A French *société par actions simplifiée* (simplified corporation) with share capital of €7,679,905.20

Registered office: 375 rue du Professeur Joseph Blayac

34080 Montpellier

HALF-YEAR FINANCIAL REPORT AS OF JUNE 30, 2020

CONTENTS

Sensorion: Half-year Business Report

H1 2020

1 Statement of the person responsible for the half-year financial report as of June 30, 2020

I certify that, to my knowledge, the financial statements presented for the past six months were prepared in accordance with applicable accounting standards and give a fair view of the assets, financial position and results of the Company, and that the half-year business report on pages 3 to 11 presents a fair overview of major events that occurred during the first six months of the year, their impact on the half-year financial statements, the main transactions between related parties and a description of the principal risks and uncertainties for the remaining six months of the year.

Executed in Montpellier on October 20, 2020

Nawal Ouzren
Chief Executive Officer of Sensorion

2 Business Report

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

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

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

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

2.1 Summary of the Half-year Financial Statements as of June 30, 2020

The condensed half-year financial statements as of June 30, 2020 as approved by the Board of directors on 20 October 2020 are prepared in accordance with IAS 34 “Interim Financial Reporting,” - IFRS standard as adopted by the European Union (Regulation (EC) 1606/2002 of 19 July 2002), which allows the presentation of a selection of explanatory notes.

As they are condensed financial statements, the interim financial statements do not include all the financial information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2019, and subject to the specificities of the preparation of interim financial statements described below.

2.1.1 Condensed Interim Income Statement

In euros – IFRS standards	**6/30/2020**	**6/30/2019**
Operating revenue	**902,203**	**1,042,407**
Research and development expenses	3,661,766	5,226,883
General and administrative expenses	1,915,400	1,257,185
Total operating expenses	**5,577,166**	**6,484,068**
Operating income (loss)	**(4,674,963)**	**(5,441,662)**
Financial income	(44,031)	(22,929)
Net income (loss)	**(4,718,994)**	**(5,464,591)**

2.1.2 Condensed Interim Balance Sheet

STATEMENT OF FINANCIAL POSITION

(Amounts in euros)

	6/30/2020	**12/31/2019**
ASSETS		
Non-current assets	1,589,744	1,724,348
Other current assets	2,047,409	5,946,864
Cash and cash equivalents	30,654,310	30,428,319
Total current assets	**32,701,719**	**36,375,183**
TOTAL ASSETS	**34,291,464**	**38,099,532**
LIABILITIES		
Equity		
Share capital	5,856,305	3,224,726
Premiums related to the share capital	27,404,878	21,361,349
Reserves	148,538	728,630
Net income (loss)	(4,718,994)	(12,096,181)
Total equity	**28,690,728**	**13,218,525**
Non-current liabilities	1,895,789	2,036,933
Current liabilities	3,704,947	22,844,074
TOTAL LIABILITIES AND EQUITY	**34,291,464**	**38,099,532**

2.2 Significant Events during the First Half of 2020

2.2.1 Financing

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

Following this operation Invus held 20,591,259 ordinary shares and 42.29% of the share capital and voting rights of Sensorion.

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

On September 18, 2020, Sensorion announced that, as a result of its capital increase, it had placed 18,236,000 new ordinary shares with a nominal value of €0.10 each for a total gross proceeds of approximately €31 million by means of an accelerated book building offering reserved for specified categories of persons (the "Reserved Offering").

Following the issuance of the new shares, the Company's total share capital is €7,679,905.20, equal to 76,799,052 shares each with a par value of €0.10.

At June 30, 2020, cash and cash equivalents amounted to €30,654,000, compared with €30,428,000 at December 31, 2019.

Based on its expenditure forecasts, taking into account cash on hand as of June 30, 2020 and at the current date, the Company deems that it is in a position to finance its activities until second half of 2022.

2.2.2 Research and Development

During the first half of 2020, Sensorion continued to develop new therapies to restore hearing and to treat and prevent hearing loss. Clinical and preclinical projects are progressing and, in particular, the collaboration with the Institut Pasteur in gene therapy continues.

- **Collaboration with the Institut Pasteur on Gene Therapy Programs Targeting Hearing Loss**

In the second half of 2019, Sensorion launched two preclinical gene therapy programs targeting Usher Syndrome type 1 and Otoferlin deficiency, two monogenic forms of hereditary deafness. Under the framework agreement signed with Institut Pasteur in May 2019, other projects could emerge in the same area of genetic disorders of the inner ear. During the five years partnership agreement, Sensorion has preferred rights to the genetic disorders of the inner ear research pipeline of Institut Pasteur and

the ability to implement collaborations leading to a license. These programs are conducted under the sponsorship of Professor Christine Petit, Director of the French Hearing Institute and Chair of our Scientific Advisory Board.

On June 9, 2020, Sensorion announced positive preliminary preclinical data from its gene therapy program targeting Otoferlin deficiency. In vivo experiments conducted in non-human primates (NHPs) show promising preliminary data on inner ear tissue tropism and the achievement of a high transduction rate efficiency.

- **Drug candidate SENS-401**

The SENS-401 Phase 2 clinical trial in the treatment of sudden sensorineural hearing loss (SSNHL) in adults is a randomized, double-blind and placebo-controlled study, aiming to recruit ~260 patients. It is being conducted in 11 countries at approximately 30 sites in Europe and Canada.

On February 17, 2020, Sensorion received Ethics Committee approval to include new military sites in the SENS-401 Phase 2 study. The new centers will recruit volunteer military personnel exposed to extreme noise during their professional activities and suffering from hearing loss.

On March 13, 2020, Sensorion provided an update on SENS-401 SSNHL Phase 2 AUDIBLE-S trial enrollment. Patient recruitment rates from this trial now indicate the data will be available by mid-year 2021, which is later than previously announced. An important factor impacting recruitment in the trial was the reallocation of emergency room resources due to the COVID-19 situation.

The independent Data Safety Monitoring Board (DSMB) undertook a review of the safety data for the patients included in the Phase 2 clinical trial on June 5, 2020. It confirmed the absence of any concern on the safety of SENS-401 and recommended continuing the trial as scheduled.

Following the agreement signed in December 2017, Sensorion and Cochlear (world leader in cochlear implants) have continued their collaboration. Thanks to its otoprotective properties demonstrated in several preclinical models, SENS-401 could potentially preserve residual hearing in patients with cochlear implants. Since 2018, we have successfully conducted additional safety studies to assess the feasibility of long-term treatment with SENS-401 that may be required in cochlear implant indications. Preclinical data from these studies are expected by the end of 2020.

- **Technology Platform**

Sensorion has built a unique R&D technology platform to expand its understanding of the pathophysiology and etiology of inner ear related diseases enabling it to select the best targets and modalities for drug candidates in the field of small molecules and gene therapy. This platform makes it possible to carry out a panel of investigations ranging from histology, cell culture (in vitro) to behavioral and electrophysiological (in vivo). The Company is also working on the identification of biomarkers to improve diagnosis and treatment of these illnesses with a high unmet medical need.

2.2.3. Miscellaneous

On January 31, 2020, Nawal Ouzren, CEO, published a letter to the company's shareholders providing an update on progress made and the next steps for the company.

On February 3, 2020, Sensorion announced that it would attend and make a presentation at the LSX World Congress 2020 on February 4, 2020 at 4:00 p.m. GMT. This congress for healthcare sector executives is a forum to discuss business strategy, investment, partnering and marketing. Nawal Ouzren, CEO, presented Sensorion's strategy and the company's recent progress.

On February 19, 2020, Sensorion announced the appointment of Dr. Géraldine Honnet, a gene therapy expert, as Chief Medical Officer. She has extensive expertise in gene therapy and small molecule clinical development across numerous disease areas. This appointment accelerates the company's strategic move into gene therapy that may potentially restore hearing.

On April 2, 2020, Sensorion announced its 2019 annual results and provided an update on its business. A solid cash position of €30 million at year-end 2019 and a cash runway until the beginning of the third quarter of 2021 were announced.

On April 24, 2020, Sensorion announced the postponement of its General Meeting to May 20, 2020 in order to allow time for logistical adjustments required by COVID-19 pandemic.

On April 29, 2020, Sensorion announced that it would hold its General Meeting on May 20, 2020 without the shareholders physically in attendance, and the publication of its 2019 annual financial report.

On May 21, 2020, Sensorion announced the results of the resolutions adopted by the General Meeting.

In particular, the General Meeting of the shareholders ratified the appointment of Health Opportunities GmbH as a director. It will be represented by its current managing director, Mr. Eric Forquenot de la Fortelle. The General Meeting also ratified the appointment of Mr. John Furey as a director.

The General Meeting renewed the terms of office as directors of Bpifrance Investissement, Ms. Nawal Ouzren, Mr. Julien Miara and Mr. Patrick Langlois for a period of three years.

On June 17, 2020, Sensorion announced the initiation of coverage with a “buy” rating by the US investment bank Chardan.

2.3 Subsequent Events

On July 6, 2020, Sensorion announced the appointment of Edwin Moses, former Chairman and CEO of Ablynx, as Chairman of its Board of Directors. Edwin Moses acquired international recognition as CEO and Chairman of the Boards of Directors of various life sciences companies. He led for more than 12 years the company Ablynx and its, from a technology platform to a fully integrated biopharmaceutical company prior to its acquisition by Sanofi.

On July 16, Sensorion announced a conference call in English with an expert on sudden sensorineural hearing loss about SENS-401 as a potential treatment option on Thursday, July 23, 2020 at 6:30 p.m. (CEST). Dr. Michael Hoffer of the University of Miami gave this lecture during which he discussed the disease characteristics and unmet medical need with regards to sudden sensorineural hearing loss.

On July 20, Sensorion announced that Christine Le Bec, Head of CMC Gene Therapy at Sensorion, would give a talk at and chair part of the Bioprocessing Summit Europe, which was held virtually on July 21-23, 2020.

On July 29, 2020, Sensorion announced the appointment of five distinguished experts to its Scientific Advisory Board. The Board is chaired by Pr. Christine Petit, MD, PhD, and a world-renowned geneticist and neurobiologist in the field of hearing and hearing disorders. Pr. Petit was recently awarded the Kavli Prize in Neuroscience and was appointed Director of the French Hearing Institute, in addition to her other current positions. The new members of the Scientific Advisory Board are Pr. Alain Fischer, Dr. Robert Dow, Pr. Paul Avan, Dr. Diane Lazard and Dr. Hernán López-Schier.

On August 14, 2020, Sensorion announced that on August 17-19, 2020 Sensorion’s management team would present the Company’s strategy at the Life Sciences Company Call Series hosted by Oppenheimer. Sensorion’s presentation took place on August 17 at 5:30 pm CEST. Sensorion also attended and presented at the “World Orphan Drug Congress USA,” a virtual conference that was held on August 24-26, 2020.

On September 1, 2020, Sensorion announced its attendance and presentations at a number of conferences.

• September 9: Virtual Fireside Chat organized by SunTrust Robinson Humphrey - Sensorion will present at 4:00 p.m. CEST

• September 8-11: Advanced Therapies (virtual conference) - Christine Le Bec, Head of CMC Gene Therapy will present "Challenges and Issues in Dual AAV Vectors Approach" on September 8 at 12:30 p.m. CEST in the "Viral Vector Manufacturing" session.

• October 1-2: Jefferies Gene Therapy/Editing Summit (virtual conference)

• October 5-6: Chardan Genetic Medicines Conference (virtual conference) – The date and time of the presentation will be announced at a later date.

• October 5-6: Healthtech Innovation Days (virtual and in-person conference in Paris)

• October 12-16: Cell and Gene Therapy Meeting on the Mesa (virtual conference) – The date and time of the presentation will be announced at a later date.

On September 18, 2020, Sensorion announced that, as a result of its capital increase, it had placed 18,236,000 new ordinary shares with a nominal value of €0.10 each for a total gross amount of approximately €31 million by means of an accelerated book building offering reserved for specified categories of persons and was achieved at a share price which was a 3.5% discount over the weighted average share price on the day preceding the date on which the issuance price was set.

Following the issue of the new shares, the Company's share capital is €7,679,905.20, i.e., 76,799,052 shares with a nominal value of €0.10 each.

2.4 Next steps

- Signature of a manufacturing agreement for the gene therapy program targeting otoferlin deficiency in the second half of 2020
- Additional data for non-human primates for the program targeting the OTOF gene in the second half of 2020
- Additional results of preclinical proof-of-concept studies for the program targeting Usher Syndrome Type 1 in the second half of 2020
- Results of the preclinical study assessing SENS-401 in combination with cochlear implantation in the second half of 2020
- Discussions with regulatory authorities on potentially initiating a clinical study associated with the OTOF program in the first half of 2021
- Results of the Phase 2 clinical study assessing SENS-401 in sudden sensorineural hearing loss in mid-2021
- Possible initiation of a clinical study assessing SENS-401 in cisplatin-induced ototoxicity in the second half of 2021

COVID-19

Sensorion is closely monitoring the COVID-19 pandemic and is actively managing its potential impact on Company activities.

We observed a negative impact on recruitment for the SENS-401 Phase 2 trial in SSNHL during the spread of COVID-19, which started in the first quarter of 2020, due to the reallocation of emergency room resources and restrictions in the movement of populations. In order to avoid overloading healthcare facilities, ensure safety of new potential patients, prevent major protocol deviations due to missed follow-up visits and to minimize contact between patients and investigational staff, the recruitment of new patients in the study was temporarily suspended and re-started progressively following the reduction in social restrictions. It is difficult to predict the evolution of the pandemic, therefore local restrictions of populations or additional governmental measures could impact future recruitment of patients in sites participating in the ongoing Phase 2 clinical study.

Regarding patients already in the SENS-401 Phase 2 study, there is a risk that it might be impossible for some of these subjects to complete the follow-up visits as planned in the study protocol. The Company is seeking to mitigate this risk through the use of teleconferences and videoconferences.

Furthermore, the pandemic might also cause delays in the realization of preclinical gene therapy studies carried out as part of the collaboration with Institut Pasteur. This could delay the preclinical results expected for the two ongoing programs.

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

2.5 Main risk factors

For the preparation of this report, the Company carried out a review of the risks that could have a material adverse effect on the Company, its business activity, its financial position or its ability to reach its objectives and, as of the current date, the Company has no knowledge of any material risks other than those described below. The reader's attention is however called to the fact that other risks, which are unknown or the materialization of which is not regarded, as of the date of this document, as likely to have an adverse effect on the Company, its business activity, its financial position, its results or its prospects, can or may exist.

The main risk factors associated with the Company or its business sector are presented below:

2.5.1 Risks associated with the Company's business activity

2.5.1.1 Risks associated with the clinical development of projects

The development of the Company's drug candidates could be delayed or not come to fruition.

The Company runs several preclinical programs (the Prevention program) and one clinical program (SENS-401), which should ultimately lead to drugs that are designed to treat and prevent inner ear disorders being brought to market either directly by the Company or by third parties.

The development of a drug candidate is a long and costly process, the outcome of which is uncertain, involving several phases, the aim of which is to demonstrate the therapeutic benefit of a drug candidate for one or more particular indications. Any failure during one of the various preclinical and clinical phases for a particular indication could delay the development, approval, production and bringing to market of the therapeutic product concerned, or even lead to its development being halted.

During clinical trials, the Company may encounter difficulties in selecting and recruiting patients with a suitable profile. This profile may also vary according to the various phases of said clinical trials. This can result in failure to recruit patients on a schedule that is compatible with the Company's financial resources.

For each clinical development phase, the Company has to request authorization from the relevant authorities in the countries concerned on the basis of its development plan, in order to carry out the clinical trials, then present the results of its clinical trials to said same authorities. The authorities can refuse the authorizations that are needed for the clinical trials, make additional demands, for example concerning the trial protocols, the patients' characteristics, the treatment durations, the post-treatment monitoring and certain differences of interpretation of the results between local regulatory agencies and, in some cases, demand additional studies. All refusals or decisions by the health authorities to request additional trials or reviews are liable to interrupt or delay the development and approval of the products concerned.

The Company cannot guarantee that its development of drug candidates from its various research programs (SENS-401 and the Prevention program) will ultimately be completed, much less so within timeframes that are compatible with its financial resources or the market's requirements. Any failure or delay in the development of these products or in one of their clinical development phases following the

materialization of one of the risks described in this chapter would have a significant material adverse effect on the Company's business activity, its results, its financial position and its prospects.

Moreover, the appearance of side effects that cannot be identified with current knowledge could lead to a delay or even an interruption of the development of the Company's drug candidates. Moreover, if, after the Company or its partners have obtained the marketing authorization (MA) for these drug candidates, the Company's products cause side effects that are unacceptable or that were not identified during the clinical trial period, it would be impossible to assign or license them to partners with a view to bringing them to market, which would have a significant material adverse effect on its business activity, its prospects, its financial position, its results and its development.

The absence of products of the same type on the market means there are many unknown factors

The Company develops drug candidates that are designed to treat and prevent inner ear disorders. The therapeutic objective is to treat acute disorders or to propose primary therapy to protect against lesions in response to severe or repeated inner ear damage. On the date of this document, there are no drug candidates of this type that have been granted marketing authorization by the relevant regulatory authorities.

As a result, the prospects for development and profitability of the drug candidates, their safety, their efficacy and also their acceptance by patients, physicians and paying agencies, are uncertain. The preclinical and clinical data on the safety and efficacy of these drug candidates is still limited. Not only are tests on animals not necessarily predictive of the results that will be obtained in humans, but the positive results of the drug candidates during the initial clinical trials, which are obtained from a limited number of patients, may not necessarily be confirmed by subsequent phases that involve a much higher number of patients. Such a situation would have a significant material adverse effect on the Company's business activity, results, financial position and development.

2.5.1.2 Risks associated with the "Inner Ear" technology platform

The very use and functioning of the Company's "Inner Ear" technology platform could be called into question

Drug candidates that are undergoing preclinical or clinical development are based on the "Inner Ear" technology platform. If the studies carried out on drug candidates were to reveal safety and/or therapeutic efficacy problems or if the use of the platform infringed upon an intellectual property right held by a third party, this could call into question the very use and functioning of the technology platform, and entail new research and development efforts, as well as additional time and cost in order to remedy these difficulties, with no guarantee of success. The development of drug candidates that are in preclinical trials based on this platform would be affected by this.

The “Inner Ear” technology platform is located in a research center that has the highest levels of accreditation (AAALAC). A malfunction or shutdown of the platform or the loss of AAALAC accreditation could occur.

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

2.5.1.3 Risks associated with the market and with the competition

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

If the Company and/or one or more of its business partners succeed in obtaining a marketing authorization that enables them to bring the therapeutic products developed by the Company to market, they could nevertheless need time in order to gain traction in the medical community, and among prescribing physicians and co-payers.

The extent of acceptance of each Company product by the market will depend on several factors, in particular:

- the perception of the therapeutic benefit of the product by prescribing physicians and their patients;
- the occurrence of any undesirable effects once the marketing authorization has been obtained;
- the frequency of use of the drug candidates;
- the ease of use of the product, in particular associated with its method of administration;
- the cost of the treatment;
- the reimbursement policies of governments and other third parties;
- the effective implementation of a scientific publication strategy; and
- the development of one or more competing products for the same indication.

The Company and/or its partners could also be adversely affected by controversies surrounding the drug candidates or other therapeutic approaches that are similar to but not in competition with those developed by the Company, which could have a negative impact on the public’s perception of the therapeutic benefit of these drug candidates.

Even if the drug candidates developed by the Company can provide a therapeutic response to a need that has not been met to date, poor market penetration, as a result of one or more of the factors described above, would have an adverse effect on bringing them to market and the Company’s ability to generate profits in respect of the agreements it would sign with industrial partners, which would have an adverse effect on its business activity, its prospects, its financial position, its results and its development. Similarly, the Company cannot guarantee that the assumptions used and developed to determine the characteristics of the market it is targeting will be confirmed. In the event that all or some of these

assumptions are not confirmed, the size of the market estimated by the Company could be modified as a result.

The Company cannot guarantee a lack of competitors on the markets it is targeting

Several pharmaceutical laboratories, biotechnology companies, universities and other research organizations are actively engaged in the research, identification, development and bringing to market of preventive and therapeutic responses for the inner ear disorders targeted by the Company.

Despite the absence of significant competitors on the market, the potential for development and positive growth on the market targeted by the Company means that it is likely that new competitors, which are currently in the preclinical or clinical development phase, will arrive on this market. Some companies that are active in the pharmaceutical sector have much greater resources than those of the Company, and could decide to develop competing products by devoting resources and experience to them in terms of clinical development, management, manufacturing, marketing and research that are much more extensive than those of the Company.

The Company guides the development of its drug candidates so that they constitute a therapeutic solution for medical needs, which, at present, are not being met. The Company cannot guarantee that competitors will not develop, over the same period or subsequently, alternative therapeutic solutions which make those currently being developed less attractive or obsolete, or which are given preference over them by clinics, physicians or patients. Such events would have a material adverse effect on the Company's business activity, its results, its financial position and its development prospects.

The Company could encounter difficulties in the implementation of external growth transactions

The Company's current strategy does not include a project to acquire companies or technologies with a view to facilitating or obtaining access to new drugs, new research projects or new geographical areas, or enabling the Company to develop synergies with its existing activities.

However, if such acquisitions were to become necessary or appropriate, the Company could possibly not be in a position to make such acquisitions under satisfactory conditions (in particular in terms of price), or integrate the newly acquired companies or activities effectively, while achieving its operations objectives, or the expected cost savings or synergies. Moreover, the Company could possibly not be in a position to obtain the financing for these acquisitions under favorable conditions and could be compelled to finance these acquisitions using cash which, under other circumstances, would have been allocated for other purposes in connection with existing activities.

If the Company encounters difficulties in the implementation or execution of its external growth policy, this could affect its ability to achieve its financial objectives and to increase its market shares, which could in turn have a material adverse effect on its business activity, its financial position, its results or its prospects.

2.5.1.4 Risks associated with the Company's commercial and strategic development

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

If required by the Company's strategy, and/or if the Company is not able to obtain adequate financing, the Company may have to enter into one or more license and distribution partnerships with one or more pharmaceutical establishments, in order to finance the clinical development of SENS-401. Consequently, the Company will have to find one or more partners that have sufficient capacity to carry out the phase IIb or III clinical trials on an international scale, manufacture on an industrial scale, obtain the marketing authorization, distribute and bring the Company's drug candidates to market. If the Company were to enter into one or more partnerships, bringing its products to market would therefore depend in part on the efforts made in terms of clinical developments, regulatory approval, manufacturing, marketing and commercial initiatives by its business partner(s), as well as the capacity of these partners to sell its drug candidates. Any shortcomings by such partner(s) would have negative consequences for the Company, its development and its prospects.

It is also possible that the Company will not be able to form a partnership under financially reasonable conditions. This could have a significant material adverse effect on the Company's business activity, prospects, financial position, results and development.

Obtaining authorizations prior to bringing any of the drug candidates to market is uncertain

In Europe, the USA and Japan, as well as in numerous other countries, access to the drug market is regulated and bringing drugs such as those developed by the Company to market must be authorized by a regulatory authority that issues a Marketing Authorization (MA).

Although the Company will not be concerned by any MA-related issues for several years, an MA application is put together over the duration of a drug candidate's development. The Company therefore ensures at all times that it complies with good practices so that it does not compromise its chances, at a later date, of obtaining an MA directly, or via its business partners, for its drug candidates.

If the Company and/or its business partners is/are to obtain and maintain in effect an MA for the drug candidates that the Company wishes to develop, compliance with the strict standards imposed by the regulatory authorities is required, as well as providing them with extensive information concerning the new product, such as its toxicity, its dosage, its quality, its efficacy and its safety. The process for obtaining an MA entails significant investments, even though its outcome is uncertain.

Maintaining in effect or obtaining a Good Manufacturing Practices (GMP) certificate by the Company and/or its future partners could prove to be necessary for the manufacture of the Company's drug candidates (for the purposes of clinical trials or during the marketing phase). The Company cannot guarantee that it and/or its partners will obtain or be able to maintain this certificate in effect, or that certain constraints associated with this certificate will not be imposed on them in the future.

If an MA or GMP certificate is not obtained, the Company and/or its partners will not be able to manufacture or market the products concerned. Moreover, a product may fail to obtain an MA or a GMP certificate in a given geographical area, which could significantly curtail the extent to which it can be brought to market. In addition, even if obtained compliantly, an MA or a GMP certificate can be suspended, in particular in the event of a violation of manufacturing rules or if an undesirable effect is discovered.

The regulatory authorities can also amend, suspend or withdraw an MA, and introduce time-limits for bringing the drug candidates to market.

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

2.5.2. Risks associated with the Company's organization

2.5.2.1 Risk of dependency with regard to third parties

Access to the specific raw materials and products that are needed for completing the clinical trials and manufacturing the Company's drug candidates is not guaranteed

The Company is dependent on third parties for the procurement of various products, in particular chemicals and feedstock, which are necessary for the production of drug candidates and carrying out preclinical and clinical trials, and, ultimately, for the drug candidates developed by the Company.

The Company's procurement of any one of these products could be restricted or interrupted. In such a case, the Company may not be able to find other suppliers of quality products at an acceptable cost and in appropriate volumes. If a supplier or manufacturer defaults on the Company, or if its procurement of products is restricted or interrupted, the Company may not be able to continue to develop, ensure the production of and bring its products to market in a timely and competitive manner. Moreover, the Company's products are subject to strict manufacturing requirements and to rigorous tests. Delays in manufacturing these products at the level of the Company's suppliers could affect its capacity to complete the clinical trials and to ensure its products are brought to market in a profitable manner within reasonable timeframes.

If the Company encounters difficulties in procuring these products, and if it is not in a position to maintain its procurement agreements in force or to enter into new agreements to ensure its development and the manufacturing of its products in the future, its business activity, its prospects, its financial position, its results and its development could be significantly impacted as a result.

The Company may find itself in a situation of dependency with regard to its sub-contractors

To ensure its growth, the Company uses the services of sub-contractors, in particular for the manufacture of batches of finished or semi-finished products that are intended for preclinical studies and clinical trials.

Moreover, insofar as, at this stage of its development, it does not have enough resources to ensure the completion of the entirety of the clinical trials that are vital for the development of the drugs designed by the Company, said trials are entrusted to companies that specialize in the management of clinical trials, in particular Clinical Research Organizations (CRO).

Outsourcing clinical trials generates risks and costs associated with the selection of these establishments. Operations-related difficulties may also arise, in particular due to the remoteness or the geographical dispersion of the CROs.

Any failure on the part of these sub-contractors could have consequences for the timetable, or even the pursuance of the clinical trials for the various drug candidates, as well as for the quality of the data, which must meet strict standards (the ICH Harmonized Tripartite Guideline: Guideline for Good Clinical Practice) imposed by the various regulatory authorities, and therefore delay bringing the products to market.

Moreover, the Company cannot guarantee that the amount of any damages linked to the clinical research of the products that it develops will not exceed the indemnification limit stipulated in the contracts signed with the CROs before registration, depending on the progress of the clinical study.

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

2.5.2.2 The Company could lose key employees and not be in a position to attract new qualified persons

The Company's development of its technologies and the running of its clinical trials depend, in particular, on its ability to hire and retain qualified personnel

The Company's success to a large extent depends on the work and the expertise of the members of its management team and on the CEO. Although the Company has taken out "key person" insurance, the temporary or definitive unavailability of these persons could alter the Company's ability to attain its objectives, in particular by depriving it of these persons' know-how and technical abilities.

Moreover, the Company will need to recruit new executive directors and qualified scientific personnel for the growth of its business activities, as and when the Company expands in the areas that require additional skills. The Company is in competition with other companies and with research organizations and academic institutions for the recruitment and retention of highly qualified scientific, technical and management personnel. Insofar as this competition is extremely intense, the Company may not be in a position to attract and retain key people under conditions that are acceptable from a financial standpoint.

The Company's inability to attract and retain said key people could prevent it from attaining its objectives and thus could have a material adverse effect on its business activity, its results, its financial position and its prospects.

2.5.2.3 Risks associated with the Company's management and growth

The Company's development depends, in particular, on its ability to manage its growth and its in-house resources

As part of its growth strategy, the Company will have to recruit additional personnel and develop its operations capacities, which could place strenuous demands on its in-house resources.

To this end, among other things, the Company will have to:

- Train, manage, motivate and retain an increasing number of employees;
- Anticipate the expenses that are linked to this growth, as well as the associated financing requirements;
- Increase the capacity of its existing operations, financial and management IT systems;
- Manage the sub-contracting of the production of its developed drugs; and
- Manage partnership agreements with the Company's industrial partners that are responsible for continuing the clinical development of the Company's products and bringing them to market.

In order to address the demand within the timeframe agreed with its future partners, the Company may need to sign new sub-contracting agreements.

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

2.5.2.4 Risks associated with data security, IT network outages and hacking

The Group's activity partially depends on the use of computerized data

The Company's IT systems and those of its employees and sub-contractors or consultants may be targeted by hackers. Although the Company has not been a victim of hacking to date, if such an event did occur and cause an interruption of its activities, it could cause a major disturbance to the Company's development programs and its activities, the cause of which could be the loss of trade secrets or other sensitive information. Data hacking concerning the Company's drug candidates that are being trialed in completed or future clinical trials could, for example, delay obtaining accreditation from the regulatory authorities. If disruption or hacking led to the Company's data being garbled or its applications crashing, or other data or applications in connection with its technology or its drug candidates being compromised, or unauthorized, confidential or proprietary information being disclosed, the Company would be liable to penalties, its position in relation to the competition could be affected, and the development and marketing of its drug candidates could be delayed, which could have an adverse effect on the Group's finances, legal standing, operations and reputation.

2.5.2.5 Risks associated with the rise of social media and new technologies

The use of social media and digital communication tools, which the Company utilizes increasingly for communicating on its research and development programs and certain diseases, among other things, warrants specific attention. Posts on social media that were allegedly made by the Company or negative or incorrect posts or comments on the Company, its activities, its research and development programs, and its executives, could seriously harm its reputation, image or its listed share price.

Moreover, the Company's employees and partners could use mobile and digital technologies inappropriately, in particular by storing confidential information that could be misappropriated or misused by third parties on their personal accounts or devices, or on unsecure public applications, or even by disclosing sensitive and/or confidential information, and thus could trigger the Company's liability, cause data security breaches, and the loss of trade secrets or other intellectual property. Such uses of social media and mobile technologies could have an adverse effect on the Company's reputation, business activity, financial position and operating result.

2.5.3. Regulatory and legal risks

2.5.3.1 Risks associated with a restrictive, constantly changing regulatory environment

One of the key issues for a growth company such as Sensorion is to succeed in developing, with the assistance of partners, products that integrate its technologies in the context of a regulatory environment that is increasingly restrictive. The pharmaceutical industry is confronted with continual changes to its legal and regulatory environment, and with closer monitoring by the regulatory authorities, in particular the Agence Nationale de Sécurité du Médicament et des produits de santé (ANSM) in France, the European Medicines Agency (EMA) in Europe and the Food and Drug Administration (FDA) in the USA, as well as other regulatory authorities throughout the world. As a corollary, the public is demanding more safeguards with respect to the safety and efficacy of drugs.

The health authorities regulate, in particular, research and development work, preclinical studies, clinical studies, the regulations of pharmaceutical establishments, and the manufacture and marketing of drugs. This tightening of the legislative and regulatory framework is a global trend; however, the requirements vary from one country to another. In particular, the health authorities, primarily the ANSM, EMA and FDA have imposed increasingly onerous requirements in terms of the volume of data requested in order to demonstrate the efficacy and the safety of a product. These stricter demands have thus reduced the number of approved products compared to the number of applications filed. Products that are brought to market are also regularly re-assessed in terms of the risk-benefit balance, after they have been authorized. The belated discovery of problems that were not identified at the research stage may lead to

restrictions on marketing, to the suspension or withdrawal of the product, and to an increased risk of litigation.

As a result, the authorization process is long and costly, and can take several years, with a result that is still hard to predict.

If new statutory or regulatory provisions lead to an increase in the costs of obtaining and renewing marketing authorizations for products or limit the economic value of a new product for its inventor, the growth prospects for the pharmaceutical industry and the Company could be negatively impacted as a result.

2.5.3.2 Specific risks associated with the preclinical studies and clinical trials that will be necessary for obtaining the authorizations to bring the Company's therapeutic products to market

Conducting preclinical studies on animals and clinical trials on humans is vital in order to obtain the authorization to bring the products developed by the Company to market. Undertaking these studies and trials generally lasts for several years and is ultimately very costly.

As these studies and trials have to be carried out preclinical and clinical research centers, their quality and interest will to a large extent depend on the capacity of the Company and its partners to select the preclinical and clinical research centers and, with respect to trials on humans, to recruit the requisite number of patients within relatively limited timeframes in order to be in a position to publish the results quickly, as well as to choose, as applicable, the right service providers that are tasked with implementing the study protocol defined by the Company or its partners. The remoteness or the geographical dispersion of the clinical or preclinical study centers can also raise operations and logistics difficulties, which can lead to additional costs and lost time.

In the event that the Company or its partners are not able to recruit patients as planned, which could lead to delays in the clinical studies and the publication of their results, there would then be a lag between the support from specialized companies and professionals in the medical fields concerned, and the marketing of the Company's products would be impacted as a result, which could have a material adverse effect on the Company, its business activity, its financial position, its results, its development and its prospects.

2.5.3.3 Risks associated with the reimbursement and delisting of drugs and treatments

The conditions for setting the sale price and reimbursement of drugs is beyond the control of pharmaceutical companies. They are respectively decided by the relevant public commissions and agencies, as well as by social security agencies or private insurers. In the current context of controlled healthcare spending and financial recession, the pressure on sales prices and the level of reimbursement

is mounting, in particular due to the price controls imposed by numerous States and the increased difficult in obtaining and maintaining a satisfactory reimbursement rate for drugs.

When the time comes, the conditions for determining the price and reimbursement rate of the Company's products will be a key factor in their commercial success. The possibility for the Company to receive royalties from its industrial partner(s) on the sale of its treatments will depend on the conditions under which prices and reimbursement levels are determined. If the time needed to negotiate prices causes a significant delay in bringing a Company drug to market or if the Company does not secure an appropriate reimbursement level for a drug, its profitability will then be reduced.

Moreover, the Company cannot guarantee that it will succeed in maintaining the price levels of its drugs or the accepted rate of reimbursement over time. In view of this, its revenues, its profitability and its prospects could be significantly impacted as a result.

2.5.3.4 Risks related to patent and license portfolios

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

The Company's economic interests, and particularly the development of drug candidates, depends on, among other things, its ability to obtain, maintain and ensure the protection of its patents and patent applications, trademarks and related applications against third parties, as well as its other intellectual property rights and similar rights (such as, in particular, trade secrets, business secrets and know-how) or those that it is authorized to develop within the scope of its business activity.

It is also important for the success of its business activity that the Company possess similar protection for all of its intellectual property rights, and in a sufficiently large geographical area, this being in Europe, the United States and in other key countries (Canada, Japan, China, Korea). The Company dedicates significant financial and human resources to this, and intends to continue its protection policy by filing new patents whenever it deems this appropriate. The Company believes that its technology is currently adequately protected by the patents and patent applications that it has filed, owns in full, jointly or on which it has an exclusive license, such as the one granted by Inserm or Palau Pharma.

However, the Company may not be able to keep protecting its intellectual property rights. In such an event, the Company would lose its technological and competitive advantage.

The Company's intellectual property rights offer protection for varying lengths of time (for example, a patent remains enforceable for a period of twenty years from the date the patent application is filed).

Furthermore, the Company could encounter difficulties when filing or having examined some of its patent applications, trademark applications and other intellectual property rights currently being examined/registered. Indeed, when filing a patent application, other patents or patent applications may constitute prior art but not yet be published or, even if they are not published, may be unknown to the Company. Despite prior art searches and the monitoring it carries out, the Company cannot therefore be certain that it is the first to have filed a patent application. It is therefore appropriate to recall that the

publication of patent applications takes place eighteen months after the application itself is filed (to date, no patent applications have been opposed). Equally, when registering one of its trademarks in a country in which it is not covered, the Company may find that the trademark in question is not available in this country. A new trademark would therefore have to be researched for the given country or an agreement negotiated with the owner of the prior trademark owner. There is therefore no certainty that the Company's current and future patent and trademark applications and other intellectual property rights will be issued/registered and that these rights will therefore be adequately protected.

Thus, taking into account the recent nature of the patent families fully owned by the Company, it is not currently possible to determine the extent of protection over these which may reasonably be granted.

Specific criteria are applicable in Europe to protect the therapeutic applications of known or new products. When only the therapeutic application is new compared to that which was already known, or when the new application is only new in the context of treatment conditions (selecting groups of responder patients, specific administration regime etc.) the European Patent Office (EPO) requests in principle that concrete evidence be provided in the form of experimental results to grant protection for the application. Additionally, the EPO often requests that unexpected properties of the invention be demonstrated compared to what was known in the state of the art, with respect to the related applications. These questions may be asked within the scope of examining the Company's patent applications. The scientific results obtained by the Company in future years will naturally help to support the arguments in favor of issuing these patents.

Simply granting a patent, trademark or other intellectual property right does not guarantee its validity, nor enforceability. Indeed, any person having an interest in them may, at any time, contest the validity and enforceability of the Company's patents, trademarks and related applications before a court of law or within the context of other specific proceedings, which, depending on the outcome of such disputes, may reduce their scope or result in them becoming invalid. Developments, changes in and differences of interpretation of the legal framework governing intellectual property in Europe, the United States or in other countries could allow competitors to use the Company's inventions or intellectual property rights and to develop the Company's products and technologies without financial compensation. Additionally, there are still some countries that do not protect intellectual property rights in the same way as they do in Europe or the United States, in which the effective procedures and rules necessary to defend the Company's rights may not exist. There is therefore no certainty that the Company's patents, trademarks and other intellectual property rights, existing or future, will not be challenged or invalidated, nor that they will provide effective protection faced with competition and third-party patents covering similar inventions.

Consequently, the Company's rights over its patents, trademarks, related applications and other intellectual property rights may not provide the expected level of protection against competition. The Company cannot therefore guarantee that:

- Patent applications and other rights owned, jointly-owned or licensed to the Company and which are being examined, particularly the Company's recent patent applications, will effectively result in the registered patents, trademarks and other intellectual property rights being granted;
- The Company will be able to develop new inventions for which a patent may be filed or granted;
- The patents and other intellectual property rights granted to the Company will not be challenged, invalidated or circumvented;

- The scope of protection provided by the patents, trademarks and effectively the Company faced with the competition and patents, trademarks and intellectual property rights of third parties covering competing devices, products, technologies and developments.

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

The ability of the Company to continue developing certain drug candidates depends on maintaining the license agreements concluded with InsermTransfert in force.

The Company has entered into partnership or license agreements, particularly with InsermTransfert, an exclusive license granted to Sensorion to use patents 5HT3 resulting from Inserm's research.

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

The license agreement signed with InsermTransfer stipulates that Inserm has the option of terminating the exclusivity or cancelling the agreement in the following cases:

- If Sensorion fails to comply with its obligations under the agreement, in particular if it does not reimburse the costs of maintaining the patents covered by the license or pay the lump sums or royalties due on successful completion of milestones and the direct or indirect exploitation of the patents;
- In the event of an interruption of over 12 months, without just cause, of product development using the licensed patents, which Sensorion would not seek to remedy within three months after formal notice from InsermTransfer;
- In the total absence of product sales using the licensed patents within 12 months following its first marketing authorization, without just cause, which Sensorion would not seek to remedy within three months after formal notice from InsermTransfer;
- In the total absence of product sales using the licensed patents over a period of two years after first being brought to market, without just cause and without Sensorion having taken the necessary steps to bring it to market, which Sensorion would not seek to remedy within three months after formal notice from InsermTransfer.

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

The Company's other intellectual property rights are and will remain adequate to protect the technologies developed by the Company.

The Company may infringe on intellectual property rights owned by third parties

The Company's success depends in part on its ability to develop products and technologies that do not infringe on patents or other rights belonging to third parties. For its business to succeed, the Company should be able to freely make use of its products without infringing on patents or other intellectual property rights and, conversely, without third parties infringing on the Company's intellectual property rights or the intellectual property of its partners and other licensors necessary for the development and exploitation of the Company's R&D programs.

The Company cannot therefore guarantee:

- That there are no patents or other prior rights, in particular intellectual property rights of third parties that may cover certain products, processes, technologies, results or activities of the Company and that, as a result, third parties are infringing on or acting in violation of their rights against the Company with a view to obtaining damages and/or terminating its manufacturing and/or marketing activities for products, processes and other products thus incriminated;
- That there are no trademark rights or other prior rights of third parties that could be the basis for an infringement or liability action against the Company; and/or
- That the Company's domain names will not be the subject of a UDRP ("Uniform Dispute Resolution Policy") or similar procedure or an infringement action by a third party with prior rights (e.g. trademark rights).

The growth of the drug research industry and the resulting increase in the number of patents filed increases the risk that the Company's products and technologies may infringe on the rights of third parties, especially intellectual property rights.

Should any disputes arise relating to the intellectual property it uses, the Company may be required to:

- Terminate or have terminated the development, sale or use of the product(s) that would depend on the disputed intellectual property;
- Revise the design of some of its products/technologies or, for trademark applications, rename its products to avoid infringing on the intellectual property rights of third parties, which may prove impossible or be a long and costly process, and which could impact the marketing efforts of the products concerned by the Company and/or its partners.

The Company therefore continues to carry out, as it has done to date, the preliminary studies it deems necessary in light of the aforementioned risks before investing in the development of its various products/technologies. It also keeps a watch on the market, especially patent applications filed by its competitors.

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

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

Monitoring the unauthorized use of the Company's drug candidates and technology and the infringement of its own rights, in particular intellectual property rights, is a delicate process.

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

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

Any dispute or litigation, regardless of the outcome, could result in substantial costs, affect the Company's reputation, adversely impact the Company's earnings and financial position, and may not provide adequate protection or compensation. Competitors with more ample resources than those of the Company may be in a better position to bear the costs of litigation.

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

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

The Company needs to guard against unauthorized use and disclosure of its confidential information, know-how and trade secrets. The Company's non-patented or non-patentable technologies, processes, methods, know-how and data are considered to be trade secrets that the Company tries to protect in part through confidentiality agreements. In addition, the rules for the devolution to the Company of inventions that employees have made or may make, as well as their terms of remuneration, are set out in Article L.611-7 of the French Intellectual Property Code, which is a matter of public policy.

Within the framework of collaboration agreements, partnership agreements, research agreements and other types of cooperation concluded between the Company and researchers from academic institutions as well as with other public or private entities, sub-contractors, or any co-contracting third party, various information and/or products may be entrusted to them, particularly in order to conduct certain tests and clinical trials. In these cases, the Company requires that confidentiality agreements be signed. Furthermore, the Company ensures that the collaboration, partnership and research agreements that it signs give it full ownership or, at least, joint-ownership of the results and/or the inventions resulting from this collaboration, as long as it has effectively participated in creating the results and/or invention. The Company also seeks, within the context of the licensing agreements that it signs with its partners, to maintain control over the management of patents and to only grant licenses in particular areas in which it does not operate.

It cannot be excluded that the agreements put in place to protect the Company's technology and trade secrets and/or the know-how implemented do not provide the desired protection or are breached, that the Company does not have adequate solutions against such violations, that its trade secrets are divulged to competitors or developed independently by them. Furthermore, The Company has very limited control over the conditions under which the third parties with whom it has agreements themselves rely on third parties, and protect its confidential information, and this independently of the fact that the Company stipulates in its agreements with its co-contractors that they undertake to pass on to their own co-contractors these obligations of confidentiality.

Such agreements therefore expose the Company to the risk of seeing the third parties concerned (i) claim the benefit of the intellectual property rights over the inventions or other intellectual property rights of the Company, (ii) fail to ensure the confidentiality of the innovations or non-patented improvements to the Company's confidential information or know-how, (iii) divulge the Company's trade secrets to its competitors or independently develop its trade secrets and/or (iv) breach such agreements, without the Company having adequate solutions to such breaches.

Consequently, the Company's rights over its confidential information, trade secrets and know-how may not provide the expected level of protection against the competition and the Company cannot guarantee:

- That its know-how and trade secrets cannot be obtained, usurped, circumvented, sent without its authorization or used by unauthorized third parties;
- That the Company's competitors have not already developed a technology, products or devices comparable or similar to those of the Company;
- That no co-contractor will not claim the benefit of all or some of the intellectual property rights on inventions, knowledge and results that the Company owns in full or jointly, or on which it may benefit from a license; or
- That employees of the Company will not claim rights or the payment of additional compensation or a fair price in return for inventions the creation of which they participated in.

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

2.5.3.5 Risks associated with product liability claims

The Company could be exposed to liability risks during the clinical development of its products, more specifically product liability associated with testing therapeutic products in humans and animals. It therefore could be held liable by patients participating in clinical trials during the development of the therapeutic products tested, mainly due to unexpected side effects that could result from administering these products.

The Company could also be held liable during the marketing phase of its products. Patients, regulatory agencies, pharmaceutical companies and any other third party using or marketing its products could file

civil or criminal proceedings against the Company. These actions may include claims resulting from the acts of its partners, licensees and contractors over which the Company has little or no control.

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

If the Company or its partners, licensees and contractors were thus held liable; if the Company or its partners, licensees and contractors were unable to obtain and maintain appropriate insurance coverage at an acceptable cost; or if the Company were unable to protect itself in any way against liability claims, the sale of the Company's products and more generally its business, results, financial position and development prospects could be adversely affected.

2.5.3.6 Risks associated with potential conflicts that may affect the Company's relations with its potential licensees

As described in section 2.5.1.4 above, the Company's strategy may involve licensing its drug candidates to pharmaceutical companies. These licensing agreements and their future implications could therefore be fundamental for the Company.

However, conflicts may arise with licensees in implementing the agreements between them and the Company. These conflicts could affect their progress and consequently the manufacturing and marketing of the products developed by the Company. Potential conflicts may involve terms and conditions set for either party to sign or perform obligations under such agreements. Such conflicts of interest could significantly affect the Company's business activity, financial position, results, development and prospects.

2.5.3.7 Risks associated with Brexit

The United Kingdom left the European Union on January 31, 2020, an event referred to as "Brexit". Given the absence of a comparable precedent, the financial, commercial, regulatory and legal consequences of the UK's withdrawal from the European Union are unclear. Brexit creates global economic and financial uncertainty and could, more specifically, lead to regulatory changes and volatility in exchange rates and interest rates.

The UK's decision to leave the European Union could impact how clinical trials are conducted on drug candidates. One of the Company's partners in conducting clinical trials is based in the United Kingdom.

Brexit could cause delays in clinical trials due to customs problems concerning products tested in the United Kingdom. As such, completion of the trial could be postponed and market release of the Company's products affected. This could have a material adverse impact on the Company, its business activity, financial position, results, development and prospects.

Furthermore, as a result of the UK's vote to leave the European Union, the EU has decided to transfer the European Medicines Agency (EMA) from the United Kingdom to the Netherlands. This has disrupted the EMA's work and could delay the approval of applications filed in the European Union to bring new products to market. Nevertheless, Sensorion does not currently believe that Brexit will impact the Company's financial position or operating income.

2.5.3.8 Risks related to the COVID-19 pandemic

Sensorion is closely monitoring the COVID-19 pandemic and is actively managing its potential impact on Company activities.

We observed a negative impact on recruitment for the SENS-401 Phase 2 trial in SSNHL during the spread of COVID-19, which started in the first quarter of 2020, due to the reallocation of emergency room resources and restrictions in the movement of populations. In order to avoid overloading healthcare facilities, ensure safety of new potential patients, prevent major protocol deviations due to missed follow-up visits and to minimize contact between patients and investigational staff, the recruitment of new patients in the study was temporarily suspended and re-started progressively following the reduction in social restrictions. It is difficult to predict the evolution of the pandemic, therefore local restrictions of populations or additional governmental measures could impact future recruitment of patients in sites participating in the ongoing Phase 2 clinical study.

Regarding patients already in the SENS-401 Phase 2 study, there is a risk that it might be impossible for some of these subjects to complete the follow-up visits as planned in the study protocol. The Company is seeking to mitigate this risk through the use of teleconferences and videoconferences.

Furthermore, the pandemic might also cause delays in the realization of preclinical gene therapy studies carried out as part of the collaboration with Institut Pasteur. This could delay the preclinical results expected for the two ongoing programs.

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

In addition to the risks listed above, and in the context of clinical trials conducted by the Company in countries where the COVID-19 has an increased impact, the Company could also experience the following adverse effects:
- delays in obtaining the necessary regulatory approvals to initiate the clinical trials planned by the Company;
- delays in the receipt by clinical sites of supplies and equipment necessary for the conduct of the Company's clinical trials;
- disruption of global maritime trade, which could affect the transportation of clinical trial materials, such as investigational medicinal products and drugs used as a basis for comparison in the Company's

clinical trials;
- changes in local regulations as a result of the measures taken with respect to the COVID-19 pandemic, which could require the Company to modify the terms of its clinical trials, which could result in unforeseen costs or even the interruption of such trials;
- delays in necessary interactions with local authorities, ethics committees or other important organizations and third party contractors due to human resource limitations or forced leaves of absence of government employees; and
- the refusal of regulatory authorities to accept data from clinical trials conducted in these affected geographical areas.

In the case of trials for which all or part of the execution is entrusted to service providers, the Company depends on their ability to perform their services under the agreed terms and within the agreed timeframe. The remoteness or geographical distribution of clinical investigation centers may give rise to operational and logistical difficulties, which could result in costs and delays. The disruptions related to the COVID-19 health crisis described above or an equivalent crisis could similarly affect the Company's service providers.

2.5.4. Industrial risks related to the use of products hazardous to human health and/or the environment

Handling of hazardous materials by the Company's staff can contaminate the environment or cause occupational diseases

The Company's business activities include the controlled storage, handling, use and treatment of hazardous materials, toxins, and chemical and biological agents.

As a result, the handling of active agents or toxic products by Company employees during research and manufacturing phases leads to both risks of environmental contamination and health risks (including occupational illnesses). These are also risks for third parties with which the Company works.

The Company believes that the safety and training measures it takes for the handling and processing of hazardous materials meet current standards and enable its employees and contractors to carry out their duties in good environmental, health and safety conditions, but the risk of accidental contamination or occupational illnesses caused by the handling of hazardous materials cannot be entirely eliminated. In the event of an accident, the Company could be held liable for any resulting damage. The liability incurred could exceed the limits of or even not be covered by the insurance policies taken out by the Company.

2.5.5. Financial risks

2.5.5.1 Risks related to historical and future losses

Since it was founded, the Company has recorded operating losses every year. The Company's net losses for the years ended December 31, 2019 and December 31, 2018 amounted to €12,103,960 and €12,323,965 respectively. These losses reported in the annual Company financial statements under IFRS mainly result from internal and external research and development expenses, in particular costs involved in conducting preclinical and clinical trials.

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

- Clinical study programs scheduled to develop the drug candidate SENS-401;
- Preclinical gene therapy programs as part of the agreement signed with Institut Pasteur;
- New preclinical and clinical trials conducted to address new market segments;
- The increase in regulatory requirements governing the manufacturing of its products;

- The pursuit of an active research and development policy that could involve the development or acquisition of new technologies, products or licenses.

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

2.5.5.2 Uncertain capital resources and uncertain additional loans

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

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

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

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

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

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

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

2.5.5.3 Risks relating to R&D Tax Credit

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

At the request of the tax authorities, companies must substantiate the amount of the R&D tax credit receivable and the eligibility of the research work to qualify for the scheme. The tax authorities recommend that companies compile a guide containing the supporting documents necessary for auditing this tax credit. In November 2017, the R&D tax credit filed for 2016 amounting to a total of 1,662,243 euros was repaid to the Company. In November 2016, the R&D tax credit filed for 2015 amounting to a total of 1,064,857 euros was also refunded to the Company. In June 2019, the R&D tax credit filed for 2017 amounting to a total of 1,885,964 euros was repaid to the Company. In April 2020, the R&D tax credit filed for 2018 amounting to a total of 2,215,003 euros was repaid to the Company. In June 2020, the R&D tax credit filed for 2019 amounting to a total of 2,456,672 euros was repaid to the Company. With regard to 2020 and future years, it cannot be ruled out that the tax authorities may challenge the methods used by the Company to calculate R&D expenses in order to determine research tax credit figures. As a result, the risk of these R&D tax credits being contested cannot be ruled out, it being specified that the right of recapture is effective until the end of the third year following the year during which the special disclosure provided for calculating R&D tax credit is filed.

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

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

2.5.5.4 Risks related to the future use of tax loss carry-forwards

At December 31, 2019, after recognizing the net loss for the year, the Company had a deficit carried forward amounting to 58,667,306 euros. To date, this deficit can be carried forward indefinitely and applied to future profits.

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

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

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

2.5.5.5 Risks related to access to public advances

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

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

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

2.5.5.6 Dilution risks

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

At June 30, 2020, outstanding founders' share warrants and equity warrants gave their holders the right to subscribe, under certain conditions, to 2,030,109 shares.

To date, outstanding founders' share warrants and equity warrants give their holders the right to subscribe, under certain conditions, to 2,030,109 shares.

The Company had set up a financing plan with a fund managed by Yorkville amounting to a total of 20 million euros through the issue of convertible bonds plus a possible 3.75 million euros if the equity warrants were exercised. The company obtained 11 million euros through the exercise of 3 tranches. To date, no equity warrants have been exercised. The contract ended on November 18, 2018.

As part of the first two tranches backed by convertible bonds with subscription warrants underwritten by Yorkville Advisors Global LP, the Company issued 170,755 equity warrants. Furthermore, in 2018 all of the convertible bonds with subscription warrants issued under the two 3 M€ tranches and the third 5 M€ tranche exercised by the Company and underwritten by Yorkville Advisors Global LP have been converted.

The conversion of the convertible bonds in this program, issued:

- under the first tranche generated the creation of 502,206 new shares
- under the second tranche generated the creation of 665,226 new shares
- under the third tranche generated the creation of 1,464,647 new shares.

On March 11, 2019, the company launched a bond issue **(OC 0321)** for a face value of 4.7 million euros consisting of (i) a convertible bond (CB) issue for a face value of 3.4 million euros subscribed by several new European investors and (ii) an ordinary bond (OB) issue for a face value of 1.3 million euros subscribed by these same European investors to the extent of 1 million euros and by the management of the Company, Mr. Patrick Langlois, Chairman of the Board of Directors and Mrs. Nawal Ouzren, Chief Executive Officer. 3,440,862 CBs and 1,290,325 OBs were issued and subscribed.

The convertible bonds and ordinary bonds were subscribed for at 93% of their face value, will not bear interest and will mature on March 7, 2021. The conversion price of the convertible bonds will be based on the stock market price at the time of conversion. The conversion price of the CBs will be equal to the

lowest value between € 1.30 and a weighted average share price of the Sensorion share prior to the decision to convert the CBs, minus a 10% discount in compliance with the authorized ceilings.

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

On June 18, 2019, Sensorion issued convertible bonds **(OC0624)** with compulsory conversion into ordinary shares in the Company and a face value of 20 million euros to Invus Public Equities LP and Sofinnova Crossover I SLP, both of which are committed as long-term partners to Sensorion's transformation. The convertible bond issue with a face value of € 20,000,000 is represented by 20,000,000 convertible bonds with a face value of one euro each, fully subscribed for a unit price of one euro. These bonds do not bear interest and will be mandatorily converted into shares at maturity (June 13, 2024).

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

On February 10, 2020, Invus Public Equities LP converted all 12,500,000 convertible bonds issued in June 2019 (OC0624) into ordinary shares. On February 13, 2020, Sofinnova Crossover I SLP converted all 7,500,000 convertible bonds subscribed in June 2019 into ordinary shares.

Dilution table

Capitalization at December 31, 2019

The distribution of the Company's capital at **December 31, 2019**is described in the table below.

	December 31, 2019				**Fully diluted basis**	
	Number of shares	**Equity holding**			**Number of shares**	**Equity holding**
Inserm Transfert Initiative	982 911	3.05%			982 911	1.61%
Innobio (Bpifrance)	3 499 874	10.85%			3 499 874	5.74%
Management, employees, directors[1][3][4]	221 582	0.69%			1 817 493	2.98%
Cochlear	533 755	1.66%			533 755	0.88%
Invus (OC 0624)[2]	4 121 599	12.78%			20 608 063	33.82%
Sofinnova (OC 0624)[2]	1 953 837	6.06%			11 822 258	19.40%
New investors (September 2019 capital increase)	9 489 051	29,43%			9 489 051	15.57%
Floating (including former officers and directors)[4]	11 444 654	35.49%			12 175 937	19.98%
Total	**32 247 263**	**100.00%**			**60 929 342**	**100.00%**

Assumption at December 31, 2019:
(1) : Including 160,000 free shares allocated on May 29, 2018.
After conversion of the convertible bonds by Sofinnova Partners and Invus:
(2) : conversion of (OC 0624) on the basis of a price of € 0.76 On a fully diluted basis:
(3) : Conversion of (OC 0321) held by an executive at a price of €1.30
(4) : Including 2,030,109 Founders' share warrants, equity warrants and existing free shares (including 160,000 free shares allocated on 29 May 2018) issued by the company / 1 equity warrant = 1 share

At December 31, 2019, the marketable securities giving access to outstanding capital were as follows:

- Founders' share warrants and equity warrants conveying the right to subscribe to 2,030,109 new shares
- Equity warrants detached from the convertible bonds conveying the right to subscribe to 170,755 new shares
- Convertible bonds conveying the right to subscribe to 14,804,571 new shares

Dilution table at December 31, 2019

In respect of the table below and at December 31, 2019:

- The **Undiluted Reference** corresponds to shares in circulation only, i.e. **32,247,263** shares.
- The **Diluted Reference** corresponds to **34,277,372** shares, i.e. the Undiluted Reference plus 2,030,109 shares resulting from the possible exercise of the Founders' share warrants and equity warrants currently valid.
- The **Fully Diluted Reference** corresponds to **49,252,698** shares, i.e. the Diluted Reference plus 170,755 shares resulting from the possible exercise of the equity warrants detached from the outstanding convertible bonds with subscription warrants and 14,804,571 shares resulting from the possible conversion of convertible bonds *(conversion assumptions: 215,054 CBs OC0321 at a price of € 1.30 and 20,000.000 CBs OC0624 at a price of € 1.3662*)

Description of dilutive instruments	Number of shares	Dilution as per Diluted Reference	Dilution as per a Fully Diluted Reference
Outstanding Founders' warrants and equity warrants	2 030 109	5.92%	4.12%
Equity warrants detached from convertible bonds with subscription warrants	170 755	0.50%	0.35%
CB	14 804 571	NA	30.06%
TOTAL dilutive instruments issued and valid	**17 005 435**	**NA**	**34.53%**

Dilution for a shareholder holding 1% of the capital

	Before dilution	**After dilution**
Diluted Reference	1.00%	0.94%
Fully Diluted Reference	1.00%	0.65%

As of this report:

	September 30, 2020		Fully diluted basis	
	Number of shares	**Equity holding**	**Number of shares**	**Equity holding**
Inserm Transfert Initiative	982 911	1,28%	982 911	1,23%
Innobio (Bpifrance)	3 499 874	4,56%	3 499 874	4,38%
Management, salariés, administrateurs	160 000	0,21%	2 140 041	2,68%
Cochlear	533 755	0,70%	533 755	0,67%
Invus (OC 0624)	26 490 415	34,49%	26 490 415	33,16%
Sofinnova (OC 0624)	15 469 458	20,14%	15 469 458	19,37%
Wuxi AppTec	5 249 608	6,84%	5 249 608	6,57%
3SBio	4 055 150	5,28%	4 055 150	5,08%
Flottant (y compris anciens dirigeants et administrateurs)	20 357 881	26,51%	21 460 760	26,87%
Total	**76 799 052**	**100,00%**	**79 881 972**	**100,00%**

At the date hereof, the marketable securities giving access to outstanding capital were as follows:

- Founders' share warrants and equity warrants conveying the right to subscribe to 1,932,609 new shares
- SOs conveying the right to subscribe to 100,000 new shares
- Equity warrants detached from the convertible bonds conveying the right to subscribe to 170,755 new shares
- Convertible bonds conveying the right to subscribe to 165,426 new shares

Dilution table as of this report

In respect of the table below and as of this report:

- The **Undiluted Reference** corresponds to shares in circulation only, i.e. **76,799,052** shares.
- The **Diluted Reference** corresponds to **79,545,791** shares, i.e. the Undiluted Reference and 2,746,739 shares resulting from the possible exercise of the Founders' share warrants and equity warrants currently valid.
- The **Fully Diluted Reference** corresponds to **79,881,972** shares, i.e. the Diluted Reference plus 170,755 shares resulting from the possible exercise of the equity warrants detached from the outstanding convertible bonds with subscription warrants and 165,426 shares resulting from the

possible conversion of outstanding convertible bonds *(conversion assumptions: 215,054 CBs OC0321 at a price of € 1.30*)

Description of dilutive instruments	Number of shares	Dilution as per Diluted Reference	Dilution as per a Fully Diluted Reference
Valid Founders' warrants and equity warrants	2 746 739	3,45%	3,44%
Valid stock options	950 630	1.20%	1.19%
Equity warrants detached from convertible bonds with subscription warrants	170 755	0.21%	0.21%
CB	165 426	NA	0.21%
TOTAL dilutive instruments issued and valid	**3 082 920**	**NA**	**3.86%**

Dilution for a shareholder holding 1% of the capital

	Before dilution	**After dilution**
Diluted Reference	1.00%	0.97%
Fully Diluted Reference	1.00%	0.96%

2.5.5.7 The Company's computer systems or those of the Company's employees or other sub-contractors or consultants could be targeted by hackers.

The Company's IT systems and those of its employees and sub-contractors or consultants may be targeted by hackers.

Although the Company has not been a victim of hacking today, if such an event did occur and cause an interruption of its activities, it could cause a major disturbance to the Company's development programs and its activities, the cause of which could be the loss of trade secrets or other sensitive information. Data hacking concerning the Company's drug candidates that are being trialed in completed or future

clinical trials could, for example, delay obtaining accreditation from the regulatory authorities. If disruption or hacking led to the Company's data being garbled or its applications crashing, or other data or applications in connection to its technology or its drug candidates being compromised, or unauthorized, confidential or proprietary information being disclosed, the Company would be liable to penalties, its position in relation to the competition could be affected and the development and marketing of its drug candidates could be delayed.

2.5.6. Market risks

2.5.6.1 Liquidity risk

Background:

Since its creation, the Company has financed its growth by bolstering its shareholder equity through successive capital increases, issuing a convertible bond, obtaining government innovation subsidies and grants in the form of refundable advances, claiming research tax credit receivables and setting up a research tax credit pre-financing loan (PREFICIR) with an 18-month principal repayment deferral. To date, the Company has not made use of bank loans.

Refundable innovation grants and repayment schedules:

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

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

Under the terms of the ADI-2014 refundable advance agreement, the Company received €860,000 (€300,000 from the Languedoc-Roussillon Region and €560,000 from Bpifrance). These advances will be repaid according to a quarterly schedule running from June 30, 2018 to March 31, 2023. As of December 31, 2019, the Company had repaid €182,500 of the grants awarded by Bpifrance and the Languedoc-Roussillon region. The total amount still to be repaid in quarterly installments stands at €635,000, including €155,000 to be paid between March 31, 2020 and December 31, 2020.

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

Current liquidity risk

On August 16, 2016, acting under the sub-delegation granted on July 18, 2016 by the meeting of the Board of Directors, itself acting under the delegation granted by the General Meeting of April 29, 2016, the Chief Executive Officer issued 500 warrants for bonds convertible into shares with attached warrants (OCABSA) to YA GLOBAL MASTER SPV Ltd, resulting in the issuance of 500 bonds with a unit price of €10,000, equating to a bond issue with a maximum face value of €5 million.

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

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

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

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

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

The Board of Directors considers that the Company remains a going concern. As of June 30, 2020, the Company had sufficient net working capital to meet its cash requirements. Following the capital increase of September 18, 2020 (fund raising for a total gross proceeds of approximately €31 million by means of a Reserved Offering) and as of the current date, the company has the necessary cash to cover its running and expansion costs until the second half of 2022.

Substantial research and development expenses relating to clinical studies have been incurred since the Company's operations began, which have so far generated negative operating cash flows. The latter stood at -€8,201,834 and -€4,023,945 for the financial years ending June 30, 2019 and 2020.

As of June 30, 2020, the positive net cash position stood at €30,654,310.

Measures taken to fund the Company:

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

- Searching for financing solutions, primarily within the scope of industrial collaborations.

- Licensing agreements with one or more manufacturers for one or more of their candidate products.
- Agreements to secure grants and/or refundable advances specifically relating to the Company's research programs.

These financing solutions could also take the following forms:

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

2.5.6.2 Credit risk

The Company manages its available cash prudently. The Company's cash and cash equivalents are comprised of term deposits. As of June 30, 2020, €30,654,310 in cash assets and term deposits held by the Company were invested in products available immediately or with a maturity of less than one month. Any credit risk to which the Company is subject relates to deposits with banks and financial institutions. The Company uses leading financial institutions for its cash investments. Its cash is therefore not exposed to any significant credit risk.

2.5.6.3. Interest rate risk

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

2.5.6.4 Exchange risk

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

As of June 30, 2020, the Company considers that it is not exposed to foreign exchange risk, since only a relatively small proportion of its supplies are purchased outside the euro zone and invoiced in foreign currencies. Similarly, the Company's cash is invested exclusively in euro-denominated investment products. Given that the sums involved are not significant, the Company has not, at this stage in its business development, made any hedging arrangements to protect its business against exchange rate fluctuations. The Company cannot rule out the possibility that a significant upturn in its business volumes may result in greater exposure to foreign exchange risk. In this case, the Company will consider implementing an appropriate policy to mitigate such a risk.

2.5.6.5 Equity risk

The Company holds no marketable investments or securities.

2.5.7. Insurance and risk coverage

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

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

2.5.8. Risks relating to the lack of dividend distribution

Given its losses, the Company has never distributed dividends. To serve the interests of its shareholders, the Company intends to devote all of its financial resources to increasing the value of the business. The Company therefore does not plan to distribute dividends in the next three years. In subsequent years, the dividend distribution policy will depend on the Company's results and on an assessment of the resources required to ensure its growth.

2.5.9. Extraordinary events and disputes

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

3 Half-year Financial Statements as of June 30, 2020 and Notes to the Half-year Financial Statements

See attached document

4 Auditor's report

Sensorion

Period from January 1 to June 30, 2020

Statutory auditor's review report on the interim financial information

To the Chief Executive Officer,

In our capacity as statutory auditor of Sensorion and in accordance with your request, we have performed a review of the interim financial information for the period from January 1 to June 30, 2020.

These interim financial statements were prepared by your Board of Directors, on October 20, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these interim financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information are not prepared, in all material respects, in accordance with IAS 34 –IFRS as adopted by the European Union applicable to interim financial information.

Montpellier, October 20, 2020

The Statutory Auditor
French original signed by
ERNST & YOUNG Audit

Marie-Thérèse Mercier

A French *société par actions simplifiée* (simplified corporation) with share capital of €7,679,905.20

Registered office: 375 rue du Professeur Joseph Blayac

34080 Montpellier

Half-year financial statements as of June 30, 2020 presented in accordance with IAS 34

BALANCE SHEET

(Amounts in euros)

	Note	6/30/2020	12/31/2019
ASSETS			
Non-current assets			
Intangible Assets	**3**	668,106	720,640
Property, Plant and Equipment	**4**	160,309	190,772
Right-of-use assets	**5**	722,495	774,101
Non-current financial assets	**6**	38,835	38,835
Total non-current assets		**1,589,745**	**1,724,348**
Current assets			
Other Current Assets	**7**	2,047,409	5,946,864
Cash and cash equivalents	**8**	30,654,310	30,428,319
Total current assets		**32,701,719**	**36,375,183**
TOTAL ASSETS		**34,291,464**	**38,099,532**
LIABILITIES			
Equity			
Share capital	**9.1**	5,856,305	3,224,726
Premiums related to the share capital	**9.2**	27,404,878	21,361,349
Reserves		148,538	728,630
Net income (loss)		(4,718,994)	(12,096,181)
Total equity		**28,690,728**	**13,218,525**
Non-current liabilities			
Non-current financial liabilities	**10.1**	1,179,233	1,237,691
Non-current lease debts	**5**	634,563	684,088
Non-current provisions	**11**	81,993	115,154
Total non-current liabilities		**1,895,789**	**2,036,933**
Current liabilities			
Convertible bonds	**10.3**	188,910	20,186,223
Current financial liabilities	**10.1**	245,000	155,000
Current lease debts	**5**	99,558	97,579
Trade payables and related accounts	**12.1**	1,671,100	1,605,054
Other current liabilities	**12.2**	1,500,380	800,218
Total current liabilities		**3,704,948**	**22,844,074**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**34,291,464**	**38,099,532**

PROFIT AND LOSS STATEMENT AND COMPREHENSIVE INCOME

(Amounts in euros)

	Note	As of June 30 2020	As of June 30 2019
Operating revenue			
Other revenue		902,203	1,042,407
Total revenue	**13**	**902,203**	**1,042,407**
Operating expenses			
Research and development expenses		3,661,766	5,226,883
General & administrative expenses		1,915,400	1,257,185
Total expenses	**14**	**5,577,166**	**6,484,068**
Operating income (loss)		**(4,674,963)**	**(5,441,662)**
Financial income		27,461	38,489
Financial expenses		(71,492)	(61,418)
Financial income (loss)	**16**	**(44,031)**	**(22,929)**
Pre-tax current income		**(4,718,994)**	**(5,464,591)**
Corporate income tax		-	-
Net profit (loss)		**(4,718,994)**	**(5,464,591)**
Other non-recyclable items of comprehensive income			
Actuarial gains/losses on pension plans		44,533	5,256
Comprehensive income (loss)		**(4,674,461)**	**(5,459,335)**
Weighted average number of shares		52,910,973	13,821,501
Net earnings (loss) per share		**(0.09)**	**(0.40)**
Diluted earnings (loss) per share		**(0.09)**	**(0.40)**

STATEMENT OF CASH FLOWS

(Amounts in euros)

	Note	As of June 30 2020	2019
Cash flows from operational activities			
Net income (loss) for the period		(4,718,994)	(5,464,591)
Reconciliation of net income and cash used for operating activities			
Depreciation/amortization and impairment		145,171	215,627
Expenses on share-based payments	**15**	146,215	170,423
Other items excluded from cash and cash equivalents		5,425	59,204
Lease agreement		51,606	-
Provisions for pension liabilities		11,372	11,372
Operating cash flow before financial income and taxes		**(4,359,205)**	**(5,007,965)**
Trade receivables		-	-
Other receivables		3,902,142	983,938
Trade payables		66,046	986,687
Other current liabilities		726,278	(156,529)
Net cash flows provided by (used in) operational activities		**335,261**	**(3,193,869)**
Cash flows from investment activities			
Acquisitions of property, plant and equipment		(16,403)	-
Acquisitions of intangible assets		(45,770)	(19,215)
Acquisitions of financial assets		-	-
Other cash flows from investment transactions		-	-
Net cash flows from investment activities		**(62,173)**	**(19,215)**
Cash flows from financing activities			
Bonds convertible into shares		(20,000,000)	19,130,393
Increase/(decrease) of financial liabilities		1,000	-
Collection/(disbursement) of advances		-	(65,000)
Payment of lease debts		(48,546)	(8,482)
Treasury shares		(3,387)	(76,143)
Capital increases		20,003,837	3,859,200
Net cash flows from financing activities		**(47,096)**	**22,839,968**
Cash and cash equivalents at the start of the period		30,428,319	2,711,217
Cash and cash equivalents at the end of the period		30,654,310	22,338,101
(Decrease)/Increase in cash position		**225,991**	**19,626,884**

STATEMENT OF CHANGES IN EQUITY

(Amounts in euros)

	Share capital					
	Number of shares	**Amount**	**Premiums related to the share capital**	**Reserves**	**Net income (loss)**	**Total equity**
As of January 1, 2019	**13,065,932**	**1,306,593**	**40,350,764**	**(25,797,020)**	**(12,350,021)**	**3,510,317**
Allocation of net income (loss)				(12,350,021)	12,350,021	-
Capital increase	19,181,331	1,918,133	20,413,443			22,331,576
Variance in retained earnings			(38,109,973)	38,109,973		-
Treasury shares				2,763		2,763
Expenses deducted from share premium			(1,296,485)			(1,296,485)
Revaluation of reimbursable advances				12,340		12,340
Issuance of BSA warrants			3,600			3,600
Actuarial gains (losses)				(7,779)		(7,779)
Net income (loss)					(12,096,181)	(12,096,181)
Share-based payments				758,373		758,373
As of December 31, 2019	**32,247,263**	**3,224,726**	**21,361,349**	**728,630**	**(12,096,181)**	**13,218,525**
Appropriation of net income (loss)				(12,096,181)	12,096,181	-
Capital increase	26,315,789	2,631,579	17,368,421			20,000,000
Variance in retained earnings			(10,291,539)	10,291,539		-
Treasury shares				(3,387)		(3,387)
Expenses deducted from share premium			(1,033,352)	1,037,189		3,837
Actuarial gains (losses)				44,533		44,533
Net income (loss)					(4,718,994)	(4,718,994)
Share-based payments				146,215		146,215
As of June 30, 2020	**58,563,052**	**5,856,305**	**27,404,879**	**148,538**	**(4,718,994)**	**28,690,728**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Note 1: Significant Events

1. Financing

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

Following this operation Invus held 20,591,259 ordinary shares and 42.29% of the share capital and voting rights of Sensorion.

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

On September 18, 2020, Sensorion announced that, as a result of its capital increase, it had placed 18,236,000 new ordinary shares with a nominal value of €0.10 each for a total gross proceeds of approximately €31 million by means of an accelerated book building offering reserved for specified categories of persons (the "Reserved Offering").

Following the issuance of the new shares, the Company's total share capital will be €7,679,905.20, equal to 76,799,052 shares each with a par value of €0.10.

Based on its expenditure forecasts, taking into account cash on hand as of June 30, 2020 and at the current date, the Company deems that it is in a position to finance its activities until the second half of 2022.

2. Research and development

During the first half of 2020, Sensorion continued to develop new therapies to restore hearing and to treat and prevent hearing loss. Clinical and preclinical projects are progressing and, in particular, the collaboration with the Institut Pasteur in gene therapy continues.

- **Collaboration with the Institut Pasteur on Gene Therapy Programs Targeting Hearing Loss**

In the second half of 2019, Sensorion launched two preclinical gene therapy programs targeting Usher Syndrome type 1 and Otoferlin deficiency, two monogenic forms of hereditary deafness. Under the framework agreement signed with Institut Pasteur in May 2019, other projects could emerge in the same area of genetic disorders of the inner ear. During the five years partnership agreement, Sensorion has preferred rights to the genetic disorders of the inner ear research pipeline of Institut Pasteur and the ability to implement collaborations leading to a license. These programs are conducted under the sponsorship of Professor Christine Petit, Director of the French Hearing Institute and Chair of our Scientific Advisory Board.

On June 9, 2020, Sensorion announced positive preliminary preclinical data from its gene therapy program targeting Otoferlin deficiency. In vivo experiments conducted in non-human primates (NHPs) show promising preliminary data on inner ear tissue tropism and the achievement of a high transduction rate efficiency.

- **Drug candidate SENS-401**

The SENS-401 Phase 2 clinical trial in the treatment of sudden sensorineural hearing loss (SSNHL) in adults is a randomized, double-blind and placebo-controlled study, aiming to recruit ~260 patients. It is being conducted in 11 countries at approximately 30 sites in Europe and Canada.

On February 17, 2020, Sensorion received Ethics Committee approval to include new military sites in the SENS-401 Phase 2 study. The new centers will recruit volunteer military personnel exposed to extreme noise during their professional activities and suffering from hearing loss.

On March 13, 2020, Sensorion provided an update on SENS-401 SSNHL Phase 2 AUDIBLE-S trial enrollment. Patient recruitment rates from this trial now indicate the data will be available by mid-year 2021, which is later than previously announced. An important factor impacting recruitment in the trial was the reallocation of emergency room resources due to the COVID-19 situation.

The independent Data Safety Monitoring Board (DSMB) undertook a review of the safety data for the patients included in the Phase 2 clinical trial on June 5, 2020. It confirmed the absence of any concern on the safety of SENS-401 and recommended continuing the trial as scheduled.

Following the agreement signed in December 2017, Sensorion and Cochlear (world leader in cochlear implants) have continued their collaboration. Thanks to its otoprotective properties demonstrated in several preclinical models, SENS-401 could potentially preserve residual hearing in patients with cochlear implants. Since 2018, we have successfully conducted additional safety studies to assess the feasibility of long-term treatment with SENS-401 that may be required in cochlear implant indications. Preclinical data from these studies are expected by the end of 2020.

- **Technology Platform**

Sensorion has built a unique R&D technology platform to expand its understanding of the pathophysiology and etiology of inner ear related diseases enabling it to select the best targets and modalities for drug candidates in the field of small molecules and gene therapy. This platform makes it possible to carry out a panel of investigations ranging from histology, cell culture (in vitro) to behavioral and electrophysiological (in vivo). The Company is also working on the identification of biomarkers to improve diagnosis and treatment of these illnesses with a high unmet medical need.

- **Impact of the Covid-19 pandemic**

Sensorion is closely monitoring the COVID-19 pandemic and is actively managing its potential impact on Company activities.

We observed a negative impact on recruitment for the SENS-401 Phase 2 trial in SSNHL during the spread of COVID-19, which started in the first quarter of 2020, due to the reallocation of emergency room resources and restrictions in the movement of populations. In order to avoid overloading healthcare facilities, ensure safety of new potential patients, prevent major protocol deviations due to missed follow-up visits and to minimize contact between patients and investigational staff, the recruitment of new patients in the study was temporarily suspended and re-started progressively following the reduction in social restrictions. It is difficult to predict the evolution of the pandemic, therefore local restrictions of populations or additional governmental measures could impact future recruitment of patients in sites participating in the ongoing Phase 2 clinical study.

Regarding patients already in the SENS-401 Phase 2 study, there is a risk that it might be impossible for some of these subjects to complete the follow-up visits as planned in the study protocol. The Company is seeking to mitigate this risk through the use of teleconferences and videoconferences.

Furthermore, the pandemic might also cause delays in the realization of preclinical gene therapy studies carried out as part of the collaboration with Institut Pasteur. This could delay the preclinical results expected for the two ongoing programs.

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

Subsequent Events

Since June 30, 2020, the Company has made the following announcements:

On July 6, 2020, Sensorion announced the appointment of Edwin Moses, former Chairman and CEO of Ablynx, as Chairman of its Board of Directors. Edwin Moses acquired international recognition as CEO and Chairman of the Boards of Directors of various life sciences companies. He led for more than 12 years the company Ablynx and its rapid growth, from a technology platform to a fully integrated biopharmaceutical company prior to its acquisition by Sanofi.

On July 29, 2020, Sensorion announced the appointment of five distinguished experts to its Scientific Advisory Board. The Board is chaired by Pr. Christine Petit, MD, PhD, and a world-renowned geneticist and neurobiologist in the field of hearing and hearing disorders. Pr. Petit was recently awarded the Kavli Prize in Neuroscience and was appointed Director of the French Hearing Institute, in addition to her other current positions. The new members of the Scientific Advisory Board are Pr. Alain Fischer, Dr. Robert Dow, Pr. Paul Avan, Dr. Diane Lazard and Dr. Hernán López-Schier.

On September 18, 2020, Sensorion announced that, as a result of its capital increase, it had placed 18,236,000 new ordinary shares with a nominal value of €0.10 each for a total gross amount of approximately €31 million by means of an accelerated book building offering reserved for specified categories of persons (the "Reserved Offering").

Following the issuance of the new shares, the Company's total share capital is €7,679,905.20, equal to 76,799,052 shares each with a par value of €0.10.

Going Concern

The Board of Directors applied the going concern assumption. As of June 30, 2020, the Company had sufficient net working capital to meet its cash needs.

Following the capital increase of September 18, 2020 (fund raising for a total gross proceeds of approximately €31 million by means of a Reserved Offering) and as of the current date, the Company has sufficient cash to cover its current and development expenses until the second half of 2022.

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

Note 2: Accounting Policies

2.1 Accounting Standards

The financial statements are presented in euros.

The balance sheet date of the condensed interim financial statements is June 30.

The condensed interim financial statements were submitted to the Board of Directors on October 20, 2020.

New IFRS standards

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

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

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

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

The interim financial statements have been prepared in accordance with the IFRS standards adopted by the European Union applicable as at June 30, 2020 and for all periods presented.

The IFRS standards are available on the European Commission's website:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en

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

2.2 Intangible Assets

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

Research and Development costs

Research costs are systematically expensed.

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

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

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

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

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

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

(f) the development costs are measured reliably.

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

Patents

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

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

Software

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

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

Licenses

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

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

2.3. Property, Plant and Equipment

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

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

The following depreciation periods are applied:

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

2.4 Financial Instruments

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

(b) impairment and (c) hedge accounting.

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

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

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

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

2.6. Cash and Cash Equivalents

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

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

2.7 Capital

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

2.8 Share-Based Payments

Since its creation, the Company has set up several equity compensation plans under which "founders' warrants" (BSPCEs) are granted free of charge to employees and/or officers, "share warrants" (BSAs) are granted to scientific consultants or service providers, and "free shares" (AGAs) are granted to employees.

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

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

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

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

2.9 Grants and Conditional Advances

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

Grants are recognized when there is reasonable assurance that:

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

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

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

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

Similarly, the benefit derived from a government loan at a below-market interest rate is treated as a government grant, equal to the difference between the proceeds received and the fair value of the loan determined on the basis of the then prevailing market interest rate. This benefit, which is determined by applying a discount rate equal to the Company's estimated indebtedness, is recognized as prepaid income and reversed over the repayment period of the advances.

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

2.10. Provisions

Contingency and loss provisions

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

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

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

Retirement Benefit Obligations

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

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

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

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

The difference between the amount of the provision at the start of a period and the amount at year-end is recognized as a payroll expense for the services rendered component, as a financial expense for the financial interest component, and as other comprehensive income for the actuarial gains and losses component.

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

2.11 Revenue from Ordinary Operations

The Company does not yet have revenue from ordinary operations.

2.12 Other Revenue

Research Tax Credit

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

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

In 2020, the Company received a refund of the research tax credit for 2018 and 2019. The refund of the 2020 research tax credit is expected in 2021 pursuant to the Community SME scheme.

2.13 Leases

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

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

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

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

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

Measurement of the Right-of-use Assets

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

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

costs the discounted amount of the restoration and/or uninstallation expenses, offsetting a restoration liability or provision.

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

Measurement of the lease debts

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

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

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

Changes in the lease liability are measured as follows:

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

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

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

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

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

The application of IFRS 16 as of January 1, 2019 resulted in recognizing net right-of-use assets of €722,000 and lease liabilities of €733,000 on June 30, 2020.

The impacts of the application of IFRS 16 as of January 1, 2019 are discussed in Note 5.

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

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

Types of Capitalized Leases

"Real Estate" Leases

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

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

2.14 Taxes

Corporate Income Tax

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

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

2.15 Segment Reporting

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

2.16 Other Items of Comprehensive Income

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

2.17 Material Accounting Estimates and Judgments

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

- The fair value of founders' warrants granted to employees and/or officers (BSPCE) and of share warrants granted to non-employee members of the Board of Directors, scientific consultants and service providers (BSA) is measured using actuarial models. These models require that the Company make certain calculation assumptions, such as the expected volatility of the security. See Note 15.
- Useful life estimates, identification of indications of impairment and, if necessary, performing impairment tests on intangible assets. See Note 2.2.

Note 3: Intangible Assets

Intangible assets break down as follows:

INTANGIBLE ASSETS

(Amounts in euros)

	6/30/2020	12/31/2019
Patents, licenses, trademarks	1,533,973	1,488,203
Software	32,522	32,522
Total gross value	**1,566,495**	**1,520,725**
Accumulated amortization of patents, licenses, trademarks	866,641	769,362
Accumulated amortization of software	31,749	30,723
Accumulated amortization	**898,390**	**800,085**

Net total	**668,106**	**720,640**

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

Note 4: Property, Plant and Equipment

Property, plant and equipment break down as follows:

	1/1/2020	Increases	Decreases	6/30/2020
Industrial and laboratory equipment	608,572	5,196	-	613,768
Building fixtures and fittings	-	-	-	-
Computer equipment	49,405	11,207	-	60,612
Office furniture	21,890	-	-	21,890
Gross total	**679,867**	**16,403**	**-**	**696,269**
Accumulated amortization of industrial and laboratory equipment	439,351	41,665	-	481,016
Accumulated amortization of building fixtures and fittings	-	-	-	-
Accumulated amortization of computer equipment	27,854	5,201	-	33,055
Accumulated amortization of office furniture	21,890	-	-	21,890
Total accumulated amortization	**489,095**	**46,866**	**-**	**535,961**
Net total	**190,772**			**160,309**

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

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

Note 5: Leases

The Company adopted IFRS 16 effective January 1, 2019 using the simplified retrospective adoption method.

Movements relating to lease use rights over the six-month period break down as follows:

RIGHTS OF USE

(Amounts in euros)

Real estate	6/30/2020	12/31/2019
Leases	877,315	877,315
Gross total	**877,315**	**877,315**
Amortization	154,820	103,214
Total amortization	**154,820**	**103,214**
Net total	**722,495**	**774,101**

Movements relating to lease liabilities over the six-month period break down as follows:

LEASE DEBTS

(Amounts in euros)

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

-

as of Tuesday, June 30, 2020	Non-current	Current	Total
Real estate lease liabilities	634,563	98,558	733,121
Gross total	**634,563**	**98,558**	**733,121**

On June 30, 2020, real estate rights of use were measured at a gross amount of €877,000 and a net amount of €722,000.

As of June 30, 2020, their residual term was seven years.

Allowances for rights of use in H1 2020 totaled €155,000, capitalized amortization of lease liabilities totaled €52,000 and financial interest amounted to €8,000. The cancellation of the associated lease liability disbursed over the first six months amounted to €4,000.

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

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

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

Note 6: Non-Current Financial Assets

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

Note 7: Other Current Assets

Other current assets break down as follows:

OTHER CURRENT ASSETS

(Amounts in euros)

	6/30/2020	12/31/2019
Advances and down payments	54,370	7,975
State, Research Tax Credit	886,444	4,676,612
State, VAT	478,424	689,314
Liquidity agreement	8,849	6,446
Prepaid expenses	617,745	566,518
Other	1,577	(0)
Net total	**2,047,409**	**5,946,864**

CHANGES IN THE RESEARCH TAX CREDIT RECEIVABLE

(Amounts in euros)

	Amount
Receivable as of 1/1/2020	**4,676,612**
Operating revenue	877,444
Payment received	(4,671,675)
Change in 2018 RTC	(4,937)
Receivable as of 6/30/2020	**877,444**
Other income from receivables State Tax Reduction	9,000
Receivable as of 6/30/2020	**886,444**

Research Tax Credit

The Company qualifies for the provisions of Articles 244 *quater* B and 49 *septies* F of the French Tax Code on the research tax credit. In accordance with the principles described in Note 3.12 of the notes to the IFRS financial statements prepared as of December 31, 2019, the research tax credit is recognized in "Other revenue" in the year to which the qualifying research expenses relate.

The refund of the 2018 and 2019 research tax credit, in the amount of €4,672,700, have been received in the first half of 2020 pursuant to the Community SME scheme. The refund of the 2020 research tax credit, i.e., for the first half of 2020, in the amount of €872,500, will be claimed in early 2021, and the refund is expected in 2021.

Note 8: Cash and cash equivalents

The cash and cash equivalents item break down as follows:

CASH AND CASH EQUIVALENTS

(Amounts in euros)

	6/30/2020	12/31/2019
Cash and cash equivalents	24,653,810	25,428,319
Term deposits	6,000,500	5,000,000
Net total	**30,654,310**	**30,428,319**

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

Note 9: Capital

9.1 Capital Issued

As of June 30, 2020, the share capital totaled €3,487,884.19 (three million four hundred eighty-seven thousand eight hundred eighty-four euros and nineteen cents). It is divided into 34,878,842 fully subscribed and paid-in shares with a nominal value of €0.10 each.

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

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

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

Balance of Capital as of June 30, 2020

Date	Types of transactions	Capital	Issue premium	Number of shares	Nominal value
	Balance as of December 31, 2019	**€3,224,726.30**	**€21,327,248.76**	**32,247,263**	€0.10
February 7, 2020	Capital increase by conversion of convertible bonds	€1,644,736.80	€10,855,263.20	16,447,368	€0.10
February 12, 2020	Capital increase by conversion of convertible bonds	€986,842.10	€6,513,157.90	9,868,421	€0.10
May 20, 2020	Retained earnings set off against share premium		-€10,291,539.34		
	Subtotal as of June 30, 2020	**€5,856,305.20**	**€28,404,130.52**	**58,563,052**	€0.10
	Expenses deducted from share premium		-€1,033,352.03		
	Balance at June 30, 2020	**€5,856,305.20**	**€27,370,778.49**	**58,563,052**	€0.10

9.2 Share warrants, founders' warrants and free shares

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

BSA Warrants:

Type	Date	Number of warrants issued	Number of warrants exercised	Number of warrants lapsed	Number of outstanding warrants	Number of potential shares
BSA 2011	4/30/2014	1,000	-	-	1,000	10,000
BSA 2015	9/28/2015	5,000	-	-	5,000	5,000
BSA 2016	4/26/2016	3,750	-	-	3,750	3,750
BSA 2016	5/19/2017	20,000	-	5,000	15,000	15,000
BSA 2018	7/30/2019	30,000	-	-	30,000	30,000
Total as of 6/30/2020		**59,750**	**-**	**5,000**	**54,750**	**63,750**

BSA warrants issued on June 17, 2014

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

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

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

BSA warrants issued on September 28, 2015

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

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

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

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

BSA warrants issued on April 26, 2016

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

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

- 16.67% on February 2, 2017
- 16.67% on February 2, 2018

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

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

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

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

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

BSA warrants issued on July 30, 2018

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

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

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

BSPCE warrants:

Type	Date	Subscription price per share	Number of warrants issued	Number of warrants exercised	Number of warrants lapsed	Number of outstanding warrants	Number of potential shares
BSPCE 2009	10/12/2010	€ 2.40	3,500	-	-	3,500	35,000
BSPCE 2011	1/17/2012	€ 2.40	2,500	-	-	2,500	25,000
BSPCE 2012	3/5/2012	€ 2.40	13,029	-	-	13,029	130,290
BSPCE 2013	1/18/2013	€ 2.40	9,350	-	-	9,350	93,500
BSPCE 2014-2	6/17/2014	€ 2.40	900	-	-	900	9,000
BSPCE 2014-M	11/20/2014	€ 2.40	13,600	-	-	13,600	136,000
BSPCE 2014-3	7/7/2015	€ 4.54	4,000	-	-	4,000	4,000
BSPCE 2014-3	9/28/2015	€ 10.00	178,334	-	-	178,334	178,334
BSPCE 2014-3	2/2/2016	€ 6.31	60,000	-	-	60,000	60,000
BSPCE 2014-3	2/2/2016	€ 6.31	37,500	-	12,500	25,000	25,000
BSPCE 2014-3	3/15/2016	€ 6.31	19,500	-	-	19,500	19,500
BSPCE 2016	5/19/2017	€ 4.31	106,000	-	12,500	93,500	93,500
BSPCE 2017	5/30/2017	€ 4.31	260,000	-	65,000	195,000	195,000
BSPCE 2017	5/30/2017	€ 2.50	67,500	-	2,500	65,000	65,000
BSPCE 2018	4/29/2019	€ 1.20	452,500	-	-	452,500	452,500
BSPCE 2019	9/6/2019	€ 1.28	347,235	-	-	347,235	347,235
Total as of 6/30/2020			**1,575,448**	**-**	**92,500**	**1,482,948**	**1,868,859**

General conditions for exercising warrants:

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

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

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

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

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

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

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

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

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

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

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

The impact of share-based payments on the net result is presented in Note 15.

SOs:

Type	Date	Subscription price per share	Number of instruments issued	Number of instruments exercised	Number of instruments lapsed	Number of outstanding instruments
SO 2020	5/20/2020	€ 0.76	100,000	-	-	100,000
Total as of 6/30/2020			**100,000**	-	-	**100,000**

On May 20, 2020, the Company's Board of Directors awarded 100,000 stock options to a single beneficiary. These options entitle their holder to subscribe for one ordinary share at a subscription price of €0.76 per share.

These options may be exercised until May 19, 2027 without any conditions.

Note 10: Borrowings and financial liabilities

10.1 Current financial liabilities

Conditional advances have been received from public authorities under contracts with Bpifrance Financement (formerly OSEO Innovation) and the Languedoc-Roussillon region.

As of June 30, 2020, the Company is a party to an advance agreement. These advances do not incur interest and are fully repayable at their nominal value in the event of technical and/or commercial success.

The portion of conditional advances to be repaid in more than one year is recognized in non-current liabilities, and the portion to be repaid within one year is recognized in current liabilities.

The table below shows the breakdown of liabilities reported on the balance sheet (amounts in euros):

	Bpifrance
Balance sheet liability 12/31/2019	**486,611**
+ receipts	-
- repayments	-
Prepaid income	82,932
Financial expense	35,121
Balance sheet liability 6/30/2020	**604,665**

On July 27, 2014, Bpifrance Financement and the Languedoc-Roussillon region awarded Sensorion a grant of €860,000 for a study to develop an innovative therapeutic solution to protect against inner ear injuries. The following are the principal stages of this advance:

- €680,000 (€240,000 from the Languedoc-Roussillon region's innovation plus fund and €440,000 from Bpifrance funds) was paid to the Company in July 2014 when the contract was signed;

- €180,000 (€60,000 from the Languedoc-Roussillon region's innovation plus fund and €120,000 from Bpifrance funds) was paid to the Company in August 2016 when the program was completed.

The total amount of reimbursable advances repaid by Sensorion totaled €225,000 in June 2020.

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

Repayment amounts	Repayment due dates
€ 115,000	9/30/2020
€ 40,000	12/31/2020
€ 40,000	3/31/2021
€ 50,000	6/30/2021
€ 50,000	9/30/2021
€ 50,000	12/31/2021
€ 50,000	3/31/2022
€ 60,000	6/30/2022
€ 60,000	9/30/2022
€ 60,000	12/31/2022
€ 60,000	3/31/2023

10.2 Zero-Interest Innovation Loan

On January 13, 2017, the Company received a zero-interest innovation loan (PTZI), which was granted jointly by Bpifrance Financement and the Occitanie region. This loan of €950,000 is repayable in 20 quarterly installments of €47,500. The first installment was repaid in January and the second installment will be repaid in the second half of 2020 following a six-month deferral of all payments to Bpifrance pursuant to the COVID-19 measures implemented by the French government.

10.3 Bonds convertible into shares (OCAs)

OCA 2019: OC0321

On March 11, 2019, Sensorion carried out a bond issue for a nominal amount of €4.7 million, consisting of (i) a convertible bond issue for a nominal amount of €3.4 million (3,440,862 convertible bonds with a nominal value of €1 each), which was subscribed by several new European investors, and (ii) an ordinary bond issue for a nominal amount of €1.3 million (1,290,325 ordinary bonds with a nominal value of €1 each). No application for admission to trading on Euronext Growth has been submitted for the bonds.

The convertible bonds and ordinary bonds were subscribed at 93% of their nominal value, yielding proceeds of €4.4 million. They are not interest-bearing and will mature on March 7, 2021. The conversion price of the convertible bonds will be based on the stock market price at the time of

conversion. The conversion price of the convertible bonds will be equal to the lower of €1.30 and a weighted average share price of the Sensorion share prior to the decision to convert the convertible bonds, less a 10% discount, in compliance with authorization restrictions. The bonds are secured by a pledge granted by the Company over the intellectual property rights the Company owns. The pledge was granted subject to the licenses and use rights granted or to be granted by the Company over the rights pledged.

At its meeting on June 11, 2019, the Board of Directors, using the authorizations granted by the shareholders at a shareholders' meeting, resolved to authorize the conversion of the ordinary bonds issued in March 2019 into convertible bonds under the same terms as the OC 0321 (issued on March 11, 2019).

OCA 2019: OC0624

On June 18, 2019, Sensorion completed an issue of bonds convertible into ordinary shares of the Company with a nominal value of €20 million to Invus Public Equities LP and Sofinnova Crossover I SLP as long-term partners in Sensorion's transformation. The convertible bond issue with a nominal amount of €20,000,000 is represented by 20,000,000 convertible bonds with a nominal value of €1 each, all fully subscribed for a price of €1 each. These bonds are not interest-bearing and are required to be converted into shares on the maturity date (June 13, 2024). No application for admission to trading on Euronext Growth has been submitted for the bonds.

As mentioned in the subsequent events, on February 10, 2020, Invus Public Equities LP converted into ordinary shares all of the 12,500,000 convertible bonds for which it had subscribed in June 2019. On February 13, 2020, Sofinnova Crossover I SLP converted into ordinary shares all of the 7,500,000 convertible bonds for which it had subscribed in June 2019.

Note 11: Non-Current Provisions

Non-current provisions break down as follows:

NON-CURRENT PROVISIONS

(Amounts in euros)

	6/30/2020	12/31/2019
Pension liabilities	81,993	115,154
Net total	**81,993**	**115,154**

Retirement allowances obligation

	Amounts (€)
As of January 1, 2019	(84,631)
Service cost (operating expense)	(21,414)
Interest expense	(1,330)
Allowances paid	-
Actuarial gains/losses	(7,779)
As of December 31, 2019	**(115,154)**
Service cost (operating expense)	(10,707)
Interest expense	(665)
Allowances paid	-
Actuarial gains/losses	44,533
As of June 30, 2020	**(81,993)**

Note 12: Trade payables and other current liabilities

12.1 Trade payables and related accounts

No discounting was applied to trade payables because none of the amounts have payment terms exceeding one year at the end of each period presented.

Trade payables and related accounts break down as follows:

TRADE PAYABLES AND RELATED ACCOUNTS

(Amounts in euros)

	6/30/2020	12/31/2019
Trade payables and related accounts	1,671,100	1,605,054
Net total	**1,671,100**	**1,605,054**

12.2 Other current liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES

(Amounts in euros)

	6/30/2020	12/31/2019
Social security liabilities	919,475	674,902
Tax liabilities	48,016	5,911
Other debts	10,357	10,357
Prepaid income	522,532	109,048
Net total	**1,500,380**	**800,218**

Prepaid income includes advances received following the award of a grant and revenue generated by discounting reimbursable advances.

Note 13: Operating revenue

Operating revenue breaks down as follows:

OTHER REVENUE

(Amounts in euros)

	6/30/2020	6/30/2019
Research tax credit	872,507	1,009,384
Grants	29,696	33,023
Reimbursable advances	-	
Net total	**902,203**	**1,042,407**

Note 14: Operating expenses

Research and development expenses break down as follows:

R&D EXPENSES

(Amounts in euros)

	6/30/2020	6/30/2019
Personnel expenses	883,642	878,754
Preclinical and clinical studies	2,095,551	3,637,702
Patent royalties	31,120	28,293
Fees	291,740	307,952
Real estate leases and tenancy charges	88,941	89,443
Research supplies	43,733	41,936
Conventions, Travel costs	45,611	54,640
Provision allowances and depreciation/amortization	145,171	150,386
Other	36,258	37,777
Net total	**3,661,766**	**5,226,883**

A breakdown of general and administrative expenses by type is shown below:

GENERAL AND ADMINISTRATIVE EXPENSES

(Amounts in euros)

	6/30/2020	6/30/2019
Personnel expenses	969,018	472,600
Fees	541,220	480,501
Entertainment and travel expenses	135,425	91,930
Bank fees	9,688	8,684
Directors' fees	92,500	36,505
Provision allowances and depreciation/amortization	-	46,781
Postage and telecommunication costs/data room	34,008	31,420
Real estate leases and tenancy charges	80,164	38,102
Insurance	10,451	10,748
Administrative supplies, minor equipment	3,003	4,182
Other	39,923	35,732
Net total	**1,915,400**	**1,257,185**

Payroll expense

The Company employed 24 persons on June 30, 2020, compared with 18 persons on June 30, 2019. Payroll expense breaks down as follows:

PAYROLL EXPENSE

(Amounts in euros)

	6/30/2020	6/30/2019
Salaries and wages	1,218,609	849,314
Social contributions	477,130	320,911
Contributions on pension liabilities	10,707	10,707
Share-based payments	146,215	170,423
Net total	**1,852,660**	**1,351,355**

Note 15: Share-based payments

Share-based payments relate to all warrants (BSPCE and BSA warrants) and stock options (SOs) awarded to employees and non-employee members of the Board of Directors.

The table below provides the calculation results:

	June 30, 2020			December 31, 2019		
In euros	R&D	G&A	Total	R&D	G&A	Total
BSAs	**0**	**(6,572)**	**(6,572)**	**0**	**(14,379)**	**(14,379)**
4/26/2016	0	0	**0**	0	(93)	**(93)**
5/19/2017	0	(3,677)	**(3,677)**	0	(11,209)	**(11,209)**
5/30/2017	0	0	**0**	0	9,528	**9,528**
7/30/2019	0	(2,895)	**(2,895)**	0	(12,604)	**(12,604)**
BSPCEs	**(230)**	**(97,413)**	**(97,643)**	**(150,892)**	**(593,103)**	**(743,995)**
2/2/2016			**0**	0	16,411	**16,411**
2/2/2016			**0**	0	(916)	**(916)**
3/15/2016			**0**	(3,022)	(252)	**(3,273)**
5/19/2017	4,380	(10,510)	**(6,130)**	(69,047)	177	**(68,870)**
5/30/2017	0	(10,340)	**(10,340)**	0	(386,749)	**(386,749)**
5/30/2018	(2,653)	(125)	**(2,778)**	(17,189)	(733)	**(17,922)**
4/29/2019	(921)	(33,731)	**(34,652)**	(53,569)	(190,050)	**(243,619)**
9/6/2019	(1,036)	(42,707)	**(43,743)**	(8,064)	(30,992)	**(39,057)**
SOs	**0**	**(42,000)**	**(42,000)**	**0**	**0**	**0**
5/20/2020	0	(42,000)	**(42,000)**	0	0	**0**
Total	**(230)**	**(145,984)**	**(146,215)**	**(150,892)**	**(607,482)**	**(758,373)**

The main assumptions used to determine the expense resulting from share-based payments by applying the Black-Scholes warrant valuation model are as follows:

- Risk-free interest rate: 0.18% to 0.20%
- Dividends: none
- Volatility: 72.32%, corresponding to the average historical volatility of a panel of comparable listed companies
- Maturity: 2 to 7 years

Detailed information on the number of options by category and strike price is provided in Note 10.2.

Note 16: Financial Income and Expenses

Financial income and expenses break down as follows:

FINANCIAL INCOME AND EXPENSES

(Amounts in euros)

	6/30/2020	6/30/2019
Financial income	27,461	38,489
Financial expenses	(71,492)	(61,418)
Net total	**(44,031)**	**(22,929)**

Note 17: Off-balance sheet commitments

The Company has not identified any material off-balance sheet commitments as of June 30, 2020.

Note 18: Related-Party Transactions

The remuneration shown below, which was paid to the members of the Company's Board of Directors, was expensed during the periods presented:

RELATED-PARTY TRANSACTIONS

(Amounts in euros)

	6/30/2020	6/30/2019
Salaries and wages	398,133	290,036
Directors' fees	92,500	32,500
Share-based payments	137,051	105,668
Net total	**627,684**	**428,204**