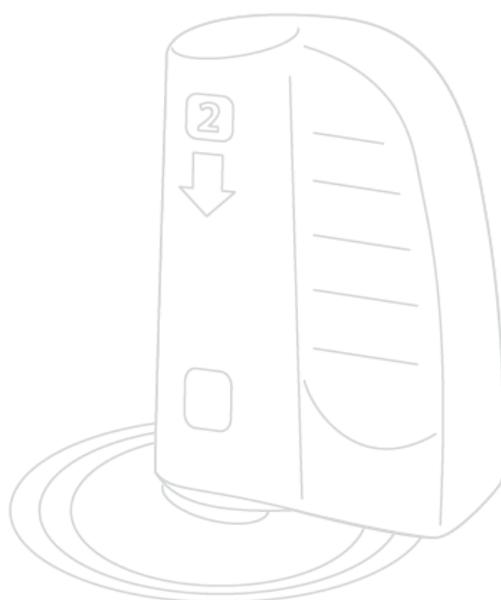




Annual report

Year ended 31 December 2019



Limited liability company
6 rue Pauline Kergomard 21000 Dijon

2019 annual report including

- **The Management Board's report to the Annual General Meeting**
- **The corporate governance report**
- **The statutory auditors' report on the annual financial statements**
- **The 2019 financial statements**

CROSSJECT

Limited liability company with a management board and a supervisory board (*société anonyme à directoire et conseil de surveillance*) with capital of 2,308,413.60 euros

Registered office: 6 rue Pauline Kergomard – ZAC Parc Mazen Sully – 21000 Dijon

Dijon Trade and Companies Register 438 822 215

(hereinafter the “**Company**”)

MANAGEMENT REPORT

(Year ended 31 December 2019)

To the shareholders,

In accordance with the legal, regulatory and statutory requirements, we have called this Combined General Meeting in order to report to you on the Company’s position and activity, and the results of our management during the year ended 31 December 2019, and to submit the financial statements for that year for your approval.

We would like to point out that the financial statements presented to you do not include any changes in the presentation of the accounts or measurement methods compared with those of the previous year.

They have been prepared in accordance with the provisions of the French general chart of accounts and in compliance with the principles of prudence and fairness.

The statutory auditor reviews the performance of its engagement in its report.

The notices required by law were sent to you as prescribed.

All the documents and other items provided for by the regulations in force were made available to you within the legal timeframes so that you could take note of them.

1. Activity of the Company

1.1. Highlights of 2019

The highlights of 2019 are as follows:

- Receipt of pharmaceutical establishment status (press release dated 29 January 2019): On 25 January 2019, the French National Agency for the Safety of Medicines and Health Products (ANSM) awarded Crossject the authorisation to open a pharmaceutical establishment (manufacturer activity). This authorisation will allow Crossject to certify clinical batches and to perform quality controls on finished products for human use within its laboratory.
- Between 1 January and 31 March 2019, 4,988,348 3,997,014 convertible bonds (OC 2021) out of the 1,847,826 outstanding OC 2021 bonds were converted, giving access to 3,382,104 and 1,441,304 shares respectively. To date, all the bonds, within the limit of the delegations given by the General Meeting, have been converted. The 107,208 residual bonds (OC1) will be redeemed at par at maturity.
- €1.1 million in funding granted jointly by Bpifrance and the Bourgogne-France Comté regional authority (press release dated 4 February 2019): Bpifrance, the French public investment bank, and the Bourgogne-Franche-Comté regional authority have jointly awarded Crossject an R&D Innovation Loan and a Zero-Rate Innovation Loan in a total amount of €1.1 million over eight years, with a grace period of three years. The loans are intended to support the ramp-up of pyrotechnic production capacity. They give Crossject the additional financial resources needed to bring technological and automation improvements to its Gray production lines (manufacture of the gas generator and assembly of the Zénéo® actuator) and to support future growth related to the marketing of Zénéo®.

- End of the conversion of the convertible bonds issued in 2018 (press release dated 12 April 2019): Bond debt, which amounted to €5.5 million at the end of 2018, accordingly amounted to €0.1 million at the end of March 2019. Successive conversions in the first quarter of 2019 helped increase equity by €5.4 million. Based on the situation as of 31 December 2018, this brought shareholders' equity to €7.1 million. For the record, Crossject issued two convertible bonds in 2018. The first issue of €5.25 million in February 2018 was due to mature on 11 February 2020. The second issue of €2.5 million was completed in July 2018, with a two-year maturity. The conversion of these bonds before their maturity illustrates the bondholders' confidence in Crossject's growth potential.
- Commercial agreement with Desitin Pharma on Zénéo® Midazolam in Germany (press release dated 18 June 2019).
- Crossject announces the issue and free allocation of warrants to shareholders (press release dated July 10, 2019): At its meeting of 9 July 2019, the Management Board, acting pursuant to the eleventh extraordinary resolution of the Combined General Meeting of 20 June 2019 and in accordance with the authorisation granted to it by the Supervisory Board at its meeting of 20 June 2019, decided to issue and allocate 18,447,028 free share subscription warrants to all existing shareholders at the rate of 1 warrant per share held, 9 warrants allowing holders to subscribe for 1 share at a price of €1.80, i.e. a capital increase in a maximum nominal amount of €2,049,669 (before neutralisation of treasury shares), the warrants being exercisable from 18 July 2019 to 10 December 2019 at midnight. Warrants not exercised at that date have lapsed. The free allotment of warrants gives the Company the opportunity to thank its institutional and individual shareholders for their loyalty, while at the same time giving them a further stake in its future development, through an investment vehicle complementing the share.
- Signing of an R&D cooperation agreement (CRADA) with the US Department of Defense (press release dated 14 October 2019): Crossject and the US Department of Defense (DOD) in charge of Chemical, Biological, Radiological and Nuclear Defense (JPM CBRN Medical) have signed a cooperative research and development agreement for the Midazolam auto-injector.
- Structured financing of €2.6 million (press release dated 19 November 2019): Crossject announces €2.6 million in financing (the "Financing") in the form of English law Notes. The Financing is provided entirely by the IdVectoR Science & Technology Investments ("IdVectoR") fund, a long-term European investor specialising in the non-dilutive financing of advanced technologies (deep tech long-term investor).
- Highly successful exercise of warrants (press release dated 13 December 2019): Crossject announces the results of the exercise of the warrants, issued and allocated free of charge on 18 July 2019, to all existing shareholders at the rate of 1 warrant per share held, with 9 warrants entitling the holder to subscribe for 1 share at a price of €1.80. At the end of the warrant exercise period, which expired after trading on 10 December 2019, 15,779,196 out of 18,447,028 warrants issued have been exercised – i.e. an exercise rate of 85.54% – representing 1,753,244 new Crossject shares issued for an amount of €3,155,839.20. The new shares carry current dividend rights and have been listed on the same line as the existing shares. Warrants not exercised by 10 December 2019 after the close of trading have lapsed.
- Crossject completes its financing with a €5.7 million convertible bond issue (press release dated 20 December 2019): Crossject announces the strengthening of its financial structure by the issue of convertible bonds in a principal amount of €5.7 million. This issue by the Company of 6,195,653 convertible bonds (OC 1221) with a par value of €1, i.e. a maximum nominal amount of €6,195,653, with cancellation of preferential subscription rights in favour of named investors, was decided by the Management Board on 19 December 2019, pursuant to the delegation granted by the fourteenth resolution of the Company's Combined General Meeting of 20 June 2019 (taking into account the adjustment provided for in the fourth resolution of the General Meeting of 30 December 2019), and acting pursuant to the authorisation granted by the Supervisory Board on 18 December 2019, subject to the adoption of the second and fourth resolutions of the Combined General Meeting called on 30 December 2019 and the implementation by the Management Board of the second resolution (capital reduction to offset losses by reducing the nominal value from €1 to €0.1).
- Combined General Meeting of 30 December 2019: The shareholders of Crossject approved all the resolutions submitted to them, and in particular the principle of a reduction of the share capital by a maximum amount of €18,200,000, in application of the provisions of Article L. 225-204 of the French Commercial Code, by reducing the par value of the shares comprising the share capital from €1 to €0.10

- At its meeting of 30 December 2019, the Management Board, pursuant to the delegation granted by the second resolution of the Combined General Meeting of 30 December 2019:
 - decided to reduce the share capital with immediate effect by an amount of €18,180,244.80 by reducing the par value of the 20,200,272 ordinary shares comprising the share capital from €1 to €0.10, thereby reducing the share capital from €20,200,272 to €2,020,027.2, this reduction being effected by crediting the “Retained earnings” account of €(11,892,230), which is brought back to 0, the balance of €6,288,014.80 being credited to an “unavailable special reserve from a capital reduction” account and intended for the settlement of losses for the current year; noting the reduction in share capital to €2,020,027.20 divided into 20,200,272 ordinary shares with a par value of €0.10 each.
 - As a result of the adoption of the second and fourth resolutions of the Combined General Meeting of 30 December 2019, and the implementation of the second resolution of the Combined General Meeting, the Management Board noted the lifting of the conditions precedent relating to the issue of the convertible bonds (OC 1221) decided on 19 December 2019.

1.2. Events concerning the Company’s legal structure

No legal events affected the legal structure of the Company in 2019.

1.3. Management Board

As of 31 December 2019, the Management Board was composed of Patrick Alexandre (Chairman), Isabelle Liebschutz, Olivier Gire and Henri de Parseval.

1.4. Position of the Company and description of its activity during the year ended 31 December 2019

1.4.1 From a business perspective

- Zénéo® Midazolam:

In 2019, Zénéo® Midazolam chalked up significant advances confirming the drug’s appeal and potential.

First, Crossject signed a commercial agreement on Zénéo® Midazolam in Germany with Desitin Pharma, leader in the field of epilepsy in Germany. The agreement concerns licensing, distribution and promotion for a period of 10 years from commercial launch, unless either Crossject or Desitin opts to exercise certain withdrawal clauses, for instance if minimum sales are not reached or if certain milestones are not respected. Desitin paid Crossject €0.5 million on signing. It will pay €0.5 million on a development milestone expected in 2020, then €0.5 million on an additional development milestone expected within 12 months, plus a further €1 million when the MA is obtained. Crossject will sell the product to Desitin at a percentage of the net selling price applied by Desitin to wholesalers. This percentage is located in the mid-double digits, with a floor unit price.

Second, the Company has signed a research and development cooperation agreement with the United States Department of Defense (DoD). Benzodiazepine self-injection systems are currently the benchmark treatment for victims of attack with a nerve agent.

The interest shown by several federal agencies is a real opportunity to reposition Zénéo® Midazolam in America, despite the “orphan drug” exclusivity previously granted in the indication of epilepsy to another injectable midazolam product presented in an ampoule for injection with a needle.

- Zénéo® Adrenaline:

On 20 March 2020, Crossject announced two major advances for Zénéo® Adrenaline. As recently explained, the 2019 patent application for a new formulation of Zénéo® Adrenaline, an emergency treatment against anaphylactic shock (allergic reaction), was the subject of a favourable report by the INPI on all patentability criteria. As it does not contain sulphites, the drug solution is not allergenic; at the same time, its shelf life should be longer than that of the products currently on the market. On top of that, the volume of active ingredient remaining in the device after use is minute in comparison with other self-injection systems. Crossject has also announced that it has repurchased the marketing and development rights for Zénéo® Adrenaline. The transaction holds out the

prospect of the signing of new licensing agreements with higher upfront payments, thanks to the new formulation and the maturity of the development of the Zénéo® platform.

- Zénéo® Naloxone:

In 2019, Crossject had discussions with the FDA on the development of Zénéo® Naloxone. Faced with the mounting number of deaths from the use of opioid painkillers, the United States is seeking emergency treatment for overdoses. Zénéo® Naloxone responds perfectly to emergency situations like those. However, given recent news concerning large laboratories accused of having inappropriately promoted opioid-based painkillers, and which could be forced to distribute Naloxone rescue kits at their expense, Crossject is taking the time to analyse the situation and opportunities in the light of ongoing developments.

- Zénéo® Methotrexate:

By mutual agreement, the partnership signed in July 2012 between Crossject and Biodim for Zénéo® Methotrexate has been terminated in France. Biodim has been acquired by Neuraxpharm (see press release dated 20 March 2020), a laboratory specialising in neurology, and which has no marketing activity in the segment of rheumatoid arthritis, the condition treated by Zénéo® Methotrexate. The amicable termination does not entail the reimbursement by Crossject of the €250,000 paid by Biodim when the contract was signed. Crossject once again holds the rights to Zénéo® Methotrexate in France.

1.4.2 From a human resources perspective

- The Company has strengthened all of its teams. As of 31 December 2019, the Company employed 79 people.

1.4.3 From a financial perspective

- 2019 ended with a loss of €7,173,724, compared with a loss of €10,711,626.

Operating income includes €500,000 in revenue, €3,921,164 relating to capitalised production, €22,972 relating to stored production, €481,106 in operating subsidies and €68,366 in transfers of expenses and €1,000,000 in other income relating to the signing of an agreement to buy back the development and marketing rights to Zénéo® Adrenaline.

- Research and development expenses (the research tax credit base) amounted to €4,649,145 over the year under review, compared with €5,174,486 in 2018.
- As of 31 December 2019, shareholders' equity amounted to €3,013,914, compared with €1,654,547 in 2018.

- The main items in the income statement for the year are as follows:
 - Operating income: €5,993,809
 - Operating expenses: €14,636,766
 - Operating profit/(loss): €(8,642,957)
 - Financial income/(expense): €110,220
 - Recurring income before tax: €(8,532,736)
 - Exceptional income/(expenses): €22,977
 - Research tax credit €1,336,035
 - Net profit/(loss): €(7,173,724)

1.4.4 From a corporate communication perspective

The Company continues to participate in meetings and events enabling it to communicate on its strategy and development.

1.4.5 From a technological development perspective

- In 2019, Crossject continued its efforts to improve and secure its industrial facilities ready for large-scale production. An inspection of our manufacturer by the Belgian authorities during the production of a batch of Zénéo® Naloxone served to confirm that all production lines are approved for the manufacture of the clinical batches necessary for MA dossiers. Crossject also continued its capex policy in 2019: it automated tube washing by integrating it into the PARC® production module, and implemented an integrated management software package (ERP) to streamline the supply chain. The Company has improved quality procedures applying both to suppliers and internally at all stages of production. It has also invested in securing its supply for the most critical components (double sourcing and duplication of certain production facilities) and pharmaceutical raw materials (multi-year inventory policy). Crossject is also on track for ISO 13485 certification. The results of the mock audit carried out in 2019 and the receipt of pharmaceutical establishment status demonstrate the pertinence of Crossject's quality approach.

1.5. Significant events since the close of 2019

- Performance of a Media Fill Test of cyclical verification (validation every 6 months of maintaining the sterility of the products for the entire production chain)
- Initiation of business development approaches for Zénéo® Adrenaline
- Between 1 January and 30 April 2020, 4,988,348 2021 convertible bonds (OC 2021) out of the 6,195,653 outstanding OC 2021 bonds were converted, giving access to 2,883,864 shares. Shareholders' equity was increased by €4,589,280.16 (€288,386.40 in capital and €4,300,893.76 in additional paid-in capital).
- State of emergency to deal with the Covid-19 epidemic

The Company has implemented prevention and protection measures and continuously monitors compliance with the decisions and recommendations of the local public authorities. In addition, the Company has implemented its existing business continuity plans, which it will continue to adapt to changing circumstances. With that in mind, the Company has established a dedicated management unit reporting directly to the Management Board. This unit, which includes all the Group's key functions, has implemented a series of guidelines, protocols and processes, which are of an exceptional and temporary nature, to manage the crisis on two fronts: EMPLOYEE SAFETY and BUSINESS CONTINUITY, with a large-scale programme of systemic telework for employees and the implementation of operational rotations for work that can only be conducted on site.

1.6. Foreseeable development and outlook

- Discussions with potential partners are continuing in Europe and the United States. Crossject confirms its aim of signing licensing agreements in 2020.
- The creation of MA application files is progressing; however, a timeline will be updated once the situation related to the Covid-19 epidemic has stabilised.
- State of emergency to deal with the Covid-19 epidemic

Given the magnitude and uncertain duration of the Covid-19 epidemic, it is too early to accurately assess its impact on Crossject's business. However, the suspension of certain activities will have consequences on the timing of submission of the first MA dossiers. The production of the first two clinical batches, well advanced before the government lockdown measures, has had to be suspended. It will not resume until they have been lifted. Crossject has already decided to prioritise the development of Zénéo® Midazolam under the agreement with Desitin and the pursuit of discussions with the American federal authorities interested in the product, in order to cement progress. To date, bi-weekly updates with the DoD have not been disturbed by the unfolding epidemic.

Crossject will continue development work on its other priority products, reserving the possibility of reviewing the prioritisation of its portfolio based on commercial progress.

Note that there is no risk of supply disruption for our customers, since Crossject's products are still in the development phase.

On the basis of the latest information available, the Company has no visibility on the end of the crisis and the full resumption of its activities. Crossject's cash position increased to €7.9 million at the end of 2019. Non-priority spending commitments have been postponed, and cost-saving measures, such as short-time working, have been implemented.

The Company is also using all the possibilities announced by the government to deal with this crisis, such as the postponement of certain payments and the use of government-guaranteed loans.

1.7. Research and development activities of the Company

See above.

1.8. Information on supplier payment terms

Pursuant to the provisions of Article D. 441-I. 1° of the French Commercial Code, the details of invoices received that had not been paid by the closing date of the financial year whose term has expired are presented in Annex II.

Insofar as no invoices were due on 31 December, the table on the invoices issued provided for in Article D. 441-I.2° is not applicable.

The table is presented in Annex II.

1.9 Analysis of business trends in relation to the volume and complexity of business (Article L. 225-100 paragraph 3 of the French Commercial Code)

1.9.1 Description of the main risks and uncertainties

In line with the announced strategy prioritising emergency drugs and the American market, Crossject has set itself the goal of signing licensing agreements with the corollary payment of upfront lump-sum remuneration. While the Company has launched various initiatives in this area either by its own means or by appointing specialists, Crossject cannot rule out the possibility that the signing of such agreements may be delayed or that they may not be concluded on terms that it deems acceptable today. Failure to sign agreements of this type would therefore have an adverse effect on the Company's financial position and development. Similarly, if Crossject were to enter into partnerships under deteriorated conditions in the future, its business and profitability prospects would be impacted.

More generally, Crossject notes that:

- Although it has simplified and insourced a number of specific operations, its ability to manufacture needle-free injectors is dependent on industrial partnerships with subcontractors.
- In addition, Crossject must obtain Marketing Authorisations from the US or European Health Authorities to market its products.
- In the very dynamic market for medical devices intended for the self-administration of drugs by injection, the Company is in competition with other players whose size and resources may be greater than its own.

Crossject also faces financial risks:

The risk related to the Company's historical losses is a significant financial risk in view of the need for the Company to maintain its development efforts through clinical studies and the manufacturing of the batches of product required to obtain Marketing Authorisations. This risk related to going concern is therefore the main financial risk. However, given its current cash position and the various financings to be received in 2020, Crossject estimates that it currently has sufficient net working capital to meet its obligations and operating cash flow requirements for the next 12 months.

In addition, the Company's activities may be impacted by the consequences of the Covid-19 epidemic (see 1.6).

1.9.2 Debt position of the Company in relation to the volume and complexity of the business

The liabilities recorded as of 31 December 2019 (and the comparison with 2018) are as follows:

Debts in €	2019	2018
Advances and prepayments received on orders in progress	-	€1,000,000
Trade and other payables	€1,914,801	€2,568,158
Tax and social security liabilities	€628,287	€525,053
Debts on fixed assets	€2,514,000	€2,614,000
Other liabilities	€4,208	€1,344
Total	€5,061,296	€6,708,555

1.10. Secondary establishments

The Company has a secondary establishment in Gray and has leased a building of approximately 480 sq.m in Arc-lès-Gray from 1 January 2019.

2. Equity investments and controlled companies

The Company is the sole shareholder of Crossject Pharma, which is currently dormant.

The Company did not acquire any interest in any other companies during the past year.

3. Employee shareholding

Employee shareholding in the Company's share capital, within the meaning of Article L. 225-102 of the French Commercial Code, represented 0.338% of the share capital on the last day of the year ended 31 December 2019.

4. Result/appropriation – Partial clearance of the loss on the unavailable reserves

The appropriation of our Company's earnings that we are proposing to you is in accordance with the law and our Articles of Association.

We propose to allocate the loss for 2019, which amounts to €(7,173,723.96), as follows:

- Clearance in the amount of €6,288,014.88 by charging it against the “special unavailable reserve from a capital reduction” account, which will be reduced to €0 from €6,288,014.88.
- Allocation of the balance amounting to €885,709.08 to the “retained earnings” account, which will thus be brought to a debit amount of the same amount.

In accordance with the provisions of Article 243 bis of the French General Tax Code, we inform you that no dividend or income has been distributed for the last three financial years.

Recognition of the reconstitution of the Company’s shareholders’ equity

Pursuant to Article L. 225-248 of the French Commercial Code, if, as a result of losses recorded in the accounting documents, the Company’s shareholders’ equity falls below half of the share capital, the Extraordinary General Meeting must decide whether the Company should be dissolved early.

As the annual financial statements for the year ended 31 December 2018, submitted for your approval in the first resolution of the General Meeting of 20 June 2019, showed shareholders’ equity of less than half of the share capital, you were asked not to pronounce the early dissolution of the Company.

We ask you to note, in the light of the annual financial statements for the year ended 31 December 2019, that the Company’s shareholders’ equity has been reconstituted to an amount at least equal to half of the share capital in accordance with the provisions of Article L. 225-248 of the French Commercial Code.

5. Approval of the expenses and charges referred to in Article 39-4 of the French General Tax Code

We inform you that the Company, during the year ended 31 December 2019, incurred non-deductible expenses and charges referred to in Article 39-4 of the French General Tax Code, in the amount of €13,603.

6. Summary statement of the transactions referred to in Article L. 621-18-2 of the French Monetary and Financial Code carried out during the past year (securities trading of senior executives – Article 223-26 of the AMF General Regulation)

To the best of the Company’s knowledge, the summary of securities trading mentioned in Article L. 621-18-2 of the French Monetary and Financial Code carried out during the past financial year is as follows:

Surname and first name	GEMMES VENTURE Legal entity related to Philippe Monnot
Positions held within the issuer	Chairman of the Supervisory Board
Exercise of warrants in 2019:	
Total number of shares acquired:	545,180
Average price:	€1.8
Total amount:	€981,324

Surname and first name	GEMMES VENTURE Legal entity related to Philippe Monnot
Positions held within the issuer	Chairman of the Supervisory Board
Conversions in 2019:	
Total number of securities converted:	226,800
Average price:	€1.2433
Total amount:	€281,980.44

Surname and first name	Eric Németh
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Positions held within the issuer	Member of the Supervisory Board
BSA acquisitions in 2019 (due to fractional rights):	
Total number of shares acquired:	14
Average price:	€0.096
Total amount:	€1.344

Surname and first name	Eric Németh
Positions held within the issuer	Member of the Supervisory Board
Exercise of warrants in 2019:	
Total number of shares acquired:	14,743
Average price:	€1.8
Total amount:	€26,537.40

7. Change in the share price

The Company's share price closed at €1.21 on 31 December 2018. As of 31 December 2019, it was €2.30 (closing price).

8. Table of results for the last 5 financial years

Pursuant to the provisions of Article R. 225-102 of the French Commercial Code, which recommends that shareholders be presented with a table showing the results over the past five financial years, this document appears in Annex I.

9. Capital of the Company

The share capital was €2,020,027.20 as of 31 December 2019, and was divided into 20,200,272 ordinary shares with a par value of €0.10 each.

As of 31 December 2019, dilutive instruments were as follows:

- 175,000 BSA 1 warrants, each warrant giving the right to 1.05 shares, i.e. a total of 183,750 shares, at a price of €0.99 each (with a right to an additional issue of 32,727 shares to be issued reserved for holders of BSA 1 at the price of €1 each).
- 20,000 BSA 2 warrants, each warrant giving the right to 1.05 shares, i.e. a total of 21,000 shares, at a price of €0.99 each.
- 347,000 BSA Management 3 warrants, each warrant giving the right to 1.05 shares, i.e. a total of 364,350 shares, at a price of €2.77 each.
- 47,250 BSAANE warrants, each warrant giving the right to 1.05 shares, i.e. a total of 49,612 shares, at a price of €10.16 each.
- 18,000 free shares granted by the Company currently in the process of vesting. When they are definitively granted in May 2020, subject to the conditions of allocation, the Management Board may deliver existing or newly issued shares.
- 6,195,653 convertible bonds (OC 1221) with a par value of €1 each, each OC 1221 being convertible at any time until 31 December 2021, and entitling the holder to a number of shares equal to the par value of one OC 1221 divided by the lowest amount between: (i) one hundred and fifteen percent (115%) of the average closing price of the 10 trading days preceding the signature of the Terms and Conditions of the

OC 1221, truncated to two decimal places, and (ii) 90% of the smallest volume-weighted average trading price over the twenty (20) trading days preceding the date of the holder's request for conversion of the OC 1221, it being specified that the amount thus obtained will be truncated to two decimal places (within the limit of the nominal ceiling of the delegation of authority of €900,000).

In view of the above items, the maximum dilution rate amounts to 3.17% of the capital (based on the capital as of 31 December 2019 and excluding convertible bonds).

Adjustment of securities giving access to capital

The Management Board decided on July 9, 2019:

- the issue and free allocation to all shareholders of 18,447,028 warrants (hereinafter "BSA"), on the basis of one BSA per share held, with 9 (nine) BSAs giving the right to subscribe to 1 (one) new Crossject share with a par value of €1 at a unit price of €1.80, i.e. a capital increase in a maximum nominal amount of €2,049,669 (before neutralisation of treasury shares), the warrants being exercisable at any time from 18 July 2019 and until 10 December 2019 at midnight inclusive.
- As part of this transaction, the Chairman of the Management Board decided on 24 July 2019:
 - o in accordance with Article L. 228-99 3° of the French Commercial Code, to protect the interests of the holders of BSA and BSAANE warrants in circulation at the time of the free allocation of warrants to all shareholders by adjusting their exercise ratio, based on the average share price and the warrant allocated free of charge listed simultaneously during the first three trading sessions of the warrant, as follows:

1 warrant entitles the holder to 1.05 shares

In addition, it should be noted that the Management Board at its meeting of 30 December 2019:

- decided to reduce the share capital with immediate effect by an amount of €18,180,244.80 by reducing the nominal value of the 20,200,272 ordinary shares comprising the share capital from €1 to €0.10, thereby reducing the share capital from €20,200,272 to €2,020,027.2, €6,288,014.80 being placed in a "special unavailable reserve from a capital reduction" account for the clearance of losses for the current year.
- noted that following this reduction in the par value of the ordinary shares comprising the share capital from €1 to €0.10, each outstanding warrant now gives the right to subscribe for 1.05 shares with a par value of €0.10 and that the free shares granted during the vesting period will, subject to their definitive grant, be shares with a par value of €0.10 each.

Shareholders of the Company

To the best of the Company's knowledge, and in the light of the information received pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code, persons holding directly or indirectly more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90%, or 95% of the share capital or voting rights are, as of 31 December 2019, the following:

Shareholders	In capital	In voting rights
Holding more than 5%		
Holding more than 10%		
Holding more than 15%		
Holding more than 20%		
Holding more than 25%	Gemmes Venture	Gemmes Venture
Holding more than one-third		

Holding more than 50%		
Holding more than two-thirds		
Holding more than 90%		
Holding more than 95%		

To the Company's knowledge, there were no significant changes in the shareholding structure during the year and since the closing date.

Number of own shares purchased and sold by the Company during the year under the liquidity contract

As part of a share buyback programme, the Company carried out the following purchases and sales of its own shares between the opening and closing dates of the last year:

- Number of shares purchased: 201,681
Average purchase price: €1.944
- Number of shares sold: 206,740
Average sale price: €1.9339

Purchases and sales were made within the framework of a liquidity contract concluded with Kepler Cheuvreux. There are no trading fees.

As of 31 December 2019, the Company held 36,274 own shares as part of its liquidity contract (other than the treasury shares indicated below).

Value measured at purchase price: €70,516

Par value: €0.1

The own shares held by the Company were not reallocated to other purposes during the year since the last authorisation granted by the General Meeting.

Number of treasury shares

The Company held 150,000 treasury shares representing 0.74% of the share capital at 31 December 2019, received at the time of the merger of the Company with CIP in June 2014.

They are valued at €1.562 million in assets at transfer value and €345 thousand based on the price at 31 December 2019.

10. Other information

The Company has not been subject to any sanction or injunction issued by the Competition Authority under Article L. 464-2 of the French Commercial Code.

It does not operate any of the facilities referred to in Article L. 515-8 of the French Environment Code.

The Management Board

ANNEX I

Results of the Company over the last 5 years

	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Duration of the fiscal year	12 months	12 months	12 months	12 months	12 months
I. Financial position at year-end					
a) Share capital	2,020,027.2	13,603,370	8,958,702	7,290,970	6,650,970
b) Number of shares issued	20,200,272		8,958,702	7,290,970	6,650,970
c) Number of bonds convertible into shares	6,195,653				0
II. Overall result of actual operations					
a) Revenue excluding taxes	500,000				0
b) Income before tax, depreciation, amortisation and provisions	(4,877,892)	(8,466,018)	(6,685,194.00)	(5,246,578.00)	(4,452,132)
c) Corporate income tax	(1,336,035)	(1,592,486)	(1,129,060.00)	(1,095,149.00)	(1,045,320)
d) Profit after tax but before depreciation, amortisation and provisions	(3,541,857)	(6,873,532)	(5,556,134.68)	(4,151,429.00)	(3,406,812)
e) Income after tax, depreciation, amortisation and provisions	(7,173,723)	10,711,626	(7,610,968.52)	(6,662,787.00)	(5,686,933)
f) Amount of distributed profits	0				
g) Employee profit-sharing	0				
III. Result of operations per share					
a) Profit after tax but before depreciation and amortisation					
b) Profit after tax but before depreciation and amortisation					
c) Dividend paid per share	0				
IV. Personnel					
a) Number of employees	79	72	54	39	23
b) Amount of payroll	2,972,769	2,728,268	2,122,950.82	1,672,448.00	1,122,277
c) Amount paid for employee benefits	1,334,348	1,243,836	936,156.08	707,862.00	603,584

CROSSJECT

Limited liability company with a management board and a supervisory board (*société anonyme à directoire et conseil de surveillance*) with capital of 2,308,413.60 euros

Registered office: 6 rue Pauline Kergomard – ZAC Parc Mazen Sully – 21000 Dijon

Dijon Trade and Companies Register 438 822 215

(hereinafter the “**Company**”)

REPORT OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE

Year ended 31 December 2019

To the shareholders,

Having been called to the Annual General Meeting in accordance with the law and the Articles of Association, you have now read the Management Board’s report and the Statutory Auditor’s reports for the year ended 31 December 2019.

In accordance with Article L. 225-68 of the French Commercial Code, we have prepared a report on corporate governance attached to the Management Report. This report includes the information mentioned in Article L. 225-37-4 of the French Commercial Code, as well as the Supervisory Board’s observations on the Management Board’s report and on the financial statements for the year.

1. Observations of the Board on the report of the Management Board and the financial statements for the financial year

The Management Board’s report to the General Meeting does not call for any specific comments from the Supervisory Board.

The financial statements for the year ended 31 December 2019, as presented to you after being examined, do not call for any observations from the Supervisory Board.

In accordance with legal requirements, and in addition to reviewing the annual financial statements and the report of the Management Board on which it has just made its observations to you, the Supervisory Board periodically, and at least every three months, hears the Management Board on the Company’s operations.

We remind you that the terms of office of PricewaterhouseCoopers Audit as Statutory Auditor and of Etienne Boris as Alternate Auditor expire at the end of the next General Meeting, called to approve the financial statements for the financial year ended 31 December 2019.

The Supervisory Board proposes that the term of office of PricewaterhouseCoopers Audit be renewed for a term of six years, i.e. until the end of the Ordinary Annual General Meeting to be held in 2026 to approve the financial statements for the year ending 31 December 2025.

In addition, the Supervisory Board proposes not to renew the term of office of Etienne Boris as Alternate Auditor, nor to replace him, in accordance with the law.

The Supervisory Board has no other comments to make on the report of the Management Board or the financial statements for the year.

2. Prior authorisations of the Supervisory Board during the year

It is reminded that pursuant to Article 24 of the Articles of Association as amended by the General Meeting of 17 May 2017, the Supervisory Board authorises the Management Board prior to the following transactions:

- investments and expenditure commitments in excess of €1 million,
- acquisitions and disposals of shareholdings,
- issues of securities of any kind that may result in a change in the share capital.

The same General Meeting, ruling pursuant to the provisions of Article L. 225-65 of the French Commercial Code, also delegated its authority to make the necessary amendments to the Articles of Association to bring them into compliance with legal and regulatory provisions, subject to ratification of such amendments by the subsequent Extraordinary General Meeting. This delegation has not been used.

In 2019, the Supervisory Board authorised the following issues of securities:

1) At its meeting of 20 June 2019, the Board of Directors authorised the Management Board to allocate equity warrants free of charge to all the Company's shareholders with an exercise period expiring no later than 15 December 2019, within the limit of a nominal capital increase ceiling of €2,050,000 (excluding adjustments). It also authorised, under the same conditions, the conclusion of any contract or terms and conditions related to the transaction.

Acting under this authorisation, the Management Board, at its meeting of 9 July 2019, decided to issue and allocate 18,447,028 warrants free of charge to all shareholders, on the basis of 1 warrant per share held, with 9 warrants giving the right to subscribe for 1 new Crossject share with a par value of €1 at a price of €1,80 each, i.e. a capital increase in a maximum nominal amount of €2,049,669 (before neutralisation of treasury shares), the warrants having been exercisable from 18 July 2019 to 10 December 2019 at midnight. Warrants not exercised at that date have lapsed.

2) At its meeting of 18 December 2019, the Supervisory Board authorised the Management Board to issue, subject to the conditions precedent of the adoption of the second and fourth resolutions of the Combined General Meeting of 30 December 2019 and the implementation by the Management Board of the second resolution, bonds convertible into new shares without preferential subscription rights in favour of a category of persons consisting of individuals or legal entities (including companies), investment companies, trusts, investment funds or other investment vehicles in any form whatsoever, under French or foreign law, investing or having invested on a regular basis in the pharmaceutical, biotechnological, medical technology or innovative technology sectors, on the basis of the fourteenth resolution of the Combined General Meeting of 20 June 2019 and within the limit of a maximum capital increase ceiling of nine hundred thousand euros (900,000) in nominal value. The Board also authorised, under the same conditions, the conclusion of any contract or terms and conditions related to the transaction.

Acting pursuant to this authorisation, the Management Board, at its meeting of 19 December 2019 decided, subject to the adoption of the second and fourth resolutions of the Combined General Meeting of 30 December 2019 and the implementation by the Management Board of the second resolution (capital reduction to offset losses by reducing the par value from 1 euro to 0.1 euro) to issue 6,195,653 convertible bonds (OC 1221) with a par value of one euro each, with cancellation of preferential subscription rights in favour of designated investors, each OC 1221 being convertible at any time until 31 December 2021 and entitling the holder to a number of shares equal to the par value of one OC 1221 divided by the lesser of: (i) one hundred and fifteen percent (115%) of the average closing price of the 10 trading days preceding the signature of the Terms and Conditions of the OC 1221, truncated to two decimal places, and (ii) 90% of the smallest volume-weighted average trading price over the twenty (20) trading days preceding the date of the holder's request for conversion of the OC 1221, it being specified that the amount thus obtained will be truncated to two decimal places.

As a result of the adoption of the second and fourth resolutions of the Combined General Meeting of 30 December 2019, and the implementation of the second resolution of the Combined General Meeting, the Management Board noted on 30 December 2019 the lifting of the conditions precedent relating to the issue of the convertible bonds (OC 1221) decided on 19 December 2019.

3. Offices and positions held by corporate officers

Pursuant to the provisions of Article L. 225-37-4, 1° of the French Commercial Code, you will find below two tables summarising the list of offices and positions held by corporate officers during the year ended 31 December 2019:

Members of the Management Board:

As of 31 December 2019 and to the best of the Company's knowledge, the list of offices and positions of the members of the Management Board was as follows:

Members of the Management Board	Main position in the Company	Other offices and positions held
Patrick Alexandre	Chairman of the Management Board	President of the association BFcare (sector of health industrialists in Bourgogne-Franche-Comté)
Isabelle Liebschutz	Member of the Management Board	Quality and Regulatory Director Chief Operating Officer of Crossject Pharma
Olivier Giré	Member of the Management Board	Commercial Director No office
Henri de Parseval	Member of the Management Board	Supply Chain Director No office

We remind you that the terms of office of Patrick Alexandre, Olivier Giré, Henri de Parseval and Isabelle Liebschutz as members of the Management Board were renewed on 8 March 2017, for a period of four years from the date of said decision, i.e. until 8 March 2021.

Patrick Alexandre was remunerated by the Company in respect of 2019 year in the gross amount of €161,840.2 (€156,424.20 in 2018) for the performance of his duties as Chairman of the Management Board, including €3,256.20 (€3,256.20 in 2018) in benefits in kind. He also benefits, like all of the Company's managerial employees, from a pension scheme provided for under Article 83 of the French General Tax Code.

In accordance with the Supervisory Board's decision of 19 November 2013, it is noted that Patrick Alexandre is entitled to a termination benefit equivalent to one year's fixed remuneration.

Isabelle Liebschutz, Olivier Giré and Henri de Parseval are remunerated in respect of their salaried functions, respectively as:

- Quality and Regulatory Affairs Director,
- Commercial Director,
- Supply Chain Director.

They do not receive any remuneration for their office.

It is specified that they were beneficiaries, prior to their appointment, of a free allocation of shares that vested in September 2018.

Members of the Supervisory Board:

As of 31 December 2019, the Supervisory Board had five members, including one independent member.

It is specified that in 2019:

- The General Meeting of 20 June 2019 appointed Yannick Pletan as a member of the Supervisory Board for a term of four years, expiring at the end of the General Meeting held in 2023 called to approve the financial statements for the previous year,
- SNPE (Société Nationale des Poudres et Explosifs), represented by Philippe Schleicher, resigned from its office as member of the Supervisory Board on 4 September 2019.
- The General Meeting of 20 June 2019 ratified the provisional appointment of Jean-François Loumeau as a member of the Supervisory Board to replace SNPE, which had resigned, for the remainder of his predecessor's term of office, i.e. until the end of the General Meeting to be held in 2021 called to approve the financial statements for the previous year.

To the best of the Company's knowledge, the list of offices and duties of the members of the Supervisory Board as of 31 December 2019 was as follows:

Members of the Supervisory Board	Term of office expires	Main position in the Company	Other offices and positions held
Philippe Monnot	2021 AGM	Chairman of the Supervisory Board	Chairman of the Board of Directors of Gemmes Venture, Chairman of Korsair
Eric Németh Independent member	2021 AGM	Deputy Chairman of the Supervisory Board	<ul style="list-style-type: none"> • Co-manager of GFA Quote d'Or Groupement foncier vinicole • Director of Sofival SA • Deputy Chairman of the Supervisory Board of Amaterrasu • Member of the Supervisory Board of Taliance • Director of Ares and Ares Coop • Director of Eurolocatique • Chairman of Tabnit SA • Chairman of Décadalfazema SA • Manager of Liláscarmim Lda • Manager of Oásisjasmim Lda • Director and Chief Executive Officer of BNHO SA • Manager of Galaxitroféu Lda
Patrice Coissac	2022 AGM	Member of the Supervisory Board	None
Jean-François Loumeau	2021 AGM	Member of the Supervisory Board	<ul style="list-style-type: none"> • Independent Non-Executive Director of IBL Life • President of CIDP • Non-executive Advisor of Orifarm • Member of the Advisory Board of E-Sana • Non-executive Vice-President (M&A) of Galien • Independent Non-executive Director on the Board of HealthActiv
Yannick Plétan	2023 AGM	Member of the Supervisory Board	<ul style="list-style-type: none"> • Director representing Hola (small holders) for NH TherAguix • Independent director of Deinove • Managing Director, Corporate Officer, ULTRace Development Partner

3. Agreements referred to in Articles L. 225-86 et seq. of the French Commercial Code

Pursuant to the provisions of Article L. 225-37-4, 2° of the French Commercial Code, we hereby inform you that no agreement has been entered into, directly or through an intermediary, between, on the one hand, one of the members of the Management or Supervisory Boards, or one of the shareholders holding more than 10% of the voting rights of the Company and, on the other hand, a controlled company within the meaning of Article L. 233-3 of the French Commercial Code.

The following agreements were entered into prior to 2019 and continued during the last year:

- the consulting agreement between the Company and Dr Jean-François Loumeau, authorised by the Supervisory Board on 13 September 2018,
- The agreement between the Company and Patrice Coissac to provide advice on the evolution of the Company's commercial and industrial strategy relating to the needle-free injection system.

The Board has reviewed these agreements, their financial terms and conditions and the Company's interest in benefiting from them, and noted that these agreements still meet the criteria that led it to authorise them initially.

4. Summary table of valid delegations in the area of capital increases

Pursuant to the provisions of Article L.225-37-4, 3° of the French Commercial Code recommending that shareholders be presented with a table summarising the currently valid delegations of authority granted by the General Meeting to the Management Board with respect to capital increases, a summary table has been prepared and is attached as Annex I.

ANNEX I

Summary table of the valid delegations and authorisations granted by the General Meeting to the Management Board in connection with capital increases and the uses made of such delegations and authorisations in 2019

Delegations and authorisations granted to the Management Board	Duration of the delegation	Maximum nominal amount of the capital increase	Use made in 2019	Residual amount as of 31 December 2019
Delegations and authorisations granted* by the Combined General Meeting of 17 May 2018				
Authorisation to grant stock options and/or share purchase options	38 months (12th resolution)	60,000 shares with a par value of 0.1 euro each**	None	60,000 shares with a par value of 0.1 euro each**
Authorisation to grant new or existing shares free of charge	38 months (13th resolution)	200,000 shares with a par value of 0.1 euro each**	None	200,000 shares with a par value of 0.1 euro each**
Delegations and authorisations granted* by the Combined General Meeting of 20 June 2019				
Delegation of authority to the Management Board to increase the share capital by incorporation of reserves, profits and/or premiums*	26 months (10th resolution)	€400,000** (independent ceiling)	None	€400,000** (independent ceiling)
Delegation of authority to issue ordinary shares giving, where applicable, access to ordinary shares or the allocation of debt securities, and/or securities giving access to ordinary shares with preferential subscription rights	26 months (11th resolution)	€900,000** (independent ceiling)	(1)	(1)
Delegation of authority to issue ordinary shares giving, where applicable, access to ordinary shares or the allocation of debt securities, and/or securities giving access to ordinary shares to be issued with cancellation of preferential subscription rights, by way of a public offer	26 months (12th resolution)	€900,000** (independent ceiling)	None	€900,000** (independent ceiling)
Delegation of authority to the Management Board to issue ordinary shares giving, where applicable, access to ordinary shares or the allocation of debt securities, and/or securities giving access to ordinary shares to be issued with cancellation of preferential subscription rights, by way of an offer referred to in II of	26 months (13th resolution)	€900,000** limited to 20% of the capital per year (independent ceiling)	None	€900,000** limited to 20% of the capital per year (independent ceiling)

	Article L. 411-2 of the French Monetary and Financial Code (private placement)				
	Delegation of authority to the Management Board to issue ordinary shares giving, where applicable, access to ordinary shares or the allocation of debt securities, and/or securities giving access to ordinary shares, with cancellation of preferential subscription rights <u>for the benefit of categories of persons meeting specific characteristics</u>	18 months (14th resolution)	€900,000** (independent ceiling)	(2)	0
	Delegation of authority to be granted to the Management Board to increase the share capital by issuing ordinary shares and/or securities giving access to the share capital with cancellation of preferential subscription rights <u>for the benefit of members of a company savings plan</u>	26 months (16th resolution)	1% of the amount of share capital reached at the time of the Management Board's decision to carry out this increase (independent ceiling)	None	1% of the amount of share capital reached at the time of the Management Board's decision to carry out this increase (independent ceiling)

* subject to the prior authorisation of the Supervisory Board in accordance with Article 24 of the Articles of Association

** these ceilings were adjusted by the General Meeting of 30 December 2019 to take into account the reduction in the par value of the share from 1 euro to 0.10 euro

- (1) This delegation was used in July 2019 in connection with the issue and free allocation of 18,447,028 warrants to all shareholders, in a maximum nominal amount of €2,049,669.
- (2) This delegation was used in December 2019 in connection with an issue of 6,195,653 convertible bonds, in an amount depending on the conversion price of the bonds, and within the limit of the capital increase ceiling of €900,000.

CROSSJECT SA

**Statutory Auditors' report
on the annual financial statements**

(Year ended 31 December 2019)



Statutory Auditors' report on the annual financial statements

(Year ended 31 December 2018)

To the General Meeting
CROSSJECT
6, rue Pauline Kergomard
21000 Dijon

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying annual financial statements of Crossject for the year ended 31 December 2019. The financial statements were approved by the Management Board on 5 May 2020 on the basis of the information available as of that date in the context of the unfolding health crisis stemming from the Covid-19 outbreak.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the company as of 31 December 2019, and the results of its operations and its financial position for the year then ended, in accordance with French accounting principles.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the “Statutory auditors’ responsibilities for the audit of the financial statements” section of our report.

Independence

We completed our audit engagement in accordance with the rules on independence applicable to us, over the period from 1 January 2019 to the date when our report was issued, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

PricewaterhouseCoopers Audit, 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex
Telephone: +33 (0)1 56 57 58 59, Fax: +33 (0)1 56 57 58 60, www.pwc.fr

Accounting firm registered with the Order of Paris - Ile-de-France. Audit firm member of the regional company of Versailles. Simplified joint-stock company with capital of €2,510,460. Headquarters: 63 rue de Villiers 92200 Neuilly-sur-Seine. RCS Nanterre 672 006 483. VAT No FR 76 672 006 483. Siret 672 006 483 00362. APE code 6920 Z. Offices: Bordeaux. Grenoble. Lille. Lyon. Marseilles. Metz. Nancy. Neuilly-sur-Seine. Nice. Poitiers. Rennes. Rouen. Strasbourg. Toulouse

Justification of assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you that the most important assessments we have carried out, using our professional judgement, are focused on the appropriateness of the accounting principles applied, on the reasonableness of the significant estimates used and on the overall presentation of the financial statements, in particular with regard to the methods of capitalising research and development expenses as well as those used for their amortisation and the verification of their recoverable value, and we have ensured that Note 3 provides appropriate disclosures.

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

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by legal and regulatory texts.

Information given in the management report and in the other documents on the financial position and the annual financial statements addressed to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board, and in the documents addressed to shareholders with respect to the financial position and the financial statements. Management has informed us that the events occurring and items coming to light subsequent to the balance sheet date relating to the effects of the Covid-19 outbreak will be disclosed to the General Meeting called to approve the financial statements.

We certify the sincerity and the consistency with the annual financial statements of the information relating to payment terms mentioned in Article D.441-4 of the French Commercial Code (*Code de commerce*).

Corporate governance report

We certify the existence, in the report of the Supervisory Board on corporate governance, of the information required by Article L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

CROSSJECT

Statutory Auditors' report on the annual financial statements

Year ended 31 December 2019 – Page 3

Responsibilities of management and those charged with governance for the annual financial statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.

These financial statements have been approved by the Management Board.

Statutory auditor's responsibilities with regard to the auditing of annual financial statements

Our role is to issue a report on the annual financial statements. Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 8233-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit, and furthermore:

- identifies and assesses the risks of material misstatement of the annual financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by the management, as well as the information relating to them provided in the annual financial statements;

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein (certification with reservation or refusal to certify);
- assesses the overall presentation of the annual financial statements and whether or not they reflect the underlying operations and events such that they give a true and fair view of them.

The Statutory Auditors
PricewaterhouseCoopers Audit



2020.05.12
21:49:42 +02'00'

Cédric Mazille

CROSSJECT SA

6 rue Pauline Kergomard
21000 DIJON

ANNUAL FINANCIAL STATEMENTS

Year ended 31 December 2019

Activity report

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1. Balance sheet – Assets

ASSETS	Current year 31/12/2019 (12 months)			Prior year 31/12/2018 (12 months)	Change
	Gross	Depr. & prov.	Net	Net	
Uncalled capital (0)					
Fixed assets					
Preliminary expenses					
Research and development expenses	16,030,956	9,810,502	6,220,455	4,615,149	1,605,306
Concessions, patents and similar rights	20,429,117	20,429,117	0	0	
Goodwill					
Other intangible assets	185,037	151,847	33,190	36,299	(3,109)
Advances and prepayments on intangible assets					
Land	75,240		75,240	75,240	
Buildings	3,698,760	546,700	3,152,060	3,325,769	(173,709)
Industrial fixtures, plant, machinery and equipment	6,377,611	4,211,238	2,166,374	2,577,021	(410,647)
Other property, plant and equipment	788,861	405,719	383,142	362,271	20,871
Fixed assets in progress					
Advances and prepayments					
Long-term investments accounted for using the equity method					
Other equity investments	100,000		100,000	100,000	
Receivables related to equity investments					
Other long-term investments	1,562,230	1,217,230	345,000	180,000	165,000
Loans					
Other financial assets	46,300		46,300	55,752	(9,452)
TOTAL (I)	49,294,114	36,772,353	12,521,761	11,327,499	1,194,262
Current assets					
Raw materials and supplies					
Work in progress of goods	1,870,137	416,030	1,454,107	1,523,227	(69,120)
Work in progress of services					
Semi-finished and finished goods					
Goods held for resale					
Advances and prepayments to suppliers	62,106		62,106	159,351	(97,245)
Trade and related receivables	4,816		4,816		4,816
Other receivables					
. Suppliers in debit					
. Personnel	4,475		4,475		4,475
. Social security bodies					
. State, taxes on profits	1,463,504		1,463,504	1,210,140	253,364
. State, taxes on revenue	555,058		555,058	579,805	(24,747)
. Other				35,607	(35,607)
Called but unpaid capital					
Investment securities	102,988		102,988	59,153	43,835
Available cash	7,802,365		7,802,365	4,759,625	3,042,740
Forward financial instruments and instruments					
Prepaid expenses	323,881		323,881	224,765	99,116
TOTAL (II)	12,189,329	416,030	11,773,299	8,551,673	3,221,626
Charges to be spread over several periods (III)	199,697		199,697	279,804	(80,107)
Bond redemption premiums (IV)					
Translation differences (V)					
TOTAL ASSETS (0 to V)	61,683,140	37,188,383	24,494,757	20,158,977	4,335,780

2. Balance sheet – Liabilities

EQUITY AND LIABILITIES	Current year 31/12/2019 (12 months)	Prior year 31/12/2018 (12 months)	Change
<i>Shareholders' equity</i>			
Share capital (paid-up capital: 2,020,027)	2,020,027	13,603,370	(11,583,343)
Premiums arising from share issues, mergers, etc.	1,879,596	1,895,746	(16,150)
Revaluation differences			
Legal reserve			
Statutory or contractual reserves			
Regulated reserves	6,288,015		6,288,015
Other reserves			
Retained earnings		(3,132,944)	3,132,944
Profit/(loss) for the year	(7,173,724)	(10,711,626)	3,537,902
Investment subsidies			
Regulated provisions			
Profit/(loss) for the year to be allocated			
TOTAL (I)	3,013,914	1,654,547	1,359,367
Proceeds from the issue of equity securities			
Conditional advances	5,738,853	5,195,488	543,465
TOTAL (II)	5,738,853	5,195,488	543,365
<i>Provisions for contingencies and charges</i>			
Provisions for contingencies			
Provisions for charges	182,062	124,504	57,558
TOTAL (III)	182,062	124,504	57,558
<i>Borrowings and debt</i>			
Convertible bonds	5,798,633	5,475,884	322,749
Borrowings and debts with credit institutions			
. Borrowings	2,100,000	1,000,000	1,100,000
Borrowings and miscellaneous debts	2,600,000		2,600,000
Advances and prepayments received on orders in progress		1,000,000	(1,000,000)
Trade and related payables	1,914,801	2,568,158	(653,357)
Tax and social security liabilities			
. Personnel	256,234	179,749	76,485
. Social security bodies	309,221	277,021	32,200
. State, taxes on revenue	16,999	4,712	12,287
. Other taxes, duties and similar payments	45,833	63,571	(17,738)
Liabilities on fixed assets and related accounts	2,514,000	2,614,000	(100,000)
Other liabilities	4,208	1,344	2,864
TOTAL (IV)	15,559,928	13,184,438	2,375,490
TOTAL LIABILITIES (I to V)	24,494,757	20,158,977	4,335,780

3. Income statement

	Current year 31/12/2019 (12 months)		Prior year 31/12/2018 (12 months)	Absolute change	%
	France	Exports	Total	Total	
Sales of goods					
Sold production of goods					
Sold production of services	500,000		500,000	500,000	N/M
Net revenue	500,000		500,000	500,000	N/M
Stored production			22,972	645,338	(622,366) (96.44)
Capitalised production			3,921,164	2,422,840	1,498,324 61.84
Operating subsidies			481,106	21,272	459,834 N/M
Reversals of depreciation, amortisation and provisions, transfer of expenses			68,366	434,438	(366,072) (84.26)
Other income			1,000,201	552	999,649 N/M
Total operating income (I)			5,993,809	3,524,441	2,469,368 70.06
Purchases of goods (including customs duties)					
Change in inventory (goods)					
Purchases of raw materials and other supplies					
Change in inventory (raw materials and other supplies)					
Other purchases and external expenses			6,390,548	7,658,935	(1,268,387) (16.56)
Taxes, duties and similar payments			142,022	126,078	15,944 12.65
Salaries and wages			2,972,769	2,728,268	244,501 8.96
Social security contributions			1,334,349	1,243,836	90,513 7.28
Depreciation and amortisation of fixed assets			3,647,217	2,967,944	679,273 22.89
Provisions on fixed assets					
Provisions on current assets			92,092	323,938	(231,846) (71.57)
Provisions for contingencies and charges			57,558	31,712	25,846 81.50
Other expenses			212	589	(377) (64.01)
Total operating expenses			14,636,766	15,081,301	(444,535) (2.95)
OPERATING PROFIT/(LOSS) (II)			(8,642,957)	(11,556,861)	2,913,904 25.21
Share of profit or loss on joint operations					
Profit allocated or loss transferred (III)					
Loss incurred or profit transferred (IV)					
Financial income from investments					
Income from other securities and receivables					
Other interest and similar income			43,834		43,834 N/M
Reversals of provisions and transfers of expenses			165,000		165,000 N/M
Positive exchange differences				955	(955) (100)
Net gains on sales of marketable securities					
Total financial income (V)			208,834	955	207,879 N/M
Depreciation, amortisation and provisions				514,500	(514,500) (100)
Interest and similar expense			98,614	222,644	(124,030) (55.71)
Negative exchange differences				867	(867) (100)
Net losses on sales of marketable securities					
Total financial expense (VI)			98,614	738,012	(639,398) (86.64)
NET FINANCIAL INCOME/(EXPENSE) (V-VI)			110,220	(737,057)	847,277 114.95
RECURRING INCOME BEF.ORE TAX (I-II+III-IV+V-VI)			(8,532,736)	(12,293,918)	3,761,182 30.59

	Current year 31/12/2019 (12 months)	Prior year 31/12/2018 (12 months)	Absolute change	%
Exceptional income from management operations	93	293	(200)	(68.26)
Exceptional income from capital transactions	44,097	1,160	42,937	N/M
Reversals of provisions and transfers of expenses				
Total exceptional income (VII)	44,190	1,453	42,737	N/M
Exceptional expenses on management operations	21,213	11,647	9,566	82.13
Exceptional expenses on capital transactions				
Exceptional depreciation, amortisation and provisions				
Total exceptional expenses (VIII)	21,213	11,647	9,566	82.13
NET EXCEPTIONAL INCOME/(EXPENSES) (VII-VIII)	22,977	(10,194)	33,171	325.40
Employee profit-sharing (IX)				
Income tax (X)	(1,336,035)	(1,592,486)	256,451	16.10
Total income (I+III+V+VII)	6,246,834	3,526,848	2,719,986	77.12
Total expenses (II+IV+VI+VII+IX+X)	13,420,558	14,238,474	(817,916)	-5.74
NET PROFIT/(LOSS)	(7,173,724)	(10,711,626)	3,537,902	33.03

4. Cash flow statement

HEADINGS	31/12/2019	31/12/2018
		-
Net profit/(loss)	- 7,174.00	- 10,712.00
Depreciation, amortisation and provisions	3,631.00	3,838.00
Capital gains on disposal, net of tax		
Other income and expenses calculated	- 272.00	- 120.00
Cash flow from operations	- 3,815.00	- 6,994.00
Change in working capital requirements	- 1,695.00	- 1,023.00
(1) Net cash generated by (used in) operating activities	- 5,510.00	- 8,017.00
Acquisition of fixed assets	- 4,401.00	- 3,273.00
Disposal of fixed assets, net of tax		
(2) Net cash generated by (used in) investing activities	- 4,401.00	- 3,273.00
Capital increase		3,461.00
Share premium		544.00
Bonds	5,700.00	7,750.00
Loans	1,100.00	
Miscellaneous borrowings	2,600.00	
Exercise of warrants	3,155.00	
Debts on fixed assets	- 100.00	100.00
Repayable advances	543.37	1,448.00
(3) Net cash generated by (used in) financing activities	12,998.37	13,303.00
Change in cash and cash equivalents (1)+(2)+(3)	3,087.37	2,013.00
Opening cash position	4,819.00	2,806.00
Closing cash position	7,906.00	4,819.00

5. Notes to the financial statements

Note 1. General information

Crossject is a limited liability company with a management board and a supervisory board (*société anonyme à directoire et conseil de surveillance*) whose head office is located at Parc Mazen-Sully, 6 rue Pauline Kergomard – 21000 Dijon in France. The unaudited financial statements for the year ended 31 December 2019 were approved by the Management Board on 24 March 2020 and presented to the Supervisory Board on the same day.

Note 2. Significant events

Financing transactions

- €1.1 million in financing granted jointly by Bpifrance and the Bourgogne Franche-Comté regional authority
- €2.6 million in financing from the IdVector Science & Technology Investments fund in Europe (non-dilutive and repayable on the basis of future revenue) (see Note 12)
- Proceeds from warrants: €3.2 million
- Issuance of convertible bonds in a principal amount of €5.7 million

Regulatory affairs: receipt of all clinical batch manufacturing authorisations

- January 2019: ANSM issues an authorisation to open a pharmaceutical establishment
- Positive results of the inspection of our pharmaceutical manufacturer by the Belgian drug agency

Industrial activities

- Securing of supplies through double sourcing
- Consolidation of industrial facilities

Legal operations

- Creation of a Crossject Industrial Property trust as part of the financing contract with the IdVector Science & Technology Investments fund in Europe (Note 12)
- Capital reduction by reduction of the par value of the share from 1 euro to 0.1 euro

Commercial operations

- Commercial agreement with Desitin Pharma on Zénéo® Midazolam in Germany
- Acquisition of development and marketing rights for Zénéo® Adrenaline
- Research and development cooperation agreement with the U.S. Department of Defense relating to the Midazolam auto-injector

Note 3. Accounting principles, rules and methods

The financial statements have been prepared in accordance with the French general chart of accounts using the same rules as those used for previous years and respecting the going concern accounting principle in view of the continued support of shareholders. With its current cash position and the various funds to be received in 2020, Crossject estimates that it currently has sufficient net working capital to meet its obligations and operating cash flow requirements for the next 12 months.

The preparation of these financial statements required the company to make a number of estimates and assumptions, within the framework of the accounting principles applied, affecting the assets, liabilities, notes on assets and contingent liabilities as of the date of the financial statements, as well as the income and expenses recorded during the period. The company reviews its estimates on a regular basis. Events and changes in circumstances may result in changes to estimates, and actual results may differ from those estimates.

Note 3.1. Research and development expenses

Since 2011, the option of recognising research and development expenses as intangible assets has been applied whenever the criteria for capitalisation are met.

Development expenses are accordingly capitalised when it is probable that the future economic benefits attributable to the asset will flow to the company, and when the cost of the asset can be measured reliably. Capitalised expenses correspond to costs incurred during the development and testing phases; those incurred during the preliminary analysis phases are excluded. They include the salaries and benefits of development engineers and technicians (based on individual and monthly timesheets) and related subcontracting costs. They are capitalised as soon as the company has sufficient visibility on the means of finalising and marketing them.

Development costs are amortised from the time they are capitalised over a period of four years. At each balance sheet date, the outlook for future sales is analysed to check that there is no need for additional depreciation and amortisation, impairment, or a review of the depreciation and amortisation schedule.

Development expenses that do not meet the criteria for capitalisation and research expenses are recognised as recurring operating expenses as they are incurred.

Note 3.2. Intangible assets

Intangible assets are recorded as assets at their historical cost and are amortised on a straight-line basis over the period of use expected by the company.

Acquisition costs are recorded in the acquisition cost of the relevant assets. By contrast, the company has not used the option of recognising borrowing costs in the acquisition cost of intangible assets.

Intangible fixed assets consist of:

- patents acquired on 1 January 2002, amortised over 2, 10 or 15 years depending on their nature,
- management software, amortised over 1 to 5 years,
- rights-of-use on an industrial line, amortised over 18 months,
- development expenses amortised over 4 years.

Note 3.3. Property, plant and equipment

Property, plant and equipment is recorded as assets at its historical cost. Items liable to be impaired are depreciated. All property, plant and equipment is depreciated on a straight-line basis over its useful life. Depreciation rates are between 4% and 25%, except for certain research moulds which are depreciated over 12 months.

Note 3.4. Financial assets

Financial assets include treasury shares resulting from the merger with CIP, carried at the 31 December 2019 share price, and security deposits.

Note 3.5. Inventories and work-in-progress

Inventories are measured as of 31 December 2019 using the FIFO method at purchase cost or production cost depending on the nature of the product.

Inventories of semi-finished products are impaired at the year-end depending on the quality of production.

Note 3.6. Receivables

Receivables are carried at their nominal value. A provision for impairment is made when the inventory value is lower than the carrying amount as of the balance sheet date. Other receivables include the nominal value of the research tax credit, which is recorded as an asset corresponding to the period in which eligible expenses giving rise to the tax credit were incurred.

Note 3.7. Investment securities

Investment securities include treasury shares held under the liquidity contract and a cash investment. At each year-end, if the valuation is lower than the carrying amount, a provision is recorded. Unrealised gains are not recognised as income.

Note 3.8. Foreign currency transactions

Income and expenses in foreign currency are recorded at their equivalent value as of the transaction date.

Receivables and payables in foreign currency existing at the year-end are converted at the exchange rate as of that date. The translation difference is recorded in the balance sheet under "Translation differences" – assets and liabilities. A provision for liabilities and charges of the same amount has been set aside to cover translation differences representing assets.

Note 3.9. Provisions for contingencies and charges

These provisions are intended to cover the contingencies and charges that current or past events make probable, the amount of which is quantifiable as to their purpose, but the occurrence, timing or amount of which are uncertain.

No provision is made for contingent risks or claims by third parties that management, in coordination with the company's lawyers, believes have no legal basis (see Note 10, footnote 1).

Note 3.10. Provisions for retirement benefits

Provisions for retirement benefits are included in the balance sheet as a liability. They are calculated using the projected unit credit method with end-of-career salaries using the following assumptions:

- Benefits under the Chemicals Industry agreement
- National turnover table
- Provisional mortality table (2015-2017)
- Wage growth rate of 2%
- Discount rate of 0.77%

Note 3.11. Repayable advances granted by public bodies

Advances received from public bodies to finance the company's research activities, the repayment of which is conditional, are presented as liabilities under "Conditional advances" (Note 9).

Note 3.12. Revenue recognition

The company is still in its development phase and does not yet generate recurring revenue.

Capitalised production represents research and development expenses recorded in the balance sheet as assets.

Note 3.13. Profit/(loss) from ordinary activities – Net exceptional income/(expenses)

Profit/(loss) from ordinary activities represents income and expenses relating to the company's ordinary activities. Unusual items of ordinary activities are included in profit/(loss) from ordinary activities. They notably include reversals of provisions for contingencies and charges.

To determine the net exceptional income/(expenses) (Note 16), the company uses the concept taken from the French general chart of accounts (230-1).

Note 3.14. Subsidies received

Subsidies received are recorded as soon as the corresponding receivable becomes certain, taking into account the conditions laid down at the time the subsidy was granted. Operating subsidies are recorded as recurring income, taking into account, where appropriate, the rate of corresponding expenditure so as to comply with the principle of matching expenses to income.

Note 3.15. Subcontracting expenses

The stage of completion of subcontracting to third parties for certain research services is assessed at each balance sheet date in order to recognise the cost of services already rendered as an accrued expense.

Note 3.16. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are defined as the sum of the asset items "investment securities", "cash instruments" and "liquid assets", insofar as investment securities and cash instruments are available at very short notice and do not present a significant risk of loss of value in the event of changes in interest rates. Bank credit balances and related accrued and unmatured interest are deducted from this amount when they correspond to temporary overdrafts.

Note 4. Intangible, tangible and financial fixed assets

Note 4.1. Gross value of research and development expenses

	Opening	Increase	Decrease	Closing
Research and development expenses	12,110	3,921		16,031

Note 4.2. Gross value of intangible fixed assets

Nature	Opening	Increase	Decrease	Closing
Patents	20,004			20,004
Right of use of a production line	425			425
Software	155	30		185
TOTAL	20,584	30		20,614

Note 4.3. Gross value of property, plant and equipment

Nature	Opening	Increase	Decrease	Closing
Materials and tools, disposable lab	5,955	372		6,327
Industrial tools	51			51
Land	75			75
Buildings	3,698			3,698
Fixtures and fittings	381	64		445
Office equipment	320	24		344
Assets under construction				
TOTAL	10,479	460		10,940

Note 4.4. Gross value of financial fixed assets

Nature	Opening	Increase	Decrease	Closing
Treasury shares	1,562			1,562
Crossject Pharma securities	100			100
Security deposits	55		9	46
TOTAL	1,717		9	1,708

Note 4.5. Depreciation and amortisation

Nature	Opening	Increase	Decrease	Closing
Research and development expenses	7,495	2,316		9,811
Patents	20,004			20,004
Right of use of a production line	425			425
Buildings	373	174		547
Software	118	33		151
Industrial machinery and equipment	3,429	782		4,211
Fixtures and fittings	169	32		201
Office equipment	169	35		204
TOTAL	32,182	3,372		35,555

Note 4.6. Impairment of financial assets

Nature	Opening	Increase	Decrease	Closing
Impairment of treasury shares	1,383		166	1,217
TOTAL	1,383		166	1,217

Note 5. Receivables

Note 5.1. Statement of receivables from fixed assets	Gross amount	Up to one year	More than one year
Security deposits	46		46

Note 5.2. Statement of receivables from current assets	Gross amount	Up to one year	More than one year
Value added tax	555	555	
Sundry debtors	62	62	
Research tax credit (1)	1,463	950	513
Prepaid expenses			
Total	2,080	1,567	513

(1) The company has assigned research tax credit receivables to the PREDIREC INNOVATION 2020 securitisation fund.

- The receivable of €1,352 thousand relating to the 2017 research tax credit has been assigned. The balance of €209 thousand will be collected at the end of the statute of limitations for tax matters and depending of the results of the PREDIREC fund.
- The receivable of €1,552 thousand relating to the 2018 research tax credit has been assigned. The balance of €359 thousand will be collected at the end of the statute of limitations for tax matters and depending of the results of the PREDIREC fund.
- The receivable of €1,395 thousand relating to the 2019 research tax credit has been assigned. The company received a down payment of €500 thousand. The balance will be collected in 2020.

Note 5.3. Provisions for impairment

The provision recorded corresponds to the impairment calculated on inventories.

Note 6. Available cash

This item includes term accounts, bank balances and the cash balance of the liquidity contract.

Note 7. Prepaid expenses and deferred charges

	31/12/2019	31/12/2018
Prepaid expenses	324	225

Prepaid expenses consist of ordinary expenses whose impact on profit or loss is deferred.

	31/12/2019	31/12/2018
Deferred expenses	199	279

Deferred charges correspond to the costs of arranging the bond issue. They are reversed as and when conversion takes place.

Note 8. Shareholders' equity

Note 8.1. Changes in shareholders' equity over the period

In € thousands	31/12/2018	2018 result	Conversion of bonds	Free shares	Exercise of warrants	Capital reduction	2019 result	31/12/2019
Equity (see 8.2)	13,603		4,824	20	1,753	(18,180)		2,020
Issue premium	1,896	(1,000)	554	(20)	1,403	(953)		1,880
Retained earnings	(3,133)	(9,712)				12,845		0
Special reserve						6,288		6,288
Result	(10,712)	10,712					(7,174)	(7,174)
Shareholders' equity	1,654		5,378		3,156	0	(7,174)	3,014

Note 8.2. Composition of share capital

The share capital comprises 20,200,272 ordinary shares (13,603,370 as of 31 December 2018).

	In euros	In shares
Share capital as of 31 December 2018	€13,603,370.00	13,603,370
Conversion of bonds (OC1)	€3,382,104.00	3,382,104
Conversion of bonds (OC2)	€1,441,304.00	1,441,304
AGA Management	€20,250.00	20,250
Exercise of warrants	€1,753,244.00	1,753,244
Reduction of par value	€(18,180,244.80)	
Share capital as of 31 December 2019	€2,020,027.20	20,200,272

Note 8.3. Dilutive financial instruments

Note 8.3.1. Warrants

Number of warrants	BSA (1)	BSA2 (2)	BSA3 (3)
Patrick Alexandre	138,026		173,500
Xavière Castano	25,922		52,050
Bérénice Muller	11,052		
Timothee Muller		10,000	
Scientex represented by Timothee Muller		10,000	121,450
Total	175,000	20,000	347,000

Unit subscription price	€0.01	€0.01	€0.03
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- (1) The General Meeting of 9 July 2012 authorised the Management Board to allocate 175,000 warrants (BSA) at a price of €0.01 each. Each warrant entitles the holder to subscribe for one share at a price of €0.99. The exercise period was initially five years and the warrants were not transferable. The General Meeting of 14 December 2012 extended the exercise period to 10 years and made the warrants transferable.
- (2) The General Meeting of 14 December 2012 authorised the Management Board to allocate 70,000 warrants (BSA2) at a price of €0.01 each. The General Meeting of 11 June 2013 noted the lapse of 13,000 of those warrants following the resignation of one of the beneficiaries from his position as an employee. During the prior period, 37,000 warrants were exercised (Note 2). Each remaining warrant (20,000) entitles the holder to subscribe for one share at a price of €0.99.
- (3) The General Meeting of 11 June 2013 issued 347,000 warrants (BSA management 3) at a price of €0.03 each, entitling each holder to subscribe for one ordinary share at an exercise price of €2.77. The exercise period is 10 years and the warrants are transferable.

Note 8.3.2. Warrants for the subscription and/or purchase of new or existing shares (BSAANE)

The Management Board, making use of the delegation granted by the Combined General Meeting of 12 December 2013 and upon authorisation of the Supervisory Board at its meeting of 12 June 2014, decided on 18 June 2014 to issue 47,500 warrants for the subscription and/or purchase of new or existing shares (hereinafter the "BSAANE") in favour of certain employees and officers at a subscription price of €1 each.

Each BSAANE entitles the holder to subscribe for or purchase 1 share of the company at a price of €10.16 each, with variable exercise periods and conditions depending on the nature of the BSAANE. A total of 47,250 BSAANEs were subscribed by their beneficiaries.

Note 8.3.3. Reserved capital increase

The General Meeting of 14 December 2012 decided to carry out an additional capital increase reserved for holders of the 175,000 warrants (Note 8.3.1 – 1) allowing for the subscription of a maximum of 32,727 shares at the price of €1 each. The Management Board has full powers to collect subscriptions when the time comes.

Note 8.3.4. Free shares

Pursuant to the authorisation granted to the Management Board by the General Meeting of 31 March 2016, the Management Board designated the beneficiaries of 59,250 of the 60,000 free shares. The vesting period begins as of the Management Board's decision to grant shares and expires subject to the fulfilment of the conditions on:

- 1 September 2018 for 21,000 shares
- 15 April 2019 for 20,250 shares
- 16 May 2020 for 18,000 shares

Free shares are subject to a one-year retention period. They will then be freely transferable.

As of 31 December 2019, 41,250 shares had vested and 750 free shares are yet to be granted.

Note 8.3.5. Convertible bonds

- Through a private placement with several European investors, the company has issued €5.25 million in convertible bonds.
A total of 5,706,522 convertible bonds were subscribed at 92% of par and will not bear interest. They will mature on 11 February 2020.
As of 31 December 2019, 5,599,314 had been converted into 3,999,999 shares. As the ceiling set by the General Meeting has been reached, the remaining 107,208 bonds cannot be converted and will be redeemed at maturity for €98,631.
- Through a placement with specific categories of persons, the company has issued €2.5 million in convertible bonds.
A total of 2,717,391 convertible bonds were subscribed at 92% of par and will not bear interest. They will mature on 11 July 2020.
As of 31 December 2019, all bonds had been converted into 2,032,608 shares.
- Through a placement with categories of persons, the company has issued €5.7 million in convertible bonds.
A total of 6,195,653 convertible bonds were subscribed at 92% of par and will not bear interest. They will mature on 31 December 2021.
As of 31 December 2019, no bonds had been converted.

Note 8.3.6. Warrants

The Management Board, acting under the eleventh extraordinary resolution of the Combined General Meeting of 20 June 2019, in accordance with the authorisation granted to it by the Supervisory Board on 20 June 2019, decided on 9 July 2019, to issue and allocate 18,447,028 warrants to all shareholders, with 9 warrants giving the right to subscribe for 1 new share at a price of €1.80 each. The warrants were exercisable at any time from 18 July 2019 until midnight on 10 December 2019 inclusive.

Following the exercise of 15,779,196 BSA 2019 warrants at an exercise price of €1.80 each, 1,753,244 new shares were created at a price of €1.80 each, i.e. a capital increase in a nominal amount of €1,753,244 and an issue premium of €1,402,595.20.

Note 8.3.7. Breakdown of capital after dilution

The exercise of the warrants (Note 8.3.1), BSAANE warrants (8.32), the capital increase (8.33), the vesting of free shares (8.34) and the conversion of the convertible bonds (8.35) would result in the creation of 4,172,249 shares.

The share capital would accordingly consist of 24,372,521 shares with a par value of €0.1 each.

Note 8.4. Earnings per share

	Net income for the period	Number of shares		Earnings per share	
		Undiluted	Diluted	Undiluted	Diluted
31-Dec-19	(7,173)	20,200,272	24,372,521	€(0.355094)	€(0.294306)
31-Dec-18	(10,711)	13,603,370	19,087,755	€(0.787379)	€(0.56116729)

Note 9. Conditional advances

As of 31 December 2019, Crossject benefits from conditional advances as described in Note 3.11.

- €5,488,853 under the “Avenir-Projets industriels d’avenir” generic call for projects granted on 30 October 2015 (see 18.4)
- €250,000 from Bpifrance

Note 10. Provisions for contingencies and charges

	31/12/2018	Additions	Reversals used	Reversals unused	31/12/2019
Provision for contingencies (1)					
Provision for charges (2)	124,504	57,558			182,062
TOTAL	124,504	57,558			182,062

(1) On 12 June 2018, the company received an injunction before a commercial court to pay a termination indemnity and various ancillary indemnities in a total amount of €1,455,414. A procedural hearing scheduled for 18 March 2020 has been postponed.

The company will file its conclusions in which its Counsel will oppose a lack of merit to the various claims for indemnity.

No date for the hearings has been set at this time.

Accordingly, no provision has been recorded (see rules and methods Note 3.9).

(2) The provision for charges covers the cost of retirement indemnities, including social security charges.

Note 11. Maturity of debts at the closing date

Debt maturity schedule	Total amount	0 to 1 year	1 to 5 years	More than 5 years
Bank loans	2,100	144	1,464	492
Miscellaneous borrowings (Note 12)	2,600		2,600	
Trade payables	1,914	1,914		
Tax and social security liabilities	626	626		
Other liabilities	4	4		
Debts on fixed assets	2,514	2,514		
TOTAL	9,758	5,202	4,064	492

Note 12. Miscellaneous borrowings

Note 12.1 Characteristics of the financing

Crossject has contracted €2.6 million in financing in the form of English law Notes fully provided by the IdVectoR Science & Technology Investments fund ("IdVectoR"), a long-term European investor specialising in the non-dilutive financing of advanced technologies.

The repayments are exclusively indexed on Crossject's revenue, with an annual floor of €285 thousand for the first two years. The repayments are a single-digit percentage of the amount of sales made, decreasing over time and variable depending on the type of product or service sold. According to management's estimates, the repayment mechanism represents a small percentage of Crossject's revenue over time, and is consistent with its cash flow outlook.

The repayment structure means that the investor is at risk of not being repaid the amount of €2.6 million contributed if the company's sales are insufficient. In return, it could receive a total amount significantly higher than the amount of €2.6 million contributed over the duration of the financing if Crossject enjoys commercial success.

Crossject has the option of repaying the financing in advance, or at the request of the investor in the event of a change of control or in the usual cases for such financing (change of legal circumstance making the continuation of the contract illegal, default event). The amount to be repaid would then be set at a multiple of the amount invested, variable depending on the period and the early repayment event, less the amounts already repaid. This multiple ranges from one to four times the amount invested, the highest multiples being applicable in the scenarios of business success, which are also the most favourable for shareholders.

Note 12.2 Guarantees of financing

The financing is guaranteed by a trust created for this purpose and named Crossject Industrial Property, managed by a French fiduciary (a management company approved by the Autorité des Marchés Financiers). Crossject has contributed industrial and intellectual property assets relating to a portfolio of patents concerning the injection device and the Zénéo® brand to the trust. Crossject will manage and operate this portfolio through a licence granted to it.

Even in the event that the guarantee is called, Crossject will retain all current commercial contracts with its clients and exclusive rights to the therapeutic areas in which the intellectual property assets are currently operated until the termination or cancellation of this licence. Crossject will therefore continue its current contracts and the development of its business.

The assets transferred to the trust had a carrying amount of zero on a historical cost basis in Crossject's financial statements.

Note 13. Accrued liabilities and translation differences

Note 13.1. Details of accrued liabilities

	31/12/2019	31/12/2018
Accounts payable not received	153	302
Paid leave	241	175
Social security contributions on paid leave	110	78
Provision for payroll tax		6
Accrued liabilities due to the State	29	63
Total tax and social security liabilities	380	322

Note 13.2. Translation differences – assets and liabilities

Translation difference assets correspond to unrealised exchange losses on receivables and payables denominated in foreign currencies. Translation difference liabilities correspond to unrealised exchange gains on receivables and payables denominated in foreign currencies.

As of 31 December 2019 there were no receivables or payables denominated in foreign currencies. No translation differences were recorded.

Note 14. Deferred income

There was no deferred income at year-end.

Note 15. Operating income

Note 15.1. Detail of revenue

In 2019, revenue generated corresponds to the payment upon signature provided for in the contract with Desitin on Zénéo® Midazolam in Germany (see Note 18.2).

Note 15.2. Capitalised production

Capitalised production recognised during the period amounts to €3,921,164.

Note 15.3. Subsidies

Subsidies acquired during the financial year amount to €481,106.

Note 15.4. Reversals of provisions and transfers of expenses

Transfers of expenses correspond mainly to benefits in kind related to the use of vehicles.

Note 15.5. Other income

In a prior period, the company invoiced and received an advance on an option to sell a licence for €1 million relating to the use of the Zénéo device in an indication of anaphylactic shock with Adrenaline. Following the renegotiation of the contract, this advance has been definitively earned by the company and has been recognised in "Other income".

Note 16. Exceptional income/(expense)

	31/12/2019	31/12/2018
Exceptional income from capital transactions	44	1
Exceptional expense on management operations	- 21	- 11

Note 17. Corporate income tax

As the company generates a loss, it does not bear any tax expense. The amounts recognised in the income statement in respect of corporate income tax mainly reflect income relating to the research tax credit (RTC). The income corresponding to the RTC for the period amounts to €1,395 thousand (€1,552 thousand in 2018).

The tax loss carry-forwards and deferred depreciation available to the company amount to €93,619,317 as of 31 December 2019. Pursuant to the legal provisions currently in force, tax loss carry-forwards are not limited in time.

Note 18. Commitments received

Note 18.1. Zénéo® Methotrexate licensing agreement in Germany

The contract, signed on 19 July 2012, provides for the payment of €1 million between the date of signature and the date of obtaining the price. The company received the sum of €250 thousand under this contract in 2012.

As of 31 December 2019, the company has not received any other commitments.

Note 18.2. Zénéo® Methotrexate licensing agreement in China

The contract, signed on 30 August 2015, provides for the payment of €3 million between the date of signing and the date on which marketing authorisation is obtained in China. No payment has been received to date.

As of 31 December 2019, the company has not received any other commitments.

Note 18.3. Zénéo® Midazolam licensing agreement in Germany

In June 2019, the company signed an agreement covering licensing, distribution and promotion for a period of 10 years from commercial launch, unless either Crossject or Desitin opts to exercise certain withdrawal clauses, for instance if minimum sales are not reached or if certain development milestones are not met.

Desitin paid €0.5 million on signing, and will pay Crossject €1 million upon the occurrence of two development milestones expected in early and mid-2020 (each in the amount of €0.5 million), and €1 million upon receipt of marketing authorisation.

As of 31 December 2019, the company has not received any other commitments.

Note 18.4. Programmes Investissements d'avenir – Projets industriels d'AVENIR (PIAVE) call for projects

Following the Prime Minister's decision of 29 October 2015, Crossject has received an agreement from Bpifrance to receive aid of up to €6,667,507, comprising €210,033 in subsidies and €6,457,474 in the form of a repayable advance. The payment schedule modified by amendment 2 to the contract, dated 7 March 2018, is:

	Subsidies	Repayable aid
Amount granted	€210,033	€6,457,474
Nov-15	€109,000	€827,000
EC 1: March 2017	€58,000	€2,820,000
EC 2: July 2018		€1,298,488
EC 3: October 2019		€543,365
EC 4: End of programme	€43,033	€968,621

Note 18.5. Eurostars Easy-Inject programmes

The company received the balance of the subsidy within the framework of this programme, i.e. €180,000, in 2019.

Note 19. Commitments given

Note 19.1. Sofigexi

Pursuant to the Memorandum of Understanding dated 29 September 2011 (replacing that of 31 March 2008), Sofigexi is to receive a royalty of 2% of revenue from the year following that in which Crossject accumulates €15 million in sales of devices, the overall royalty being capped at €17 million. To date, no revenue has been generated in this respect.

Note 19.2. Zénéo® Adrenaline licensing agreement

The partnership contract, signed on 22 January 2013, has been renegotiated.

- The advance of €1 million initially received under this contract has been acquired by the company (Note 15.5).
- Crossject has acquired the development and marketing rights to Zénéo® Adrenaline, with no cash consideration upon signing, and royalties calculated on the basis of a single-digit percentage of product sales by Crossject.

To date, no revenue has been generated in this respect.

Note 19.3. Zénéo® Midazolam licensing agreement in Germany

Within the framework of the contract described in Note 18.3, Crossject has undertaken to sell the product to Desitin on the basis of a percentage of the net selling price applied by Desitin to wholesalers. This percentage is located in the mid-double digits, with a floor unit price.

Note 19.4. Indemnities

In accordance with the Supervisory Board's decision of 19 November 2013, Patrick Alexandre is eligible for a termination benefit equivalent to one year's fixed remuneration.

Note 19.5. Programmes Investissements d'avenir – Projets industriels d'AVENIR (PIAVE) call for projects

The aid received and described in Note 18.2 is to be repaid in equal quarterly instalments over four years from 30 June 2019. In the event of technical or commercial failure, repayment will not be due. From the final repayment under to the above schedule, and as soon as the revenue and/or the amount of the cumulated revenue excluding VAT generated by the operation of the products and services resulting from the investments and/or integrating the developments carried out within the framework of the project is greater than or equal to €40,000,000 (forty million euros), the company shall pay as profit-sharing a share of 1.5% (one point five percent) of the said revenue or annual revenue excluding VAT for 5 years (five years). This additional repayment is capped at €4,000,000 (four million euros).

Where appropriate and within the limit of the amount of recoverable aid actually paid, the company shall pay:

- 45% (forty-five percent) of the pre-tax income generated by the assignment of intellectual property resulting from the project, and the assignment of prototypes, pre-series and models produced as part of the project.
- 45% (forty-five per cent) of the pre-tax income from the concessions of rights to use the intellectual property resulting from the project received during the previous calendar year.

In any event,

- The total period including the lump-sum repayments and the additional repayment is capped at 15 years (fifteen years) from the first lump-sum repayment.
- If no repayment has been made within a period of 10 years (ten years) from the last payment of the aid, the contract will be terminated automatically without further formalities, and the company will be released from any obligation to pay financial returns.

Note 19.6. Acquisition of an industrial site

By notarial deed dated 25 November 2015, the company acquired a building to be constructed and delivered in 2016 for a final non-revisable and non-discountable fixed price of €3,774,000 excluding tax (three million seven hundred and seventy-four thousand euros) payable according to the schedule below:

<i>Paid in 2015</i>	<i>€234,000.00</i>
<i>Paid in 2016</i>	<i>€306,000.00</i>
<i>Paid in 2017</i>	<i>€720,000.00</i>
<i>Paid in 2018 (1)</i>	<i>€1,347,000.00</i>
<i>Paid in 2019 (1)</i>	<i>€1,167,000.00</i>
<i>Total</i>	<i>€3,774,000.00</i>

In the event of non-payment by the company of a single price due under the agreed terms (1), the sale shall be automatically cancelled, without any legal formalities, thirty (30) days after a simple order to pay has remained unsuccessful and containing a declaration by the vendor of its intention to exercise this clause. This is without prejudice to the following compensation:

- €400,000.00 owed by the company to the vendor by way of compensation to which shall be added a sum equal to 7.5% of the sale price excluding VAT per year, calculated on a *pro-rata temporis* basis from the date of delivery.

(1) The company is in discussion with Est Métropole and Caisse d'Épargne to arrange long-term financing (12 years) for this debt.

Note 19.7. Pledges

As a guarantee for the €1 million loan granted by Caisse d'Epargne in 2018, the company has pledged €624,000 on its patent portfolio related to the injection device.

Note 20. Related parties

Note 20.1. Executive compensation

This information is not mentioned in this note, as it would indirectly lead to the disclosure of individual remuneration.

Note 20.2. Related-party transactions

Crossject has contributed industrial and intellectual property assets relating to a portfolio of patents concerning the injection device and the Zénéo® brand to the trust as collateral for financing (see Note 12.2).

The assets transferred to the trust had a carrying amount of zero on a historical cost basis in Crossject's financial statements.

No other transactions took place in 2019.

Note 21. Closing headcount

As of 31 December 2019, the company employed 79 people (72 people as of 31 December 2018).

Note 22. List of subsidiaries and associates

Detailed information concerning subsidiaries and associates in which more than 50% of the capital is held

Subsidiaries and associates	Share capital	Reserves and retained earnings	Percentage of capital held	Gross value of securities held	Net value of securities held	Loans and advances granted by the company	Guarantees and endorsements given by the company	Revenue excl. VAT for the last financial year	Net income for the last financial year	Dividends received by the company during the year
CROSSJECT PHARMA	€100k	€(10)k	100	€100k	€100k	0	0	0	€(7)k	0

The company does not have any other subsidiaries or associates.

Note 23. Subsequent events

- Between 1 January and 30 April 2020, 4,988,348 2021 convertible bonds (OC 2021) out of the 6,195,653 outstanding OC 2021 bonds were converted, giving access to 2,883,864 shares. Shareholders' equity was increased by €4,589,280.16 (€288,386.40 in capital and €4,300,893.76 in additional paid-in capital).
- Probable impact of Covid-19 on the company's situation

The company has implemented prevention and protection measures, and regularly monitors compliance with the decisions and recommendations of the local public authorities. In addition, the company has implemented its existing business continuity plans, which it will continue to adapt to changing circumstances. With that in mind, the company has established a dedicated management unit reporting directly to the Management Board. This unit, which includes all the Group's key functions, has implemented a series of guidelines, protocols and processes, which are of an exceptional and temporary nature, to manage the crisis on two fronts: EMPLOYEE SAFETY and BUSINESS CONTINUITY, with a large-scale programme of systemic telework for employees and the implementation of operational rotations for work that can only be conducted on site.

Given the magnitude and uncertain duration of the Covid-19 epidemic, it is too early to accurately assess its impact on Crossject's business. However, the suspension of certain activities will have consequences on the timing of submission of the first MA dossiers. The production of the first two clinical batches, well advanced before the government lockdown measures, has had to be suspended. It will not resume until they have been lifted. Crossject has already decided to prioritise the development of ZENEO® Midazolam under the agreement with Desitin and the pursuit of discussions with the American federal authorities interested in the product, in order to cement progress. To date, bi-weekly updates with the DoD have not been disturbed by the unfolding epidemic.

Crossject will continue development work on its other priority products, reserving the possibility of reviewing the prioritisation of its portfolio based on commercial progress.

Note that there is no risk of supply disruption for our customers, since Crossject's products are still in the development phase.

On the basis of the latest information available, the company has no visibility as to the end of the crisis and the full resumption of its activities. Crossject's cash position increased to €7.9 million at the end of 2019. Non-priority spending commitments have been postponed, and cost-saving measures, such as short-time working, have been implemented.

The company is also using all the possibilities announced by the government to deal with this crisis, such as the postponement of certain payments and the use of government-guaranteed loans.