 December 2019 and 2018 was -€9,346 thousand and -€10,181 thousand, respectively. The positive change in trade receivables in 2019 is related to the €3 million milestone payment by Primex.

Cash flow from investing activities was -€1,112 thousand and -€342 thousand respectively.

Cash flow from financing in 2019 reflects the €1 million capital increase following exercise of the BSPCE/BSA (issuance of 351,300 shares) and the receipt of €276 thousand for the marketing insurance. 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, 2019		Decembre 31, 2018	
European Union	1 663	100%	963	100%
Rest of the w orld	-	0%	-	0%
Revenue	**1 663**	**100%**	**963**	**100%**

Sales of goods comprise two products sold under license for epilepsy: Likozam and Levidcen. Likozam is sold under a temporary authorisation for use (ATU). At end-2018, Advicenne recorded its first sales for ADV7103, a product developed by the Company, under nominative ATU status in France and under other specific statuses in other European countries. ADV7103 sales rose sharply in 2019.

8.2.2 Income from partnerships

Revenue from partnerships (€ thousand)	Decembre 31, 2019		Decembre 31, 2018	
Primex	-		5 000	100%
Revenue from partnerships	**-**	**0%**	**5 000**	**100%**

Income from partnerships was generated by the Primex contract in 2018.

8.2.3 Other operating income

Other operating income includes the following items:

OTHER OPERATING INCOME (€ thousands)	Decembre 31, 2019		Decembre 31, 2018	
Research Tax Credit	851	92%	821	85%
Tax credit for employment and competitiv	-	0%	21	2%
Grants	61	7%	111	12%
Other income	9	1%	8	1%
Other operating income	**921**	**100%**	**961**	**100%**

8.2.4 Expenses by type

December 31, 2019 - in € thousands	Research and development expenses	Sales and marketing expenses	Overhead and general expenses	TOTAL
Personnel expenses	1 648	1 011	1 173	3 833
Net depreciation and amortisation	70	-2	169	237
Other external costs	6 844	3 001	2 226	12 071
Total	**8 562**	**4 010**	**3 569**	**16 141**

December 31, 2018 - 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	8 084
Total	**7 218**	**2 220**	**2 304**	**11 742**

Expenses in connection with IFRS 2 are detailed in "personnel expenses" for €516 thousand and €500 thousand in 2019 and 2018 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 2019 financial year, 305,000 BSPCEs were awarded.

Breakdown of securities giving access to the share capital at 31 December 2019

Security types	BSPCE 2013/1	BSA 2013	BSPCE 2013/1 - part 2	BSPCE 2017pool1	BSPCE 2017pool2	BSPCE 2018	BSPCE 2019-06**	BSPCE 2019-12**
Date of the AGM or Board granting the warrants	03/01/2014	17/04/2015	17/04/2015	11/07/2017	11/07/2017	07/12/2018	13/062019	23/12/2019
Exercise price per newly subscribed share	3,22 €	3,22 €	3,22 €	7,54 €	7,54 €	11,74 €	10,52 €	9,32 €
Vesting	- 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	- 3.750 BSPCE exerçable par année de présence à compter de l'attribution des bons, étant précisé que 100% des BSPCE seront exerçables par anticipation en cas de transaction majoritaire sur la société.	- un délai de présence de 3 ans est envisagé avec acquisition des droits d'exercice annuel par tiers et une accélération à 100% en cas de transaction majoritaire sur le capital de la société payée 100% en cash ou à hauteur des 2/3 dans les autres cas
Validity period	03/01/2021	17/04/2022	17/04/2022	11/07/2024	11/07/2024	07/12/2028	13/06/2029	23/12/2029
Number of warrants allocated at December 31, 2019	31 000	8 000	12 000	72 000	35 000	80 000	15 000	90 000
Number of valid warrants at December 31, 2019	29 800	5 000	10 650	72 000	20 000	80 000	15 000	90 000
Maximum number of new shares available for subscription as of 31 December 2017**	155 000	20 000	26 625	0	100 000	0	0	0
Maximum number of new shares available for subscription as of 31 December 2018**	155 000	25 000	53 250	90 000	100 000	0	0	0
Maximum number of new shares available for subscription as of 31 December 2019	**149 000**	**25 000**	**53 250**	**180 000**	**100 000**	**20 000**	**0**	**0**

** Les hypothèses par bons tiennent compte de la division du nominal des actions par 5 en fin 2017, 1 bon attribué avant 2018 donne droit à 5 actions

*** Exercice de la totalité des bons en vigueur avant leur caducité

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 2013/1	BSA 2013	BSPCE 2013/1 - part 2	BSPCE 2017pool1	BSPCE 2017pool2	BSPCE 2018	BSPCE 2019-06**	BSPCE 2019-12**
Maturity	7 ans	7 ans	7 ans	7 ans	7 ans	10 ans	10 ans	10 ans
Iboxx EUR Non financial AAA	1,12%	1,12%	1,12%	1,23%	1,23%	1,11%	0,57%	0,77%
Volatility	35,43%	35,43%	35,43%	62,4%	60,8%	52,8%	63,3%	63,3%
Expected dividends**	6,65 €	6,65 €	6,65 €	7,54 €	7,54 €	10,90 €	11,50 €	8,87 €
Price of the underlying**	3,22 €	3,22 €	3,22 €	7,54 €	7,54 €	11,74 €	10,52 €	9,32 €
Fair value of the option**	**3,29 €**	**3,29 €**	**3,29 €**	**3,18 €**	**2,51 €**	**5,33 €**	**6,88 €**	**4,98 €**

** Les hypothèses par bons tiennent compte de la division du nominal des actions par 5 en fin 2017, 1 bon attribué avant 2018 donne droit à 5 actions

*** Exercice de la totalité des bons en vigueur avant leur caducité

8.2.5 Financial income and expenses

FINANCIAL INCOME AND EXPENSE (€ thousands)	Decembre 31, 2019	Decembre 31, 2018
Foreign currency gain	77	290
Revenues on VMP	53	18
Foreign currency loss	-51	-19
Financial income	**78**	**289**
Interest on borrowings and refundable advances	-28	-10
Interest on convertible bonds		
Other financial expenses		-2
Financial expenses	**-28**	**-12**
Financial income and expenses	**50**	**277**

8.2.6 Income tax

TAX EXPENSES (€ thousands)	Decembre 31, 2019	Decembre 31, 2018
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, 2019	Decembre 31, 2018
Net loss	-14 198	-5 015
Income taxes	-	-
Loss before tax	**-14 198**	**-5 015**
Theoretical tax rate	28,00%	0
Theoretical tax income	**3 975**	**1 404**
Non-activated financial year deficit	**-4 078**	-1 548
Tax credits	**238**	236
Tax effect on IPO expenses allocated to additional paid-in c	**-**	26
Tax effect on the restatement of IFRS 2	**-144**	-140
Other	**9**	22
Net tax expense	**0**	**0**

Tax loss carry forwards amounted to €45.9 million as of 31 December 2019 (€31.1 million as of 31 December 2018). 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, 2019	Decembre 31, 2018
Net loss (in € thousands)	-14 198	-5 015
Number of ordinary shares	8 391 484	8 037 632
Weighted average number of ordinary shares	8 149 709	8 036 977
Loss per ordinary share in euros	**-1,74**	**-0,62**
Diluted loss per share in euros	**-1,74**	**-0,62**

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 2019, 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	1 276 147	861 851	414 296	1 069 659	698 926	370 733

8.2.10 Fees of the Statutory Auditors and members of their networks

STATUTORY AUDITORS' FEES (€ thousands)	Decembre 31, 2019 KPMG		IMPLID		TOTAL		Decembre 31, 2018 KPMG	
Audit								
Statutory audit, certification, review of company and consolidated financial statements	42	66%	42	88%	84	75%	102	92%
Other duties and services directly not related to the statutory audit mission	22	34%	6	13%	28	25%	9	8%
Honoraires commissaires aux comptes	**64**	**100%**	**48**	**100%**	**112**	**100%**	**111**	**100%**

8.2.11 Average headcount

Average headcount	Decembre 31, 2019	Decembre 31, 2018
Managers	29	23
Employees	3	3
Average headcount	**32**	**26**

9 FINANCIAL COMMITMENTS

FINANCIAL COMMITMENTS (in € thousands)	Decembre 31, 2019	Decembre 31, 2018
Commitments given		
Business capital pledges	691	691
Commercial lease		60
Commitments given	**691**	**751**
Commitments received	**-**	**-**
Net commitments	**691**	**751**
Value of fixed assets pledged as collateral		

This is a free translation into English of the ***2019 IFRS accounts*** *issued in the French language and is provided solely for the convenience of English-speaking readers. In case of discrepancy, the French version prevails.*

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 in the short term resulting from the potential execution of early repayment clauses of said loans due to covenants.

Financial liabilities broken down by maturity are as follows:

December 31, 2019- in € thousands	Maturities			TOTAL
	Less than one year	Between one and five years	more than five years	
Bank loans	129	43	-	172
Refundable advances	-	83	193	276
Tax and social security obligations	715	-	-	715
Deferred income	-			-
Trade payables	3 907			3 907
Other creditors	712			712
TOTAL	**5 464**	**126**	**193**	**5 783**

December 31, 2018 - 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**

As of the publication date of this document, the Company performed a specific review of its liquidity risk and believes it can meet its obligations over the coming 12 months and its cash runway extends until the first quarter of 2021, taking into account the €7.5 million drawdown of the first tranche of the EIB loan, whose conditions have been fulfilled.

This assessment is based on the available cash position as of the date of closing of the current accounts, as well as the Company's commitments and forecast commitments in relation to:

– the registration of ADV7103 for dTRA on the European market,
– the launch of ADV7103's commercial development on the European market,
– the Phase III cystinuria clinical trial in Europe, and
– the Phase III clinical trial for dTRA in the US.

Nevertheless, since the final phases of drug development require greater investments, the Company's financing needs will continue to grow as it invests in the development of new and existing products. Similarly, the development plan for the Company's products may be modified due to multiple factors of which the Company has no knowledge as of the date of closing of the current accounts. In this event, the Company may have to raise additional funds earlier than initially planned by means of

- a call on the market, which would result in a dilution of the ownership interests of the Company's shareholders,
- public or private financing or debt financing, which may require the Company to adhere to restrictive financial or operating conditions,
- marketing and distribution agreements, and other strategic alliances and license agreements, or
- a combination of these approaches.

If the Company were unable to obtain the necessary financing at the appropriate time, this could result in a change in the outlook for growth, its share price could decline and it could, among other measures, be forced to:

- delay or reduce the number or the scope of its clinical and pre-clinical trials, or even to cancel them entirely;
- enter into new contracts under less favourable conditions than those it would have been able to secure under different circumstances.

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 2019 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 (DRTa in the US).

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.