NICOX'S CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2019

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NICOX S.A.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31
(€ 000S)

	Notes	2019	2018 [1]
Revenue from collaborations	**6.2**	**8,260**	**4,717**
Royalty payments	**6.3**	(1,405)	(690)
Net profit		**6,855**	**4,027**
Research and development expenditures	**6.4**	(17,747)	(16,331)
Administrative expenses	**6.5**	(7,666)	(9,506)
Other income	**6.6**	970	1,786
Other expenses	**6.7**	(85)	(644)
Operating loss before the amortization of intangible assets		**(17,673)**	**(20,668)**
Amortization of intangible assets	**5.4**	(659)	-
Operating loss		**(18,332)**	**(20,668)**
Finance income	**6.8.2**	2,565	2,461
Finance expenses	**6.8.2**	(7,013)	(71)
Net financial income/(expense)	**6.8.2**	**(4,446)**	**2,390**
Profit/(loss) before tax from continuing operations		**(22,778)**	**(18,278)**
Income tax (expense) / benefit	**7 / 22**	3,856	(113)
Loss for the period		**(18,922)**	**(18,391)**
Loss attributable to equity holders of the Company		(18,922)	(18,391)
Loss per share (in €)	**8.1**	**(0.62)**	**(0.62)**
Basic /diluted (loss) per share from continuing operations (in €)	**8.1**	(0.62)	(0.62)
			-

[1] The financial statements for the year ended December 31, 2018 were not restated for the effects of the application of IFRS 16 Leases. See Note 3 concerning the effects of IFRS 16's application.

NICOX S.A.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME OR LOSS
FOR THE YEARS ENDED DECEMBER 31
(€ 000S)

	Notes	2019	2018
Profit/(loss) for the period		**(18,922)**	**(18,391)**
Exchange differences on translation of foreign operations		1,115	2,724
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax)		**1,115**	**2,724**
Actuarial gains and losses	**18**	(65)	(6)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)		**(65)**	**(6)**
Other comprehensive income/(loss) for the period, net of tax, attributable to equity holders of the Company		**1,050**	**2,718**
Total comprehensive loss for the period attributable to equity holders of the Company		**(17,872)**	**(15,673)**

NICOX S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31
(€ 000S)

ASSETS	Notes	2019	2018 [1]
Non-current assets			
Goodwill	**11**	25,847	25,359
Intangible assets	**10**	72,120	71,397
Property, plant and equipment	**9**	1,670	269
Non-current financial assets	**14**	11,023	15,473
Total non-current assets		**110,660**	**112,498**
Current assets			
Trade receivables		1,069	616
Government grants receivable	**12**	864	1,247
Other current assets	**13**	1,297	691
Prepayments		814	1,479
Cash and cash equivalents	**15**	28,102	22,059
Total current assets		**32,146**	**26,092**
TOTAL ASSETS		**142,806**	**138,590**
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	**16**	33,231	29,719
Share premium		518,441	510,683
Cumulative translation adjustments		7,811	6,697
Treasury shares		-	-
Accumulated deficit		(450,186)	(433,445)
Total equity		**109,297**	**113,653**
Non-current liabilities			
Non-current financial liabilities	**21**	10,168	54
Deferred taxes	**22**	12,964	16,373
Provisions	**18**	549	441
Total non-current liabilities		**23,681**	**16,868**
Current liabilities			
Current financial liabilities	**21**	2,481	31
Trade payables		4,996	4,281
Deferred income	**20**	-	1,256
Provisions	**18**	-	76
Other current liabilities	**23**	2,351	2,425
Total current liabilities		**9,828**	**8,069**
TOTAL LIABILITIES AND EQUITY		**142,806**	**138,590**

[1] The financial statements for the year ended December 31, 2018 were not restated for the effects of the application of IFRS 16 Leases. See Note 3 concerning the effects of IFRS 16's application.

NICOX S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
IN €000

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		**(18,922)**	**(18,391)**
Adjustments to reconcile profit or loss to net cash flows from (used in) operating activities			
Amortization, depreciation, and impairment		7,123	252
Amortized cost of non-convertible bonds		174	-
Expenses related to share-based payments	**17**	1,867	2,557
Provisions	**18**	(33)	71
Deferred taxes	**7**	(3,884)	-
Non-cash interest on notes receivable	14	(1,687)	(1,550)
Non-cash translation adjustments		(428)	(996)
Operating cash flows before working capital adjustments:		**(15,790)**	**(18,057)**
(Increase) / decrease in trade receivables and other currents assets		(8)	(838)
(Increase) / Decrease in government grant receivables	**12**	383	(299)
Increase / (Decrease) in trade payables, deferred income and other current liabilities		(636)	51
Change in working capital		**(261)**	**(1,086)**
Net cash flows from (used in) operating activities		**(16,051)**	**(19,143)**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
(Purchase)/Disposal of financial assets		-	(2)
Purchase of intangible assets	**10**	(32)	(40)
Purchase of property, plant and equipment	**9**	(63)	(228)
Net cash flows from/(used in) investing activities		**(95)**	**(270)**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares	**16**	11,290	-
Increase/(decrease) of borrowings, net of issuance costs		11,089	-
Repayment of finance lease liabilities		(196)	-
Net cash flows from/(used in) financing activities		**22,183**	**-**
Net (decrease)/increase in cash and cash equivalents		**6,037**	**(19,413)**
Cash and cash equivalents at January 1	**15**	**22,059**	**41,394**
Net foreign exchange difference		6	78
			-
Cash associated with continuing operations		6,037	(19,413)
Cash and cash equivalents at December 31	**15**	**28,102**	**22,059**

NICOX S.A.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31
(€ 000S) (EXCEPT SHARE AND PER SHARE ITEMS)

	Issued capital								
	Ordinary shares	**Amount**	**Share premium**	**Treasury shares**	**Currency translation adjustments**	**Reserves (deficit)**	**Profit/(loss) for the period**	**Attributable to equity holders of the company**	**Total equity**
At January 1, 2018	**29,459,337**	**29,460**	**510,942**	**(0)**	**3,973**	**(413,987)**	**(3,618)**	**126,768**	**126,768**
Profit/(loss) for the period							(18,391)	(18,391)	(18,391)
Other comprehensive income (loss)					2,724	(6)		2,718	2,718
Comprehensive income (loss) for the period					**2,724**	**(6)**	**(18,391)**	**(15,673)**	**(15,673)**
Allocation of profit of the previous period						(3,618)	3,618		
Treasury shares									
Issuance of ordinary shares	259,582	259	(259)						
Share-based payments						2,557		2,557	2,557
At December 31, 2018 [1]	**29,718,919**	**29,719**	**510,683**		**6,697**	**(415,055)**	**(18,391)**	**113,653**	**113,653**
At January 1, 2019	**29,718,919**	**29,719**	**510,683**		**6,697**	**(415,055)**	**(18,391)**	**113,653**	**113,653**
Profit/(loss) for the period							(18,922)	(18,922)	(18,922)
Other comprehensive income (loss)					1,115	(65)		1,050	1,050
Comprehensive income (loss) for the period					**1,113**	**(65)**	**(18,922)**	**(17,872)**	**(17,872)**
Allocation of profit of the previous period						(18,391)	18,391		
Issuance of ordinary shares	3,511,650	3,512	7,758					11,270	11,270
Share-based payments						1,867		1,867	1,867
Equity warrants on a loan agreement[2]						380		380	380
At December 31, 2019	**33,230,569**	**33,231**	**518,441**		**7,812**	**(431,264)**	**(18,922)**	**109,298**	**109,298**

[1] The financial statements for the year ended December 31, 2018 were not restated for the effects of application of IFRS 16 Leases. See Note 3 concerning the effects of IFRS 16's application.
[2] net of deferred tax liabilities in the amount of €0.1 million

1. CORPORATE INFORMATION ON THE REPORTING ENTITY

Nicox S.A. (the "Company") is incorporated and domiciled in France. The Company's headquarters is located at 2405 route des Dolines, Drakkar 2, Bât D, 06560 Valbonne. Nicox is listed on Euronext Paris (COX.PA) and has a center for research and nonclinical development in Italy and a development office in the United States.

These consolidated financial statements include those financial statements of the company and its subsidiaries (collectively, "the Group"). The Group's strategy is to maximize the potential of its technology and products through in-house development and industry-leading collaborations.

Our product candidate pipeline features two programs in development stage: NCX 470, an ophthalmic solution of a novel second generation NO-donating bimatoprost analog in development for the lowering intraocular pressure (IOP) in patients with open-angle glaucoma and ocular hypertension and NCX 4251, a novel patented suspension of fluticasone propionate nanocrystals being developed as the first targeted topical treatment of the eyelid margin for patients with acute exacerbations of blepharitis.

In the third quarter of 2019, Nicox completed the Dolomites Phase 2, multicenter, double-masked, 28-day, parallel group, dose response trial on 433 patients to evaluate the efficacy and safety of NCX 470. In this trial, NCX 470 0,065% demonstrated non-inferiority and statistical superiority to latanoprost ophthalmic solution 0.005%, the U.S. market leader in prostaglandin analog prescriptions. The Company expects the next phase for NCX 470's development will be the initiation of a Phase 3 clinical program with 0.065% and 0.1% doses, vs. a latanoprost 0.005% analog in Q2 2020. An exclusive license agreement was entered into with Ocumension Therapeutics for the development and commercialization of NCX 470 in a territory comprising mainland China, Hong Kong, Macau and Taiwan, or the Chinese market.

In the fourth quarter of 2019, Nicox completed the first-in-human safety and tolerability Phase 2 clinical trial 'Danube' in 36 patients meeting its primary objective of selecting the dose of NCX 4251 for further development. NCX 4251 0.1% once daily (QD) treatment was selected to advance into larger Phase 2b clinical trial, subject to a meeting with the U.S. FDA and securing the necessary financial resources. An exclusive license agreement was entered into with Ocumension Therapeutics for the development and commercialization of NCX 4251 for blepharitis in the Chinese market.

Nicox's portfolio also includes two ophthalmic products approved by the Food and Drug Administration (FDA) for commercialization in the United States. VYZULTA®, originating from Nicox's proprietary nitric oxide (NO)-donating research platform was approved by the FDA and is indicated for the reduction of intraocular pressure (IOP) in patients with open-angle glaucoma or ocular hypertension; VYZULTA has been exclusively licensed worldwide to Bausch + Lomb, a company of Bausch Health Companies, Inc., and has been marketed in the United States by Bausch + Lomb since December 2017. VYZULTA has also been approved and made available for Canada and approved for Hong Kong, Argentina and Mexico. ZERVIATE™, formally AC-170, the second product of the Company approved by the US FDA, is indicated for treatment of ocular itching associated with allergic conjunctivitis and exclusively licensed in the United States with Eyevance Pharmaceuticals LLC. Its commercial launch in the United States by Eyevance is planned in H1 2020; ZERVIATE is also exclusively licensed to Ocumension and to Samil Pharmaceutical for the development and commercialization in the Chinese market and in South Korea, respectively.

Nicox's portfolio also includes phosphodiesterase-5 (or PDE5) inhibitors and NO-donors at the research stage.

All figures have been rounded off to the nearest thousandth, except if indicated otherwise.

The entities making up the Group at December 31, 2019 are presented in note 30.

2. ACCOUNTING POLICIES

2.1. Basis of presentation and compliance statement

The consolidated financial statements were prepared in accordance with IFRS (International Financial Reporting Standards) as issued by the IASB (International Accounting Standards Board) and with IFRS as adopted by the European Union on December 31, 2019. The comparative figures are those as of and for the year ended December 31, 2018.

The Company's Board of Directors approved the consolidated financial statements on March 5, 2020. These financial statements will be submitted for approval at the shareholders' general meeting.

The Group has prepared its financial statements using the going concern basis of accounting. In 2019, the Company obtained financing from Kreos Capital for up to €20 million structured as bonds and in November 2019, raised funds by issuing new shares to institutional investors generating net proceeds of €11.3 million. This financing provided the Company with sufficient cash to sustain its operations over the next 12 months and to finance in this period the first of two Phase 3 clinical trials (the "Mont Blanc" trial) conducted in the United States for its NCX 470 product candidate which is expected to start in Q2 2020 and continue into 2021.

2.2. New standards, interpretations and amendments

The following standards, amendments and interpretations issued by the IASB and endorsed by the European Union became mandatory at December 31, 2019 but had no material impact on the Group's financial statements.

- Amendments resulting from annual improvements to IFRSs 2015-2017 cycle;
- Amendments to IFRS 9 "Prepayment features with negative compensation";
- Amendments to IAS 19 Plan amendment, curtailment or settlement";
- Amendments to IAS 28 "Long-term interests in associates and joint ventures";
-
- Interpretation IFRIC 23 "Uncertainty over tax income treatments"; and
- Amendments to IAS 12 "Income Taxes".

The Company also adopted IFRS 16 "Leases" and its effect is presented in section 3. CHANGE IN ACCOUNTING POLICIES

2.3. Standards, amendments and interpretations issued, but not yet in effect

The following standards, amendments and interpretations have been issued by the IASB but have not been endorsed by the European Union on December 31, 2019. The potential impact of these standards on the statements of net profit or loss, the financial position or cash flows is currently being assessed by the Group.

- IFRS 17 "Classification and measurement of share-based payment transactions";
- IFRS 14 "Regulatory deferral accounts";
- Amendments to IFRS 10 and IAS 28 "Insurance contracts";
- Amendments to IAS 1 and IAS 8 "Definition of material";
- Amendments to the conceptual framework for financial reporting;
- Amendments to IFRS 9, IAS 39 and IFRS 7 "IBOR reform – Phase 1"; and
- Modifications IFRS 3 "Definition of a business".

3. CHANGE IN ACCOUNTING POLICIES

IFRS 16 – "Leases" applies to the financial statements of an entity for periods beginning on or after January 1, 2019. This standard replaces IAS 17 – Leases" and the IFRIC and SIC interpretations relating thereto eliminating the distinction that existed between operating leases and finance leases. By virtue of IFRS 16, a lessee recognizes a right to use an asset under a lease (right-of-use asset) and the corresponding financial liability (the lease liability). The Company has decided not to recognize the right-of-use asset under a separate line but instead in the line corresponding to the underlying asset. The right-of-use asset is amortized over the expected term of the lease and the lease liability, initially recognized at the present value of lease payments over the lease term using the interest rate implicit in the lease when this can be readily determined or, otherwise, at the incremental borrowing rate. In the statement of profit or loss, the amortization of the right-of-use asset is included in the operating profit or loss before the amortization of intangible assets and a financial charge corresponding to interest on the lease liability is recognized under finance expenses, instead of the lease payments being charged to operating profit or loss as they were previously. In the statement of cash flows, interest expenses are allocated to cash flows from (used in) operating activities and the repayment of lease liabilities is allocated to cash flows from (used in) financing activities. Previously, the total amount of lease payments was allocated to cash flows from (used in) operating activities.

The Group has opted for the modified retrospective method for the first-time application of the standard where the right-of-use asset recognized equals to the lease liability. Under this approach, the combined effect of the initial application of IFRS 16 is recognized as an adjustment to equity on the date of first-time application (January 1, 2019). The comparative figures for the year ended December 31, 2018 were not restated to reflect the adoption of IFRS 16,and continue to reflect the accounting principles of the lessee according to previous standard, IAS 17 - "Leases".

The impact of IFRS 16's application is as follows:

Impact on the statement of financial position (increase/(decrease)) at January 1, 2019:

	€000
ASSETS	
Property, plant and equipment	491
TOTAL ACTIFS	**491**
LIABILITIES*	
Financial liabilities	(491)
TOTAL PASSIFS	**(491)**

* €320,000 (out of €491,000) were recognized under non-current financial liabilities.

	At December 31 2018	Effect of the application of IFRS 16	At January 1, 2019
		In €000	
Property, plant and equipment	269	491	760
Other non-current financial liabilities	54	320	374
Current financial liabilities	31	171	202

The Group estimates that off-balance sheet commitments presented in the financial statements for the year ended December 31, 2018 do not differ significantly from the lease liability that was recorded upon adoption. The items for reconciliation concern mainly the effect of discounting the lease liability to present value and accounting for the options for the renewal of commercial leases.

4. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the following accounting policies consistently to all periods presented in these consolidated financial statements with the exception of IFRS 16 on leases whose impact on January 1, 2019 on the Group's assets and liabilities is described above in note 3.

4.1. Consolidation

4.1.1. *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity and is able to influence these returns due to the power it holds over this entity with regard to determining financial and operational policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained, and until the date on which control ceases. As they are wholly-owned companies, the Group controls all of the legal entities included in the scope of consolidation.

4.1.2. *Loss of control*

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities as well as any non-controlling interests and other comprehensive income /loss items likely to be reclassified to income. Any gain or loss incurred from the loss of control will be recognized under profit or loss. Any interest retained in the previous subsidiary is measured at fair value at the date that control is lost.

4.1.3. *Transactions eliminated on consolidation*

All significant intercompany balances and transactions are eliminated.

4.2. Business combinations

Any excess of the consideration transferred over the Group's share in the net fair value of identifiable assets and liabilities of the acquiree is recorded as goodwill.

In accordance with IAS 36 – *Impairment of assets*, goodwill is measured at cost, less accumulated impairment losses.

Goodwill is tested for impairment at least once a year for each of the Group's Cash Generating Units (CGU), and each time that events or circumstances indicate a potential impairment. These events or circumstances include significant changes that are likely to have a long-term impact on the substance of the original investment.

Goodwill arising from the acquisition of foreign entities is measured in the acquired entity's functional currency and converted into Euros using the exchange rate in effect at the end of the period.

4.3. Investments and other assets

Financial assets include investments and assets representing notes receivable from a non-consolidated company.

Non-consolidated shares and shares not listed on an active market are measured at fair value through profit or loss.

Financial assets representing a debt security are measured at amortized cost.

The financial interests of assets representing a debt security are calculated according to the effective interest rate method and credited to the "financial income" line item in the statement of profit or loss.

4.4. Foreign currency transactions and translation into Euros

The consolidated financial statements are presented in Euros.

4.4.1. *Foreign currencies transactions*

Foreign currency transactions are translated into the respective functional currencies of Group companies using the exchange rates prevailing at the dates of said transactions.

Assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate at the end of the period until settled. Exchange differences arising on translation are recognized in the statements of profit or loss.

4.4.2. *Translation into Euros*

Currency translation adjustments arise from converting the currency of consolidated entities' financial statements from their functional currency into the presentation currency of the Group. Currency translation adjustments are recognized in the translation reserve included in other comprehensive income.

When a foreign asset is sold, either totally or partially, and there is a loss of control, the total amount of related currency translation adjustments must be reclassified in the statement of profit or loss as a disposal loss or gain. If the Group disposes of part of its interest in a subsidiary while retaining control, a proportion of the cumulative amount of the exchange differences is reallocated to non-controlling interests.

4.5. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on the disposal of property, plant and equipment are recognized in the statement of profit or loss. Costs directly attributable to the acquisition are capitalized.

Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group.

Depreciation is calculated so as to spread the cost of the asset less its residual value on a straight-line basis over its estimated useful life. Leased assets recognized under IFRS 16 are depreciated over the shorter of the lease term and their useful lives unless the Group has reasonable assurance that it will obtain ownership at the end of the lease. Land is not depreciated.

Depreciation allowances are calculated on a straight-line basis estimated according to the assets' useful lives.

The estimated useful lives of tangible assets for the current year and the comparative year are:

Laboratory equipment	8 years
Computer equipment	3-5 years
Company cars	3-5 years
Buildings	3-5 years
Office equipment and fixtures	5-10 years
Furniture	9-10 years

Depreciation methods, useful life and residual values are reviewed at each reporting date and adjusted if necessary.

4.6. Intangible assets

4.6.1. *Research and development*

4.6.1.1 Research and development activities generated internally

The Group does not capitalize internally generated development costs. In fact, owing to the risks and uncertainties related to regulatory authorizations and to the research and development process, they generally do not meet the six criteria for intangible assets (established by IAS 38 – *Intangible assets*) before authorization is received to place the drugs on the market. As a result, these internally generated costs prior to obtaining marketing authorization - primarily costs for clinical studies - are generally recognized directly in expenses as research and development expenditures when incurred.

The Group subcontracts its research and development activities to outside partners. It recognizes expenses based on a percentage of work actually completed.

4.6.1.2 Research and development activities acquired separately

Payments for research and development activities acquired separately are capitalized under "Research and development activities acquired separately" if they meet the definition of intangible assets. As a result, these internally generated costs prior to obtaining marketing authorization—primarily costs for clinical studies—are generally recognized directly in expenses as research and development expenditures when incurred. The Group subcontracts its research and development activities to outside partners. Research and development activities acquired separately by the Group were to be paid by means of contingent consideration and on that basis, were not capitalized, as they could not be reliably measured at the time of acquisition

4.6.2. *Other intangible assets acquired as part of a business combination*

Other intangible assets acquired as part of a business combination relating to research and development projects in progress and to drugs currently being marketed, and which can be accurately measured, are identified separately from goodwill, measured at fair value and capitalized in *Other intangible assets*, in accordance with IFRS 3 – *Business combinations* and with IAS 38 – *Intangible assets*. A corresponding deferred tax liability is also recognized if a deductible or taxable temporary difference exists.

Research and development projects in progress acquired through a business combination are amortized on a straight-line basis over their estimated useful life starting from the date that the marketing authorization is obtained provided that the development of the asset has been fully completed. In the case of additional developments after market approval has been obtained which are necessary for completing the asset, the commencement of amortization corresponds to this date of completion.

The rights for drugs marketed by the Group are amortized on a straight-line basis over their useful lives. These are determined taking into account, among other factors, the corresponding legal period of patent protection. In June 2019, having completed the development of the related asset, the Group began to amortize ZERVIATE for those rights concerning the US territory.

4.6.3. *Research and development activities acquired separately*

Payments for research and development activities acquired separately are capitalized in the "Research and development activities acquired separately" line item provided that they correspond to the definition of an intangible asset: a resource that is (i) controlled by the Group, (ii) supposed to generate future economic benefits for the Group and (iii) identifiable (i.e. is separate or stemming from contractual or legal rights). In accordance with the provisions of IAS 38.25, the first condition of capitalization (the probability that the entity will receive future economic benefits from the asset) is considered met for research and development activities acquired separately. Considering that the amount of payments is ascertainable, the second condition for capitalization (that cost can be accurately measured) has also been met. Consequently, payment of the initial amount and milestone payments to third parties for pharmaceutical products that have not yet obtained marketing authorization are capitalized as intangible assets, and are amortized using the straight-line method over their useful lives, starting from the date that this authorization is obtained.

Certain research and development activities acquired separately by the Group were to be paid by means of contingent consideration and on that basis, were not capitalized, as they could not be reliably measured at the time of acquisition.

4.6.4. *Other intangible assets*

Other intangible assets acquired by the Group and with a finite useful life, including patents, are stated at cost less accumulated depreciation and accumulated impairment losses.

Intangible assets are amortized over their estimated useful lives. Estimated useful lives for the current year and the comparative year are:

Computer software	3-5 years
Patents	Until the patent expiry date

Amortization methods and useful lifespans are reviewed at each closing date, and adjusted if necessary.

4.7. Impairment tests

Impairment tests are conducted on intangible assets as soon as evidence of impairment is identified. Intangible assets in progress, indefinite lived intangible assets and goodwill are tested at least once a year in the fourth quarter.

For impairment tests of goodwill, the Group has defined a single CGU relating to its pharmaceutical research and development activities. Following the Group's reorganization pursuant to the disposal of its European commercial operations (refer to note 6), the Group has refocused its activities on research and development of international products. For that reason, the Group now has only one operating segment and therefore, one CGU in light of the global nature of the R&D projects under development.

The methodology used primarily consists of comparing the recoverable amount of the Group's CGU to the Group's net assets (including goodwill).

The recoverable amount is the higher of fair value less costs to sell and its value in use. Value in use is determined using discounted future operating cash flows requiring the use of assumptions, estimates or assessments.

Estimations of future operating cash flows are based on a medium-term strategic plan, the extrapolation of cash flows for the period after the medium-term strategic plan and a terminal value.

Additional impairment tests are performed if particular circumstances or events indicate a potential impairment. A sensitivity analysis of the impairment tests is presented in Note 11. Goodwill impairment is irreversible.

The value of non-current assets is reviewed at each closing date to determine if evidence of impairment exists. If evidence of a non-current asset's impairment exists, the Group estimates the asset's recoverable value. If the non-current asset's carrying value exceeds its recoverable value, the asset is considered as impaired and its carrying value is written down to its recoverable value.

4.8. Other financial assets

Trade and other receivables are measured at fair value, which is the nominal value of invoices unless payment terms require a material adjustment for the time value discounting effect at market interest rates. A valuation allowance for trade receivables is recognized if their recoverable amount is less than their carrying amount.

4.9. Cash and cash equivalents

Short-term cash deposits listed in the statement of financial position include cash at bank and in hand, as well as short-term deposits with maturities of less than three months subject to an insignificant risk of changes in value.

4.10. Government grants receivable

The research tax credit is granted to companies by the French tax authorities as an incentive measure to conduct technical and scientific research. Companies able to demonstrate that they have incurred research expenses meeting the criteria of the research tax credit qualify for a tax credit that may be used for the payment of their corporate income tax for the period in which these expenses were incurred, and for the three following financial years. If the taxes payable do not cover the total amount of the tax credit at the end of this three-year period, the Group receives a cash refund by the tax authorities for the difference. The Group also meets certain criteria of the definition for small and medium-size companies, and on that basis may request an immediate payment of this tax credit. Only expenses devoted to research are included in the calculation for the research tax credit (RTC).

The Group concluded that the RTC met the definition of a government grant according to the definition listed under IAS 20 – *Accounting for government grants and disclosure of government assistance*, and it was recognized as other income within operating income on the statement of profit or loss.

4.11. Share-based payments

The Group awards its employees, including senior executives, with share-based compensation (stock options and restricted stock units). Some non-employees (members of the Board of Directors) included within the IFRS 2 – *Share-based payments* definition of "employees and others providing similar services" also receive compensation paid in equity instruments (equity warrants) in return for their services to the Group.

All new awards active to date have been subject to performance conditions making the final allocation of share-based payments uncertain until the performance criteria are met. Accordingly, the fair value of services received, including the estimate of the number of awards that will vest based on the probability of meeting the performance conditions, is reviewed at each reporting date until final allocation of the share-based payments. For stock options, the valuation results are calculated using the Black-Scholes formula. The expected long-term volatility was determined on the basis of Company's average historical volatility. Based on Group forecasts, no dividend payments are anticipated in the coming years. The fair value of equity warrants granted to members of the Board of Directors is estimated at the grant date using the Black-Scholes formula.

The cost of equity-settled transactions is recognized in expenses with a corresponding entry in equity over the vesting period. This period ends on the date when the rights to compensation are fully vested. The cumulative expense recognized for these transactions at each reporting date until the vesting date reflects the vesting period and

the number of shares that will eventually vest. The estimated expense is reviewed if later information indicates that the number of shares expected to be vested differs from a previous estimation.

If recipients of equity-settled share-based payments leave the Group, in the absence of a decision to the contrary by the Board of Directors, they do not acquire the rights providing access to the corresponding equity instruments granted to them, and consequently, no expense is recorded. However, if the beneficiary ceases work with the Group after the vesting period, or continues to work with the group without exercising his/her rights, the previously recognized expense will not be reversed.

4.12. Provisions and contingent consideration in a business combination

A provision is recognized when the Group has a legal or constructive obligation towards a third party as a result of a past event, it is probable that it will result in an outflow of resources embodying economic benefits without receipt of equivalent consideration, and a reliable estimate of the amount of the obligation can be made. The amount of a provision represents the best estimate of the expenditure required to settle the obligation at the reporting date. To determine the present value of the obligation the discount rate applied is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Increases in a provision reflecting the passage of time are recorded under interest expense.

Except for contingent liabilities linked to business combinations, as well as asset acquisitions, contingent liabilities for which an outflow is not probable are not recognized, but are disclosed in the notes to the financial statements, unless the likelihood of a cash outflow is remote.

Contingent consideration is recognized in equity when payment of the consideration is settled by delivery of a fixed number of equity instruments and in other cases, in financial liabilities related to business combinations. Contingent considerations related to a business combination is measured at fair value at the time of the business combination regardless of the degree of probability of an inflow or outflow of economic benefits. If the contingent consideration on initial recognition is recorded as a financial liability, subsequent adjustments to liabilities are recognized in the consolidated statement of profit or loss under "Fair value adjustment of contingent consideration".

4.13. Post-employment obligations

The Group’s commitments under defined benefit retirement plans are determined using the projected unit credit actuarial cost method. These plans are unfunded. These obligations are measured at the end of each reporting period. The actuarial assumptions used to determine these obligations take into account the prevailing economic conditions in the relevant country. The Group’s commitments are recorded as liabilities. Any actuarial differences are recognized in other comprehensive income (loss) for the fiscal year.

4.14. Revenue

Revenue of the Group is derived from the licensing of drug candidates that have received a marketing authorization or licensing of intellectual property to partners responsible for their development.

Royalties received as consideration for product sales licensed to partners are recognized under revenue when underlying sales are completed. The Group recognizes revenue generated from these licenses of intellectual property in accordance with IFRS 15.

For this purpose, the Group determines if the license granted represents a right to access or a right to use the intellectual property. This, along with other terms and conditions related to payments made or potential milestone payments that may be made, makes it possible to determine the appropriate revenue recognition method for the different milestones, including any up-front payments, provided for in the contract.

Revenue derived from milestones based on objectives for sales levels or royalties based on sales is recognized when the objectives for sales levels or sales on which the royalties are based are realized in connection with the license.

Revenue resulting from variable consideration is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

4.15. Leases

A lessee recognizes a right to use an asset (right-of-use asset) and a financial liability (lease liability). The right-of-use asset is not recognized under a separate line but instead in the line corresponding to the underlying asset. The right-of-use asset is amortized over the expected term of the lease. The lease liability, initially recognized at the present value of lease payments over the lease term using the interest rate implicit in the lease when this can be readily determined or, otherwise, at the incremental borrowing rate, is reduced upon lease payments.

In the statement of profit or loss the amortization of the right-of-use asset is included in the operating profit or loss before the amortization of intangible assets and a financial charge corresponding to interest on the lease liability is recognized under finance expenses, instead of the lease payments being charged to operating profit or loss as they were previously.

In the statement of cash flows, interest expenses are allocated to cash flows from (used in) operating activities and the repayment of lease liabilities is allocated to cash flows from (used in) financing activities.

4.16. Income tax

Income tax expense comprises current and deferred taxes. It is recognized in net income (loss) unless it relates to a business combination or to items recognized directly in equity or in other comprehensive income.

Current tax includes the estimated amount of tax payable (or receivable) for taxable profit (or loss) of a period or any adjustment to the amount of tax payable in respect of previous periods. It is calculated at the tax rates that have been enacted or substantively enacted by the date of the statement of financial position.

Current tax assets and liabilities are offset if certain criteria are met.

Deferred taxes are calculated based on temporary differences existing between the carrying value and the tax value of the assets and liabilities. The following items do not give rise to the recognition of deferred tax:

- Temporary differences arising from initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit nor the taxable profit; and

- Temporary differences arising from investments in subsidiaries, associates and partnerships to the extent that the Group is able to control the timing of the reversal of these differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets or liabilities are recognized for all temporary differences between the carrying value and the tax value of the assets and liabilities acquired through business combinations.

Deferred tax assets are recognized for tax losses, unused tax losses, unused income tax credits and deductible temporary differences when it is probable that future taxable income will be available against which the deductible temporary differences can be utilized for the Group. The deferred tax assets are updated at the end of each reporting period and are reversed when the availability of a sufficient tax profit becomes improbable.

Deferred tax is calculated at the tax rates that are expected to apply on the temporary differences when they are reversed, based on tax rates that have been adopted or substantively adopted as of the date of the statement of financial position.

The measurement of deferred taxes should reflect the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset provided that certain criteria are met.

4.17. Financial liabilities recognized at amortized cost

Borrowings and other financial liabilities are recognized at amortized cost calculated using the effective interest rate. The portion of financial liabilities of less than one year is presented under "current financial liabilities. In the year ended December 31, 2019, the Company issued two tranches of non-convertible bonds with BSA warrants attached to the first tranche.

This bond issue is comprised of a debt component in the form of non-convertible bonds (recognized at amortized cost) and an equity instrument in the form of a BSA warrant (measured at fair value on the issue date and recognized under equity in accordance with IAS 32 / IFRS 9). The issuance costs are allocated to the debt component and the equity instruments pro rata to their respective values.

4.18. Subsequent events

The consolidated financial statements are adjusted to reflect subsequent events that alter the amounts relating to conditions existing at the date of the statement of financial position. The adjustments are made up to the date of approval of the financial statements by the Board of Directors. Other events subsequent to the closing date that do not result in adjustments are presented in note31.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, the Group's management has to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts recognized in the financial statements.

The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in these estimates are accounted for prospectively. Information on the use of estimates, assumptions and judgments in connection with the application of accounting policies with the most significant impact on amounts recognized in the consolidated financial statements are presented below.

5.1. Fair value of financial assets

At December 31, 2019, financial assets held by the Group included:

- The Group's non-controlling (minority) interest in Iris TopCo (parent company of VISUfarma B.V.), amounting to 10% at December 31, 2019 compared to 15.07% at December 31, 2018, in the amount of €68,250. The dilution of the non-controlling interest reflects the offer made to the Group to participate in the capital increase of VISUfarma in January 2019 in the form a combined notes receivable and ordinary shares which the Group declined.

- The notes receivablewhich amounted to €18,568,000 including accrued interest and excluding the expected credit loss of 41.22% (see note 5.2). At December 31, 2018, this bond loan amounted to €16,881,000, including accrued interest and excluding the expected credit loss.

- Time deposit accounts valued at € 10,736,000 at December 31, 2019 classified as assets at amortized cost were recognized in the consolidated statement of financial position under Cash and cash equivalents (see note 16). At December 31, 2018, these time deposit accounts amounted to €10,240,000.

In accordance with IFRS 13 and IFRS 7, the fair value measurements of these financial instruments must be classified according to a hierarchy based on inputs used to measure the instrument at fair value. This fair value hierarchy is comprised of the following levels:

- level 1: use of quoted prices on active markets (unadjusted) for identical assets or liabilities that the company can assess on the measurement date;
- level 2: use of quoted prices on active markets for similar assets or liabilities or derived from all significant inputs that are corroborated by observable market data (market-corroborated inputs); and
- level 3: use of valuation techniques for which significant inputs are not all based on significant observable market data.

Nature of the financial instrument	**Valuation principle**	**Fair value level**
Non-current financial assets (equity interests in Iris TopCo)	Fair value	3
Loans and receivables (bond loan)	Amortized cost	n/a
Liability relating to business combinations (contingent consideration)*	Fair value	3

*See note 5.9

5.2. Risk of expected credit loss on the loan to VISUfarma

On December 31, 2019, the Company revised the assessment of its credit risk and measured the expected credit loss associated with the notes receivable at maturity. This loan is due to be repaid at the earlier of the first of the following two dates (i) January 1, 2026 or (ii) the date of VISUfarma's sale. This loan is subordinated to the loans held by all other shareholders of VISUfarma B.V. In accordance with IFRS 9, the Group measures at the end of each reporting period the credit risk of VISUfarma B.V. and recorded an impairment of the bond loan in the amount of €7.6 million at December 31, 2019, compared to €1.5 million at December 31, 2018 reducing the value of the loan, including accrued interest to a net amount of €10.9 million at December 31, 2019 compared to €15.4 million at December 31, 2018.

The Group opted to calculate the impairment using the approach based on the probability of default by VISUfarma B.V. and the measurement of changes in the credit risk, two aspects requiring considerable judgment.

The Group has referred to a market risk model as well as a judgmental evaluation of VISUfarma's performance, its ability to meet the objectives of its business plan given its short period of operating activity, and its financing capacity and on that basis, considered that VISUfarma's credit risk has significantly increased in 2019 as a result of the Company's performance in the period and its business budget for 2020. For that reason, the credit risk is no longer assessed over a 12 month period as it was previously but until the maturity of the loan, i.e. no later than January 1, 2026. This resulted in the recognition of an expected credit loss (ECL) for the loan principal and interest of 41.22% at December 31, 2019 compared to 8.99% at December 31, 2018 for a corporate bond rating by Moody's of Caa3.

5.3. ZERVIATE US – Commitments relating to the agreement with Eyevance pharmaceutical LLC

On September 20, 2017, the Group entered into a licensing agreement with Eyevance, for the commercialization of ZERVIATE™ in the United States. Nicox agreed to provide pre-launch manufacturing support to Eyevance and also be responsible, at its own cost, for completing the requisite scale-up activities for the manufacturing of the commercial product and the professional samples necessary for the launch. Under the terms of the agreement, Eyevance made a one-time upfront payment of US$6 million to Nicox. The US$6 million paid by Eyevance was recognized under deferred income at the time of payment.

The Group considered that the manufacturing activities must be completed before Eyevance can use the license and derive the benefits of the license. The Group allocated the total initial payment to reimburse expenses incurred in the manufacturing activities and scale up. This amount was classified under "research and development expenditures" in the consolidated statement of profit or loss, as the expenses were incurred by Nicox to complete the actions described above. For the year ended December 31, 2019, research and development expenditures for ZERVIATE™ amounted to €1,373,000 and the deferred income recognized for the initial payment of 6 million US dollars was recorded to income to offset expenses incurred for manufacturing activities and scale up (see note 20).

In addition, the agreement provided for certain milestone payments and royalties based on sales. In 2019, the Group considered that the regulatory and manufacturing activities falling under Nicox's responsibility were completed and on that basis, recognized a US$3 million milestone payment under "Revenue from collaborations".

The Group remains eligible to receive up to US$37.5 million in additional future milestone payments if Eyevance achieves pre-defined sales targets, with payment of US$30 million contingent on achieving annual sales of US$100 million or more. In addition, Nicox will also receive tiered royalties of 8% to 15% based on future net sales of ZERVIATE™. These amounts will be recognized when these sales targets are achieved and the thresholds met.

In addition, the Group had undertaken, through a reduction in royalties, to reimburse Eyevance for certain manufacturing costs if certain objectives have not been achieved by September 30, 2018 and, on that basis, recognized a liability and prepaid expenses of US$627,000 for the benefit of Eyevance at December 31, 2018. This prepaid expense was reversed in full in the consolidated statement of profit or loss by recognizing the corresponding research and development expenditures after completing the regulatory and manufacturing activities in 2019. This debt will be paid in the form of a reduction in future royalties payable to Eyevance.

5.4. ZERVIATE US – amortization of the intangible asset

The gross value of the intangible asset relating to ZERVIATE in the consolidated statement of the financial position at December 31, 2019 was US$48.7 million, corresponding to the worldwide rights for this asset. With respect to achieving the regulatory and manufacturing activities falling under its responsibility for the US market (see note 5.3 above), the Group considers that ZERVIATE's development is completed for the United States and that Eyevance henceforth has the right to use the license and derive the benefits therefrom. On that basis, the Group considered it was appropriate to begin amortizing the gross value of ZERVIATE which corresponds to the value of the US rights. The calculation of the amortization period is based on the lifespan of the patents in the United States and recognized under "Amortization of intangible assets" in the consolidated statement of profit or loss for US$738,000. Upon the completion of the development activities of ZERVIATE relating to US rights, the product's classification changed from that of intellectual property (in process R&D) to a finite life intangible asset

5.5. ZERVIATE US – Deferred tax

With respect to completion of the regulatory and manufacturing activities for ZERVIATE for the US market (see note 5.3 above), and Eyevance's right to use the license, the Group henceforth considers it more than likely that deferred tax assets will be recognized in the United States for an amount equivalent to that of the deferred tax liabilities recognized at the time of the purchase price allocation for Nicox Ophthalmics Inc. for the value of the relevant R&D in progress at the acquisition date. As a result, the Group recognized a deferred tax benefit of US$4.2 million (€3.8 million under "*(Tax Expense) / Tax income*" in the consolidated statement of profit or loss.

5.6. NCX 4251 and ZERVIATE- Agreement with Ocumension for China

In June 2019, the Group entered into an exclusive license agreement with Ocumension for the development and commercialization of its drug candidate, NCX 4251 for blepharitis in Greater China. Ocumension is responsible, at its own cost, for all development activities necessary for the approval of NCX 4251 in the territory, overseen by a Joint Development Committee comprising representatives of both companies. Ocumension was granted exclusive rights for the agreed territory to develop and commercialize NCX 4251 for blepharitis. Under the terms of the agreement, Nicox received an upfront payment of US$2.3 million (€2 million) recognized under "*Revenue from collaborations*" since it considers that Ocumension was granted the right to use the license and that the contract does not require any further participation by Nicox in developing the product. The Group may potentially receive development and sales milestone payments of up US$11.3 million together with tiered royalties of between 5% and 10% on sales of NCX 4251. The Group has not recorded development milestone payments as the consideration in question is subject to the variable consideration constraint (the Group considers that it is not unlikely that a significant reversal will occur in the future).

In March 2019, the Group entered into an exclusive licensing agreement with Ocumension for the development and commercialization of ZERVIATE in the Chinese market. Ocumension is responsible, at its own cost, for all development activities that are overseen by a Joint Development Committee comprising representatives of both companies. Under the terms of the agreement, Nicox may potentially receive development and sales milestones of up to €17 million together with royalties of between 5% and 9% on sales of ZERVIATE. The Group has not recorded development milestone payments as the consideration in question is subject to the variable consideration constraint (the Group considers that it is not unlikely that a significant reversal will occur in the future).

5.7. Agreement with Kreos

On January 24, 2019, the Group obtained a loan agreement from Kreos Capital where the latter provided financing of up to €20 million to continue executing the Group's main clinical programs NCX 470 and NCX 4251 beyond the Phase 2 results. This financing of up to €20 million, structured as senior secured bonds, consist of 3 tranches, with the second half divided into two sub-tranches. The first tranche of €8 million was drawn down on February 1, 2019, the first sub-tranche of €4 million was paid on November 4, 2019 and the second sub-tranche of €3 million and the last tranche of €5 million were both drawn down on December 12, 2019 and received on January 2, 2020. Each tranche of the loan is subject to interest of 9.2% for a period of one year followed by 36 months amortization in equal monthly installments comprising principal and interest, with the last monthly installment paid in advance upon the issuance of each tranche. In addition, the Group paid transaction fees of 1.25% of the nominal value of the bonds to be issued, for all tranches combined. The Group is also required to make a final payment of 2% of the nominal value of the bonds actually subscribed for each tranche on the maturity date or earlier in the event of termination.

In connection with this loan agreement, Kreos received 308,848 equity warrants conferring a right to subscribe for an equivalent number of ordinary shares at the exercise price of €5.99 per share over a period of five years. These warrants were recognized in the Group's consolidated financial statements as equity instruments in accordance with IAS 32 and as a deduction from the amount of debt. There are no other equity warrants to be issued in connection with this agreement.

The bond financing is senior and secured by pledges over certain tangible and intangible assets of the Group, and notably patents relating to VYZULTA, securities of the subsidiary Nicox Ophthalmics Inc. as well as a pledge of bank account balances and all receivables for more than €100,000.

The non-convertible component of debt is measured at amortized cost according to the effective interest rate method, whereas the equity warrants are measured at fair value on the date of issuance in accordance with the Black & Scholes model for option pricing.

At December 31, 2019, the amortized cost of the bonds amounted to €11.1 million after deducting issuance cost of €1.1 million including a fair value of the warrants of €0.4 million (net of the related deferred tax expense which was recorded to equity).

The following table provides a reconciliation of amounts received and the financial liabilities at December 31, 2019:

	in €000s
Gross proceeds	12,000
Issuance costs, equity warrants, prepayments	(1,052)
Amortized cost	174
At December 31, 2019	11,122

5.8. Company objectives

The Board of Directors sets the Group's objectives each year. Achieving these objectives is one of the criteria upon which variable compensation is calculated for certain employees. Furthermore, Group employees receive share-based compensation (stock options and free shares). The vesting of this share-based compensation is subject to performance conditions requiring that at least 70 % of the Group's yearly objectives set by the Board of Directors are met for the calendar year concerned. In the event that these performance conditions are not met, half of the rights granted for 2019 (i.e. 50 % + 1 option) will be definitively canceled, with the other half of the rights remaining in effect for the stock options and free shares. The 2019 performance targets were approved by the Board of Directors on March 5, 2020, in line with the estimate for the rate of achieving 85% the targets set by the management on December 31 and in line with the amount of expense recognized.

5.9. Financial liabilities related to business combinations

In connection with the acquisition of Nicox Ophthalmics Inc. (previously Aciex Therapeutics Inc.), the Group has undertaken to pay contingent consideration in the form of Nicox shares based on regulatory objectives.

On that basis, in June 2017, the Group issued 597,897 shares recognized at a fair value of €7,142,000 for the benefit of former shareholders of Aciex subject to US FDA approval of ZERVIATE before December 31, 2017. The Group committed to pay additional contingent consideration in the form of shares of up to US$20 million but considers that payment of this contingent consideration is unlikely in light of the actual degree of advancement in developing the products concerned, and for that reason no liability was recognized (i.e., fair value is €0 at December 31, 2019 and 2018).

6. INCOME AND EXPENSES

6.1. Segment reporting

In accordance with the definition of sectors evaluated according to IFRS 8 – *Operating segments*, the Group determined that there is only a single segment reflecting the Group's operating and managerial structure which is focused on pharmaceutical research and development. In 2019 and 2018, all intangible assets were located in the United States and non-current financial assets in Europe.

6.2. Revenue from collaborations

	For the year ended December 31	
	2019	**2018**
	In €000	
License milestone and royalty payments	4,753	3,000
License royalty payments	3,507	1,717
Total revenue from collaborations	**8,260**	**4,717**

Revenue recognized in 2019 was derived from (i) the license agreement with the partner Ocumension for the NCX 4251 drug candidate for China resulting in a non-refundable payment, (ii) the license agreement entered into with the partner Eyevance for ZERVIATE resulting in a non-refundable milestone payment. These two payments were recognized in full under Revenue in compliance with IFRS 15 and represented 58% of sales in the period. Revenue recognized in the period also included royalties from VYZULTA sales in the United States out-licensed to Baush + Lomb representing 42% of sales in 2019.

Revenue recognized in the year ended December 31, 2018 was derived from (i) the license agreement with the partner, Ocumension, for the NCX 470 drug candidate in China resulting in a non-refundable payment fully recognized under revenue in accordance with IFRS15, or 64% of annual revenue, and (ii) royalties from VYZULTA sales in the United States out-licensed to Bausch + Lomb, or 36% of annual revenue.

Also see Note 25.1.

6.3. Royalty payments to PFIZER

Payment of royalties to PFIZER depends on revenues recognized with Bausch + Lomb. These payments constitute consideration for reacquiring the rights to latanoprostene bunod from Pfizer in 2009 in the form of a percentage of royalties on sales paid by Bausch + Lomb and part of a milestone payment received when the product obtained FDA approval. These payments amounted to €1,405,000 in 2019 compared to €690,000 in 2018.

6.4. Research and development expenditures

On December 31, 2019 and 2018, research and development costs amounted to €17,747,000 and €16,331,000, respectively, broken down by the nature of projects in the table below as follows:

	For the year ended December 31	
	2019	**2018**
	In €000	
Internal expenditures	4,266	3,779
External expenditures	13,375	12,439
*ZERVIATE (previously AC-170)**	*246*	*0*
NCX 4251	*3,148*	*3,446*
NCX 470	*8,020*	*7,388*
Other expenses not allocated by project	*1,961*	*1,605*
Other expenditures	106	113
Total R&D expenditures	**17,747**	**16,331**

** Including the reversal of deferred income related to an up-front payment from EYEVANCE Pharmaceuticals LLC, see note 21*

6.5. Administrative expenses

General and administrative costs in 2019 and 2018 amounted to € 7,666,000 and € 9,506,000, respectively. General and administrative costs include mainly the cost of administrative and financial personnel, compensation to company officers, communications and business development costs. General and administrative costs also included in 2019 and 2018 respectively € 1,074,000 and € 1,749,000 for the measurement of stock options, restricted stock units and stock options awarded to Group employees and directors.

6.6. Other income

Other income in 2019 and 2018 amounted to respectively €970,000 and € 1,786,000, broken down as follows:

	For the year ended December 31	
	2019	**2018**
	In €000	
Research tax credit	864	840
Unrealized gains on assets and liabilities denominated in foreign currencies	26	884
Miscellaneous	80	62
Total	**970**	**1,786**

6.7. Other expenses

	For the year ended December 31	
	2019	**2018**
	In €000	
Settlement agreement	(15)	(264)
Unrealized foreign exchange losses	(99)	(310)
Reversal of accrued income	29	-
Other	-	(70)
Total	**(85)**	**(644)**

6.8. Expenses by nature

Expenses by nature are presented below under the appropriate headings of the statement of profit or loss by function:

6.8.1. *Staff costs*

	For the year ended December 31	
	2019	**2018**
	In €000	
Salaries	(4,283)	(4,052)
Social charges	(1,516)	(1,281)
Pension expenses	(43)	6
Expenses related to share-based payments	(1,867)	(2,557)
Total personnel expenses	**(7,709)**	**(7,884)**

6.8.2. *Net financial income (expense)*

	For the year ended December 31	
	2019	**2018**
	In €000	
Foreign exchange gain	686	736
Accrued interest on the bond loan (see note 5.1)	1,687	1,550
Interest on cash equivalents	171	175
Other financial income	21	-
Total financial income	**2,565**	**2,461**
Foreign exchange loss	(44)	-
Financial interest paid on loans	(822)	-
Impairment of the bond loan (see note 5.2)	(6,136)	(71)
Other expenses	(11)	-
Total financial expenses	**(7,013)**	**(71)**
Net financial income (expense)	**(4,446)**	**2,390**

7. INCOME TAX

	For the year ended December 31	
	2019	**2018**
	In €000	
Current income tax (expense) / benefit	(96)	(113)
Deferred tax (expense) / income[(1)]	3,937	-
Other	15	-
Total tax (expense) income	**3,856**	**(113)**

(1) This primarily includes the benefit related to deferred tax assets recognized after completion of the ZERVIATE asset (see note 5.5)

In February 2019, the Group was informed of a tax audit of the parent company Nicox SA in France. This audit was continuing on December 31, 2019 and the Group had no knowledge on this date of any potential tax adjustments or disputes identified as part of this audit.

7.1. Reconciliation of the effective tax expense and applicable tax rate:

	For the year ended December 31	
	2019	**2018**
	In €000	
Loss before tax from continuing operations	(22,778)	(18,278)
Tax rate applicable to the Company	28,00%	34,43%
Tax / (loss carryforwards)	6,378	6,293
Tax impact:		
From permanent differences	568	295
From share-based payments	(523)	(881)
From tax losses for which no deferred taxes have been recognized	(6,350)	(5,846)
Recognition of deferred tax assets that are determined to be realizable	3,884	-
From other differences	(101)	26
Effective tax (expense) / benefit	3,856	(113)
Effective tax rate	(16.93)%	0.62%

8. EARNINGS PER SHARE

8.1. Basic loss per share

Basic earnings (loss) per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	For the year ended December 31	
	2019	**2018**
	In (€000s) (except share and per share items)	
Fiscal year loss attributable to the ordinary equity holders	(18,922)	(18,391)
Weighted average number of ordinary shares outstanding	30,295,822	29,602,237
Basic loss per share	**(0.62)**	**(0.62)**

Diluted earnings (loss) per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding adjusted for the effect of all potentially dilutive ordinary shares. At December 31, 2019 and 2018, the stock options, equity warrants and restricted stock units have no dilutive effect. As a result, diluted earnings (loss) per share was equivalent to basic earnings (loss) per share.

9. *PROPERTY, PLANT AND EQUIPMENT*

9.1. Breakdown by type

	At December 31	
	2019	**2018**
	In €000	
Laboratory equipment	1,034	1,188
Computer equipment	481	422
Transportation equipment	154	166
Furniture	396	392
Fixtures and fittings	238	245
Buildings	1,591	
Gross value	**3,894**	**2,413**
Laboratory equipment	(1,131)	(1,209)
Computer equipment	(412)	(399)
Transportation equipment	(59)	(78)
Furniture	(237)	(235)
Fixtures and fittings	(230)	(223)
Buildings	(155)	
Accumulated depreciation	**(2,224)**	**(2,144)**
Net value of property, plant and equipment	**1,670**	**269**

9.2. Change in the year

	Gross value	**Amortization and depreciation**	**Net value**
		In €000	
Value at December 31, 2017	2,353	(2,195)	158
Acquisitions	228	(121)	107
Disposals or retirements	(174)	55	(119)
Impact of change in exchange rates	6	(1)	5
Reversals		118	118
Value at December 31, 2018	**2,413**	**(2,144)**	**269**
Acquisitions	110	(143)	(33)
Disposals or retirements	(223)	163	(60)
Impact of change in exchange rates	3		3
Reversals		55	55
Application of the new lease standard	1,591	(155)	1,436
Value at December 31, 2019	**3,894**	**2,224**	**1,670**

The gross value of property, plant and equipment held after restating for finance leases at December 31, 2019, is € 1,740,000 (€162,000 in 2018) for a net value of € 1,530,000 mainly pursuant to the signature of a five-year lease for the premises of the US subsidiary (€84,000 in 2018).

Depreciation and amortization for property, plant and equipment are broken down in the statement of profit or loss as follows:

	For the year ended December 31	
	2019	**2018**
	In €000	
Research and development expenditures	(18)	(11)
Commercial and administrative expenses	(280)	(97)
Total allowances for depreciation and amortization	**(298)**	**(108)**

10. INTANGIBLE ASSETS

10.1. Breakdown by type

	At December 31	
	2019	**2018**
	In €000	
Patent, rights, licenses	74,727	73,355
Software	426	394
Research and development activities acquired separately	50	50
Gross value	**75,203**	**73,799**
Patent, rights, licenses	(2,657)	(2,001)
Software	(376)	(356)
Research and development activities acquired separately	(50)	(45)
Accumulated depreciation	**(3,083)**	**(2,402)**
Net value of intangible assets	**72,120**	**71,397**

At December 31, 2019, the gross value of intangible assets relating to intellectual property amounted to €75.2 million, broken down as follows: (i) €43.3 million (equivalent to US$48.7 million) for ZERVIATE; (ii) €29.4 million (equivalent to US$33 million) for NCX4251. The balance of €2.6 million which was fully written down relates to patents. The net value of ZERVIATE amounted to €42.7 million or US$48 million at December 31, 2019 (see note 5.4).

The intellectual property associated with NCX4251 is considered as in-process development, and as such is not amortized. When the development activities of this product are completed, it will be amortized according to the estimated useful lives that will be initially determined on the basis of the patent's lifetime.

The Group conducted an impairment test for two assets in the statement of financial position as previously described (ZERVIATE and NCX 4251). These tests are sensitive to assumptions specific to the nature of the asset. In addition to the discount rate, the main assumptions used in 2019 are:

- medium and long-term forecasts notably concerning the size and penetration rate of the market, and
- the probability of the success for research and development projects in progress.

The assumptions used for impairment tests on intangible assets are reviewed at least once a year.

The discount rates after taxes used in 2019 range from 7% to 14%.

The value of intangible assets of the Group as presented in the consolidated financial statements depends on the Group's ability to successfully conclude partnerships or license agreements with third parties. This could lead to an impairment loss should the Group be unsuccessful in concluding certain agreements.

10.2. Change in the year

	Gross value	Amortization and depreciation	Net value
		In €000	
Value at December 31, 2017	**70,528**	**(2,373)**	**68,155**
Acquisitions (amortization)	40	(29)	11
Disposals or retirements			
Impact of change in exchange rates	3,231		3,231
Reversals			
Value at December 31, 2018	**73,799**	**(2,402)**	**71,397**
Acquisitions (amortization)	32	(683)	(651)
Disposals or retirements			
Impact of change in exchange rates	1,372		1,372
Reversals		2	2
Value at December 31, 2019	**75,203**	**(3,083)**	**72,120**

Amortization and impairment of intangible assets are broken down in the statement of profit or loss as follows:

	For the year ended December 31	
	2019	2018
	In €000	
Research and development expenditures	(4)	(10)
Commercial and administrative expenses	(20)	(18)
Other expenses		
Amortization of intangible assets	(659)	
Total allowances for depreciation and amortization	**(683)**	**(28)**

11. GOODWILL

Goodwill at December 31, 2019 represents exclusively goodwill of the Group

	Gross value	Amortization and depreciation	Net value
		In €000	
Value at December 31, 2017	**24,211**	**-**	**24,211**
Impact of change in exchange rates	1,148	-	1,148
Value at December 31, 2018	**25,359**	**-**	**25,359**
Impact of change in exchange rates	488	-	488
Value at December 31, 2019	**25,847**	**-**	**25,847**

11.1. Goodwill impairment tests

The net carrying value of goodwill and intangible assets breaks down as follows:

	At December 31, 2019		
	Gross value	Amortization and depreciation	Net value
		In €000	
Goodwill	25,847		25,847
Intangible assets	75,203	(3,083)	72,120
Total	**101,050**	**(3,083)**	**97,967**

A comparison between value in use and the carrying value on the statement of financial position was made and subject to sensitivity analysis based on the parameters which included:

- the change in the discount rate;
- the change in the percentage of success of the projects in the development phase; and
- the change in revenue expected from the Group's different projects.

No impairment of goodwill tested will be recognized in the case of a reasonably possible change in the assumptions used in 2019.

On this basis, the following adverse developments will not result in recognition by the Group of a goodwill impairment in the statement of financial position:

- an increase in the discount rate of 10 points above the base rate currently used;
- a decrease in the percentage of success for projects under development by 20 points below the base rate currently used; or
- a decrease in sales expected from different Group project by 20 points below the rates currently used.

No impairment of goodwill was recognized in 2019 and 2018.

12. GOVERNMENT GRANTS RECEIVABLE

	At January 1, 2019	Recognized in the period	Reimbursed in the period	At December 31, 2019
Research tax credit	1,238	864	1,238	864
Other government grants	9	-	9	-
Total	**1,247**	**864**	**1,247**	**864**

	At January 1, 2018	Recognized in the period	Reimbursed in the period	At December 31, 2018
Research tax credit	939	840	541	1,238
Other government grants	9	9	9	9
Total	**948**	**849**	**550**	**1,247**

Government subsidies granted to the Group for research and development expenditures incurred under research programs are recognized in *Government grant receivables* for the period during which the expenses related to the grant were incurred, provided that there is reasonable certainty that the Group has met the terms and conditions associated with the grant and that the grant will be received.

13. OTHER CURRENT ASSETS

Other current assets primarily consist of VAT credits and advances paid to suppliers.

	At December 31	
	2019	**2018**
	In €000	
Tax receivables	834	661
Other receivables	463	30
Total	**1,297**	**691**

14. OTHER NON-CURRENT FINANCIAL ASSETS

	At December 31	
	2019	**2018**
	In €000	
Deposits and guarantees	40	38
Securities and notes receivable	10,984	15,435
Total non-current financial assets	**11,024**	**15,473**

Financial assets at December 31, 2019 corresponded to (i) shares and notes receivable (interest-bearing bonds) received as consideration for a portion of assets sold on August 9, 2016, to VISUfarma increased by additional consideration paid on September 7, 2017 for an amount totaling € 18,567,000 including interest or € 10,914,000 after recognition of the expected credit loss[(1)], (ii) Nicox SA's interest in IRIS TopCo, the parent company of VISUfarma for €68,000 and (ii) deposits and guarantees paid under lease agreements in the amount of € 40,000.

(1) Also see Note 5.2

15. CASH AND CASH EQUIVALENTS

	At December 31	
	2019	**2018**
	In €000	
Cash	17,366	11,766
Cash equivalents	10,736	10,293
Total cash and cash equivalents	**28,102**	**22,059**

16. ISSUED CAPITAL AND RESERVES

At December 31, 2019, the share capital of the Group consists of 33,230,570 fully paid up ordinary shares with a par value of €1.

	Share capital	Share premium	Number of shares	Par value
	In €000			
At January 1, 2018	**29,460**	**510,942**	**29,459,338**	**1**
Issuance of ordinary shares	259	(259)	259,582	1
At December 31, 2018	**29,719**	**510,683**	**29,718,920**	**1**
Issuance of ordinary shares*	3,512	7,758	3,511,650	1
At December 31, 2019	**33,231**	**518,441**	**33,230,570**	**1**

*This includes the capital increase without preferential subscription rights reserved for companies (French or foreign investment funds) investing in the pharmaceutical/biotechnology sector. This capital increase resulted in the issuance of 3,315,650 new ordinary shares for gross proceeds of €12,500,000.

Awards with a potentially dilutive effect

16.1. Stock options

The Group has a stock option plan for its employees and corporate officers (See Note 17.1).

Changes in the period are described below:

	Share rights	**Number of shares issuable**
Options outstanding at December 31, 2018	**787,700**	**157,540**
Awarded in the period	**176,550**	**176,550**
Canceled or lapsing in the period	**138,600**	**32,520**
Exercised in the period	**-**	**-**
Options outstanding at December 31, 2019	**825,650**	**301,570**

16.2. Equity warrants

On several occasions, the Board of Directors issued stock warrants to certain directors authorized by the Shareholders' Meetings (See Note 17.2).

Changes in the period are described below: Number of warrants issuable

Equity warrants outstanding at January 1, 2019	628,000
Awards in the period	-
Canceled or lapsing in the period	140,000
Equity warrants outstanding at December 31, 2019	488,000

On January 24, 2019, the Group issued for the benefit of Kreos Capital 308,848 stock warrants without consideration (see note 5.7)

16.3. Restricted stock units (free shares)

In the first half of 2007, the Group introduced a plan for granting restricted stock units to various Group employees (See Note 17.3).

Changes in the period are described below:

	Share rights	Number of shares issuable
Restricted stock units outstanding at December 31, 2018	**848,600**	**478,200**
Awarded in the period	**117,850**	**117,850**
Canceled in the period	**14,000**	**14,000**
Delivered in the period	**566,400**	**196,000**
Restricted stock units outstanding at December 31, 2019	**386,050**	**386,050**

17. SHARE-BASED PAYMENTS

The Board of Directors sets the Group's objectives each year. Achieving these objectives is one of the criteria upon which variable compensation is calculated for certain employees. Furthermore, Group employees and Directors receive share-based compensation (stock options, free shares and stock warrants). The vesting of this share-based compensation is subject to performance conditions requiring that at least 70% of the Group's yearly objectives set by the Board of Directors are met for the calendar year concerned. In the event that these performance conditions are not met, half of the rights granted for 2019 (i.e. 50 % + 1 option) will be definitively canceled, with the other half of the rights remaining in effect for the stock options and free shares.

17.1. Stock subscription or purchase options

On July 27, 2012, the shareholders in the general meeting approved a stock option plan for employees and corporate officers and authorized the Board of Directors to grant options entitling the holder to subscribe for a maximum of 300,000 outstanding or new ordinary shares (as adjusted for the reverse stock split on December 3, 2015) with a par value of € 1. The vesting of these options is subject to performance conditions of achieving at least 70 % of the annual objectives, and for a period of at least two calendar years, as set by the Board of Directors for the calendar years thus concerned. The Board of Directors determines the identity of the grantees as well as the conditions and criteria for granting the options. The options granted under this authorization must be exercised no later than six years after the effective award date by the Board of Directors. This authorization, granted for a period of 38 months from the date of the meeting, was rendered void by the general meeting of October 22, 2014.

On October 22, 2014, the shareholders in the general meeting approved a stock option plan for employees and corporate officers and authorized the Board of Directors to grant options entitling the holder to subscribe for a maximum of 200,000 outstanding or new ordinary shares (as adjusted for the reverse stock split on December 3, 2015) with a par value of € 1. The vesting of these options is subject to performance conditions set by the Board of Directors at the time of the grant. The Board of Directors determines the identity of the grantees as well as the conditions and criteria for granting the options. The options granted under this authorization must be exercised no later than six years after the effective award date by the Board of Directors. This authorization, granted for a period of 38 months from the date of the meeting, was rendered void by the general meeting of June 3, 2015.

On May 24, 2018, the shareholders in the general meeting granted an authorization to the Board of Directors for 38 months to award 1,000,000 stock options or stock purchase options to Group employees and officers. The exercise of these options is subject to performance conditions for beneficiaries who are members of the Executive Committee, set by the Board of Directors at the time of the grant. No stock options were awarded in 2018.
The following table presents, at December 31, 2019, the outstanding options issued under these plans:

No option has been exercised

Board of Directors' meeting date	Options granted	Number taking into account the 5-for-1 reverse stock split of December 3, 2015	Exercise date of the options	Warrants expiration date,	Subscription price per option in euros	Subscription price per option in euros taking into account the 5-for-1 reverse stock split of December 3, 2015	Number of canceled or expired options	Number of options canceled or expired taking into account the 5-for-1 reverse stock split of December 3, 2015	Options outstanding	Number of outstanding shares issuable upon exercise of the options (1)	Number of shares outstanding issuable (1) by taking into account the 5-for-1 reverse stock split of December 3, 2015
Plan authorized by the general meeting of July 27, 2012:											
19-feb-13	148,200	29,640	20-feb-17	20-feb-19	3.36	16.80	145,600	29,120	2,600	2,600	520
09-apr-13	30,000	6,000	09-apr-17	09-apr-19	3.01	15.05	30,000	6,000	0	0	0
20-aug-13	110,200	22,040	20-aug-17	20-aug-19	2.48	12.40	110,200	22,040	0	0	0
11-nov-13	235,600	47,120	11-nov-17	11-nov-19	2.56	12.80	235,600	47,120	0	0	0
06-mar-14	440,917	88,183	06-mar-18	06-mar-20	2.6	13.00	153,517	30,703	287,400	287,400	57,480
22-may-14	132,104	26,421	22-may-18	22-may-20	2.35	11.75	9,004	1,801	123,100	123,100	24,620
30-july-14	54,003	10,801	30-july-18	30-july-20	2.15	10.75	12,003	2,401	42,000	42,000	8,400
	1,151,024	**230,205**					**695,924**	**139,185**	**455,100**	**455,100**	**91,020**
Plan authorized by the general meeting of October 22, 2014:											
30-jan-15	200,000	40,000	30-jan-19	30-jan-21	1.87	9.35	0	0	200,000	200,000	40,000
	200,000	**40,000**					**0**	**0**	**200,000**	**200,000**	**40,000**
Plan authorized by the general meeting of May 24, 2018:											
12-feb-19	176,550	176,550	12-feb-21	12-feb-21	6.05	6.05	6,000	6,000	170,550	170,550	170,550
	176,550	**176,550**					**6,000**	**6,000**	**170,550**	**170,550**	**170,550**
	1,527,574	**446,755**					**701,924**	**145,185**	**825,650**	**825,650**	**301,570**

The following table illustrates the number and weighted average exercise prices of the options proposed in the plan:

	For the year ended December 31, 2019		
	Number of options [(1)]	Number of shares	Weighted average exercise price of the shares corresponding to the options (in euros)
Options outstanding at start of period	787,700	157,540	11.95
Granted during the period	176,550	176,550	6.05
Canceled	138,600	32,520	12.58
Outstanding at end of period	**825,650**	**301,570**	**8.43**

(1) Taking into account the 5-for-1 reverse stock split of December 3, 2015.

The weighted average remaining contractual life of the outstanding stock options is 4 years and 3 months in 2019 (compared with 1 year and 4 months at December 31, 2018).

In accordance with IFRS 2, the stock options were remeasured. The impact of the stock option valuation on Group income represented an expense of €239,000 at December 31, 2019 (vs. an expense of €59,000 in 2018).

17.2. Equity warrants

On June 3, 2015, the shareholders in the general meeting approved in principle a capital increase of € 40,000 through the issue, free of charge, of 200,000 equity warrants entitling the holder to a maximum of 40,000 new shares at a par value of €1 (taking into account the 5-for-1 reverse stock split of December 3, 2015) for five members of the Board of Directors. These warrants must be issued within a maximum period of one year from the date of the meeting and exercised within a maximum period of five years from their issue. The exercise of these warrants is subject to performance conditions that will be set by the Board of Directors on the grant date.

On May 30, 2017, the shareholders' general meeting approved the principle of a capital increase of €144,000 by issuing without consideration 144,000 equity warrants entitling the holder to a maximum of 144,000 new shares at a par value of €1 per share for six members of the Board of Directors. These warrants were issued by the Board of Directors on June 8, 2017 and must be exercised within five years from their issue date. These warrants were subject to conditions of performance set by the Board when the rights were granted and which were noted by the Board in December 2017 as having been fulfilled

On May 24, 2018, the shareholders in the general meeting approved in principle a capital increase of € 300,000 by issuing without consideration 300,000 equity warrants entitling the holders to a maximum of 300,000 new shares at a par value of €1 per share in favor of the Board of Directors' six members at that time (Ms. Birgit Stattin Norinder having resigned effective June 20, 2018). 144,000 warrants were issued by the Board of Directors on May 25, 2018 and must be exercised within five years from their issue date. These warrants were subject to conditions of performance set by the Board when granted, and which were noted by the Board in September 2018 as having been fulfilled.

The following table presents, at December 31, 2019, the equity warrants ("*bons de souscription d'actions*" or BSA) outstanding:

	Plan 5	Plan 6	Plan 7	Plan 8
Shareholders' meeting date	October 2014	June 2015	May 2017	May 2018
Board of Directors' meeting date	October 30, 2014	October 13, 2015	June 8, 2017	May 25, 2018
Total number of shares that may be subscribed	28,000[(1)]	40,000[(1)]	144,000	144,000
Exercise date of the warrants	(2)	(3)	(4)	(5)
Expiration date	October 29, 2019	October 12, 2020	June 07, 2022	May 24, 2023
Share subscription price upon exercising the warrant (€)	2.19[(6)]	1.73[(6)]	11.8841	8.8803
Exercise procedures (when the plan has several tranches)	(2)	(3)	(4)	(5)
Number of shares subscribed at December 31, 2019	-	-	-	-
Aggregate number of equity warrants canceled or expired	140,000	-	-	-
Equity warrants remaining at end of year	-	200,000	144,000	144,000

(1) The figures correspond to the number of shares adjusted for the 5-for-1 reverse stock split of December 3, 2015. The number of equity warrants corresponds to the number of rights granted by the Board of Directors so that five equity warrants received will be required to subscribe for one new share.

(2) The exercise of the warrants is conditional on the Board's determination that the Goup achieved at least 70% of its objectives set for 2014, which was the case. These objectives relate to the Group's strategic objectives and are not disclosed due to their confidentiality.

(3) The exercise of the warrants was contingent on the Company's Board of Directors' determination that the Company completed on June 30, 2016 certain undisclosed strategic objectives. These objectives relate to the Group's strategic objectives and are not disclosed due to their confidentiality.

(4) The exercise of the warrants was conditional on the Company's Board of Directors' determination that the Company completed certain undisclosed strategic objectives, which was the case. These objectives relate to the Group's strategic objectives and are not disclosed due to their confidentiality.

(5) The exercise of the warrants was conditional on the Company's Board of Directors' determination that the Company completed certain undisclosed strategic objectives, which was the case. These objectives relate to the Group's strategic objectives and are not disclosed due to their confidentiality.

(6) Five warrants must be exercised to obtain one share in light of the 5-for-1 reverse stock split of December 3, 2015.

The impact of the equity warrant valuation on Group income represented income of € 0 at December 31, 2019 (2018: an expense of €388,800).

The following table illustrates the number and weighted average exercise prices proposed in the plan:

	For the year ended December 31, 2019		
	Number of options	**Number of shares**	**Weighted average exercise price of the shares corresponding to the options (in euros)**
Outstanding at start of the period	628,000	356,000	9.96
Granted during the period	-	-	-
Canceled or lapsed during the period	140,000	28,000	10.95
Outstanding at end of period	488,000	328,000	10.17
Exercisable at end of period	488,000	328,000	10.17

17.3. Restricted stock units (free shares)

On October 13, 2015, the shareholders in the general meeting authorized the Board of Directors to award the Group's employees and corporate officers, free of charge, for a period of 38 months, a maximum of 600,000 outstanding or new ordinary shares of the group (understood as after the reverse stock split on December 3, 2015) with a par value of €1 each. The vesting of these shares is subject to performance conditions set by the Board of Directors at the time of the grant. The vesting of restricted stock units granted under the October 13, 2015 plan was contingent on the Board of Directors' determination of the completion of certain undisclosed strategic objectives. In September 2016, the Board of Directors duly noted that the undisclosed strategic objectives had all been fully met.

On May 30, 2017, the shareholders' general meeting authorized the Board of Directors to award the Group's employees and corporate officers, without consideration, for a period of 38 months, a maximum of 600,000 outstanding or new ordinary shares of the group with a par value of €1 each. The vesting of these shares is subject to performance conditions set by the Board of Directors at the time of the grant. The vesting of restricted stock units granted under the May 30, 2017 plan was contingent on the Board of Directors' determination of the achievement of at least 70% of the annual objectives of the Group. In December 2017, the Board of Directors duly noted that 80% of the Group's undisclosed objectives were met.

On May 24, 2018, the shareholders in the general meeting authorized the Board of Directors to award the Group's employees and corporate officers, without consideration, for a period of 38 months, a maximum of 1,000,000 outstanding or new ordinary shares of the group with a par value of €1 each. The vesting of these shares is subject to performance conditions set by the Board of Directors at the time of the grant. The vesting of restricted stock units granted under the May 24, 2018 plan was contingent, for certain rights, on the Board of Directors' determination of the achievement of at least 70% of the annual objectives of the Group. No shares were granted by virtue of this authorization in 2018.

The following table presents, at December 31, 2019, the outstanding restricted stock units issued under these plans:

:

Board of Directors' meeting date	Category	Shares granted	Vesting date of shares	Warrants expiration date,	Number of canceled or expired options	Vested shares	Total issuable	Total issuable, by taking into account the reverse stock split on December 3, 2015
Plan authorized by the general meeting of October 22, 2014:								
30-jan-15	A	285,502	30-jan-18		52,002	233,500	0	0
30-jan-15	B	626,504	30-jan-19		168,504	458,000	0	0
08-may-15	B	5,000	08-may-19		0	5,000	0	0
		917,006			**220,506**	**696,500**	**0**	**0**
Plan authorized by the general meeting of October 13, 2015:								
13-may-15	C	1,486,000	13-oct-17		36,000	1,450,000	0	0
14-apr-16	C	35,000	14-apr-18		8,700	26,300	0	0
21-sep-16	C	125,850	21-sept-18		2,400	123,450	0	0
06-dec-16	C	3,600	6-dec-18		0	3,600	0	0
06-feb-17	C	102,600	6-feb-19		4,000	98,600	0	0
		1,753,050			**51,100**	**1,701,950**	**0**	**0**
Plan authorized by the general meeting of May 30, 2017:								
07-sep-17	C	4,800	7-sept-19		0	4,800	0	0
15-jan-18	C	139,200	15-jan-20		0	0	139,200	139,200
20-feb-18	C	100,000	20-feb-20		0	0	100,000	100,000
16-may-20	C	21,600	16-may-20		0	0	21,600	21,600
		265,600			**0**	**4,800**	**260,800**	**260,800**
Plan authorized by the general meeting of May 24, 2018:								
05-dec-18	C	21,400	5-dec-20		12,000	0	9,400	9,400
12-feb-19	C	83,650	12-feb21		2,000	0	81,650	81,650
18-apr-19	C	8,000	18-apr.21		0	0	8,000	8,000
24-may-19	C	1,400	24-may-21		0	0	1,400	1,400
11-july-19	C	12,000	11-july-21		0	0	12,000	12,000
16-sep-19	C	12,800	16-sept-21		0	0	12,800	12,800
		139,250			**14,000**	**0**	**125,250**	**125,250**
Total		**3,074,906**			**285,606**	**2,403,250**	**386,050**	**386,050**

The impact of the valuation of restricted stock units on Group income represented €1,628,000 at December 31, 2019 (2018: €2,110000).

18. CURRENT AND NON-CURRENT PROVISIONS

	At January 1, 2018	Increase	Actuarial gains	Amount used in the period	Change in consolidation scope	At December 31, 2018
						In €000
Post-employment obligations*	395	40	6	-	-	441
Other provisions	46	30	-		-	76
Total provisions	**441**	**71**	**5**		**-**	**517**
Non-current provisions	*401*	*41*	*5*	*-*	*(6)*	*441*
Current provisions	*40*	*30*	*0*	*0*	*6*	*76*

* See note 19

	January 1, 2019	Increase	Actuarial gains	Amount used in the period	Change in consolidation scope	At December 31, 2019
				In €000		
Post-employment obligations*	441	43	65			549
Other provisions	76			(76)		
Total provisions	**517**	**43**	**65**	**(76)**		**549**
Non-current provisions	*441*	*43*	*65*			*549*
Current provisions	*76*			*(76)*		

* See note 19

19. POST-EMPLOYMENT OBLIGATIONS

The Group has an unfunded defined benefit pension plan that covers all employees of Nicox S.A. This plan is governed by the provisions of the Company's collective agreement and entitles all employees with at least five years of service to receive, upon retirement, payment equal to three-tenths of a month's salary per year from the date of hire up to a maximum of nine months' salary.

The impact on comprehensive income of the pension plan was €108,000 at December 31, 2019 (2018: € 46,000). The present value of the pension obligation at December 31, 2019 was € 549,000 (2018: € 441,000).

The main actuarial assumptions used to measure the defined-benefit obligation are as follows:

	At December 31	
	2019	**2018**
Social security contribution rate	45.20%	45.20%
Salary increases	2.0%	2.5%
Discount rate[(1)]	0.75%	1.75%
Conditions of retirement	voluntary	voluntary
Retirement age:	Management: 65 years Non-management: 63 years	Management: 65 years Non-management: 63 years

(1) For the purpose of this measurement, the IBOXX Corporates AA rate was applied.

The table below presents the reconciliation between the opening and closing balances of net defined benefit obligations and their components:

	In €000
At January 1, 2018	**394**
Costs of services rendered during the period	35
Financial expenses	6
Actuarial gains and losses	6
At December 31, 2018	**441**
Costs of services rendered during the period	35
Financial expenses	8
Actuarial gains and losses	65
At December 31, 2019	**549**

20. DEFERRED INCOME

Deferred income totaled € 0 as of December 31, 2019 (2018: € 1,256,000) and corresponds exclusively (as in 2018) to deferred income related to an up-front payment received from Eyevance Pharmaceutical LLC (see note 5.3).

21. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	At December 31	
	2019	**2018**
	In €000	
Borrowings [(1)]	9,045	-
Leases [(2)]	1,123	54
Total non-current financial liabilities	**10,168**	**54**

	At December 31	
	2019	**2018**
	In €000	
Borrowings [(1)]	2,077	-
Leases [(2)]	404	31
Total financial current liabilities	**2,481**	**31**

(1) See Note 5.7.

(2) The increase concerns mainly lease liabilities recognized in connection with IFRS 16

22. DEFERRED TAX LIABILITIES

As of December 31, 2019, deferred tax liabilities amounted to € 12,964,000 (2018: € 16,373,000). This corresponds to deferred tax liabilities calculated on the basis of fair value adjustments associated with the exercise of the purchase price allocation of the US subsidiary, Nicox Ophthalmics Inc., net of deferred tax assets. The change in 2019 is the result of (i) the translation of foreign currency in the amount of € 328,000, (ii) recognition of deferred tax assets recorded for the first time in June 2019, following the completion of ZERVIATE's development corresponding to a benefit of €3,737,000 (see note 5.4). The Group has tax losses in France and the United States. In 2019, the Group conducted a study of tax losses available for use by the US subsidiary. In compliance with section 382 of the US Internal Revenue Code (IRC) concerning historical losses available to be carried forward, the Group considers that it does have tax loss carryforwards with respect to federal and state taxes incurred prior to the Nicox Opthalmics, Inc.'s acquisition for an additional amount of €35,149,000 (previously estimated at €15,733,000) able to be carried forward to offset taxable income for the statutory period of 20 years. With the exception of deferred tax assets recognized to offset deferred tax liabilities on equity warrants relating to the loan agreement in France and deferred tax assets relating to development activities completed in 2019 in the United States recognized to offset the corresponding deferred tax liabilities as described above, no deferred tax asset was recognized in the consolidated statements of the financial position at December 31, 2019 and December 31, 2018, as the Group was unable to assure that it would be able to recover the deferred tax assets against taxable income in the foreseeable future.

Loss carryforwards, in € thousands	At December 31	
	2019	**2018**
	In €000	
Parent company (France)	472,610	451,327
US subsidiary	58,931	49,922
Total Group loss carryforwards	**531,541**	**501,249**

23. OTHER CURRENT LIABILITIES

	At December 31	
	2019	**2018**
	In €000	
VAT payables	380	349
Provisions relating to personnel expenses	1,541	1,741
Other	430	335
Total other current liabilities	**2,351**	**2,425**

24. OFF-BALANCE SHEET COMMITMENTS

The Group has a number of commitments from its partners for potential royalty payments contingent on the materialization of future events. The most significant agreements are described below:

24.1. Licensing agreements

24.1.1. *Bausch + Lomb (Valeant)*

In March 2010, the Group signed a licensing agreement with Bausch + Lomb (a Valeant company), a leading eye health company, granting Bausch + Lomb exclusive worldwide rights to develop and market latanoprostene bunod. Under the terms of the agreement, Bausch + Lomb made an initial license payment of $ 10 million to the Group upon execution of the agreement. This was followed by an additional €10 million milestone payment in April 2012 pursuant to the decision to pursue development of LATANOPROSTENE BUNOD after the Phase 2b trial completion in late 2011. Finally, in 2017 the Group received a US$17.5 million milestone payment following the FDA approval for VYZULTA on November 2, 2017.

The Group stands to receive in the future additional potential payments which could total US$165 million, if certain regulatory and sales milestones are met and which would result in net milestone payments for the Group of up to US$150 million less payments due to Pfizer as part of the 2009 agreement. The Group would also receive potential net royalties on sales ranging from 6% to 12% following payments due to Pfizer.

This agreement will remain in effect until all royalty payment obligations from Bausch + Lomb expire or unless terminated earlier by either the Group or by Bausch + Lomb pursuant to the early termination provision provided for in the agreement. The Group may terminate this agreement on a country-by-country basis if Bausch + Lomb fails to use commercially reasonable efforts to develop and commercialize the licensed products under this agreement. It may also terminate this agreement in its entirety in the event that Bausch + Lomb challenges or causes a third party to challenge the validity or ownership of any of Nicox's licensed patents or fails or becomes unable to meet its payment obligations under the agreement. In the event of termination, licenses granted by the Group to Bausch + Lomb will be terminated, and any sublicenses granted by Bausch + Lomb will either be assigned to the Group or terminated.

24.1.2. *23.1.2 Pfizer*

In August 2009, the Group entered into a contract with Pfizer ending their previous collaboration agreements dated August 2004 and March 2006. Under the terms of this contract, the Group recovered all the development and marketing rights for latanoprostene bunod (henceforth under the trade name of VYZULTA), and in particular the right to sub-license, in addition to all the data and development information. This drug is currently out-licensed to Bausch + Lomb (see above) and commercialized since December 2017. Furthermore, the Group has access to certain information regarding the development of Xalatan® (latanoprost) belonging to Pfizer, most notably the regulatory files for Xalatan®. In exchange, the Group has undertaken to pay Pfizer two milestone payments of US$15 million each. The first milestone payment linked to the VYZULTA approval in the United States was paid in December 2017. The second milestone payment is linked to reaching pre-defined sales levels. The Group is also subject the payment of royalties on future sales. The Group also recovered the rights to a number of new nitric oxide-donor compounds at the research stage for the treatment of diabetic retinopathy and glaucoma.

24.1.3. *Fera Pharmaceutical*

In November 2015, the Group entered into an exclusive license agreement with Fera Pharmaceuticals, a private specialized pharmaceutical company, to develop and commercialize Nicox's naproxcinod in the United States. This agreement provides that Fera will initially focus on the signs and symptoms of osteoarthritis. Fera afterwards plans to seek advice from the United States Food and Drug Administration (FDA) regarding the additional clinical work required before submitting a New Drug Application (NDA) for naproxcinod. Fera Pharmaceuticals will be responsible for, and will fully finance, all clinical development manufacturing and commercialization activities.

Under the terms of the agreement, the Group may be eligible to receive up to $40 million in sales-based milestones, plus 7% royalties based on net sales of naproxcinod in the U.S.

It should be noted that Fera Pharmaceuticals may receive an undisclosed amount of royalty payments, should naproxcinod be approved and marketed based on the data generated by Fera Pharmaceuticals, regardless of the therapeutic indication and territory (excluding the United States).

24.1.4. *Ora*

Nicox Ophthlamics Inc. signed a license agreement on January 29, 2016 with Ora, Inc., the world's leading ophthalmic clinical research and product development firm. This license agreement gives Ora exclusive worldwide rights for the development and commercialization of the Group's NCX4280, an innovative drug-candidate for morning eyelid swelling. Under the terms of this exclusive license agreement, Ora will be responsible for all development activities and will fund this program through its investment arm. Ora plans to advance the clinical development of NCX4280 and to subsequently sub-license this compound to a third party for future commercialization. The Group is eligible to receive a US$10 million milestone payment from Ora upon approval of NCX4280 by the U.S. Food and Drug Administration (FDA) and will be eligible to receive a percentage of any proceeds received by Ora under a potential sub-license agreement.

24.1.5. *Ocumension*

In December 2018, the Group entered into an exclusive license agreement with Ocumension Therapeutics, an international ophthalmology company. The agreement concerns the development and commercialization of its NCX 470 drug candidate, targeting patients with glaucoma or ocular hypertension for a territory comprising mainland China, Hong Kong, Macau, and Taiwan. Ocumension received exclusive rights to develop and commercialize NCX 470, at its own cost, in the agreed territory. Under the terms of the agreement, the Group received in December 2018 a one-time upfront payment of €3 million from Ocumension and will receive a further €2.5 million when it initiates a Phase 3 clinical trial with NCX 470 outside the territory of this agreement. Under this agreement, the Group is also eligible to receive in the future up to an additional €14.5 million in milestones associated with Ocumension's progress with NCX 470, up to and including regulatory approval, and up to €16.25 million split over three separate sales milestones associated with potential sales in the territory of up to € 200 million, as well as tiered royalties from 6% to 12% on sales.

The Group signed two agreements in 2019 with Ocumension described in note 5.6.

24.1.6. *Eyevance Pharmaceutical*

See Note 5.3.

24.1.7. *Samil Pharmaceutical Co., Ltd*

In December 2019, Nicox signed an exclusive license agreement with Samil Pharmaceutical Co., Ltd for the development and commercialization of ZERVIATE™ (cetirizine ophthalmic solution), 0.24% for the treatment of ocular itching associated with allergic conjunctivitis in South Korea. Nicox thus granted Samil Pharmaceutical exclusive rights to develop and commercialize ZERVIATE in South Korea. Nicox is eligible to receive 10% royalties on net sales on ZERVIATE in South Korea and a milestone payment of 5% of net sales for each calendar year in which net sales exceed approximately US$900,000. Nicox received a significant license fee upon the signature of the agreement, and may receive in addition approval and launch milestone payments which may total approximately US$189,000. Samil Pharmaceutical will be responsible, at its cost, for the development and commercialization of ZERVIATE in South Korea. ZERVIATE is expected to require only manufacturing transfer and associated pharmaceutical development to support approval in South Korea, in addition to the existing approved U.S. NDA package.

Contingent consideration

24.2.

In November 2014, Nicox Inc., the Group's US diagnostics subsidiary, was acquired by Valeant Pharmaceuticals International, Inc. Under the terms of this agreement, Valeant acquired Nicox Inc. for a cash payment of US$10 million plus contingent consideration in the form of milestone payments of up to $10 million, conditional on achievement by Valeant of the sales targets for the products covered by the acquisition. To the Group's knowledge, these diagnostic tests are no longer marketed.

At December 31, 2019 and 2018, the Group measured at zero the potential amount of contingent consideration receivable.

The agreement with VISUfarma B.V. provides for maximum contingent consideration of €5 million of which €1.6 million was paid to Nicox in 2017 in the form of notes receivable in conjunction with an amendment to the agreement. The remaining amount of contingent consideration payable is indexed on commercial objectives. See note 5.6.

At December 31, 2019 and 2018, the Group measured at zero the potential amount of contingent consideration receivable.

24.3. Other financial commitments payable

To the Group's knowledge, the commitments included in the following table represent all the Group's material off-balance sheet commitments.

Contractual obligations	Total	Payments due by period		
		Less than one year	One to five years	More than five years
Research and Development commitments	632	632	0	-
Total	**632**	**632**	**0**	**-**

This table does not include the last tranche of €8 million subscribed in December 2019 with Kreos and received in January 2020 (see note 5.7).

25. OBJECTIVES, POLICIES AND CAPITAL MANAGEMENT PROCEDURES

To date, the financing needs of the Group have primarily been met by (1) raising funds in financial markets through capital increases by issuing new shares, (2) revenues from license agreement with partners, (3) the reimbursement of research tax credit receivables and (4) a bond financing agreement. The immediate objective of the Group in terms of capital management is to effectively manage its capital resources to ensure the financing of its research and development activities.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal investments are short-term deposits.

26.1. Foreign exchange risk

The Group reports financial information in euros. The majority of the Group's expenses is denominated in US dollars. In fiscal year 2019, approximately 47.9% of operating expenses were in US dollars (39.2 % in 2018).

Foreign exchange fluctuations in the euro in relation to the US dollar may have a material impact on the Group's operating results, notably with respect to (i) the worldwide license for VYZULTA granted by Bausch + Lomb for which the Group may receive milestone payments for an amount, net of amounts payable to PFIZER, of up to US$165 million in addition to up 6% to 12% in net royalties The Group does not have significant receivables subject to foreign exchange risks. The Group also holds US dollar bank accounts that are translated into euros in the consolidated financial statements at the year-end exchange rate. Cash amounted to € 13,910,000 at December 31, 2019 (or 49.5% of cash and cash equivalents) and may be materially impacted by the Euro/US Dollar exchange rates. This risk is however mitigated by the fact that cash is exclusively destined to cover Group's expenses denominated in US dollars resulting from its research and development activities in the United States.

The Group does not use derivative products or specific internal procedures to limit its risk to foreign exchange exposure.

The Group does not hold financial assets or bank debt that are denominated in foreign currency.

26.2. Interest rate risk

The Group is not exposed to the risk of interest rate fluctuations as its cash and cash equivalents consist solely of fixed-rate time deposit accounts and a fixed-rate bond loan.

26.3. Market risk

At December 31, 2019 the Group did not have any financial instruments and in consequence did not have an exposure to market risk.

26.4. Liquidity risk

At December 31, 2019, the Group did not have any loans with banks that include an early repayment clause.

Overall, the business activities show a loss and may continue to do so in the short-term. At December 31, 2019, the Group had €28 million in cash and cash equivalents (2018: € 22.1 million).

The Group has completed a specific review of its liquidity risk and considers that it is able to honor the terms for future payments for the next 12 months. In addition, in January 2019, the Group signed an agreement with Kreos Capital to obtain bond financing in the amount of €20 million that was fully subscribed in 2019 and in November 2019 carried out a capital increase for gross proceeds of €12 million providing it with the resources to extend its financing capacity beyond 12 months.

26.5. Credit risk

There is in principle no risk of recovering the receivable linked to the research tax credit, given that it represents a receivable from the French government.

Concerning the Group's other financial assets, and namely cash and cash equivalents, the exposure to credit risk is contingent on the risk of default by the corresponding third parties.

Concerning the notes receivablewith VISUFarma, see note 5.1.

As of December 31, 2019, cash equivalents consist exclusively of time deposit accounts.

26.6. Fair value

All the Group's financial assets and liabilities are measured at present fair value.

The majority of the Group's financial liabilities are classified as financial liabilities measured at amortized cost. Changes to any purchase price adjustments arising from events after the acquisition date and within the scope of IFRS 9 – *Financial instruments: recognition and measurement* are measured at fair value at each balance sheet date, with all resulting changes in fair value being recognized in income.

27. RELATIONS WITH RELATED PARTIES

An undertaking of the Board of Directors of June 15, 2011 for the benefit of the Chair-CEO pertaining to end-of-service indemnities that might be payable, renewing the terms of a previous undertaking of April 3, 2008 (approved by the ordinary general meeting of May 28, 2008), provided that in the event of his dismissal from the position of Chief Executive Officer, except for dismissal for serious fault, he could receive a compensation, the payment of which would be subject to the determination by the Board, at the time of his dismissal, of the achievement of at least one of the following performance criteria:

- that at least one collaboration or licensing agreement is in force;
- and that at least one compound is in an active clinical phase of development by the Company.

Should neither of these criteria be met at the time of dismissal, then no payment would be made. The amount of the severance payment would correspond to two years of compensation (both fixed and variable compensation), calculated on the basis of compensation paid during the last fiscal year ended before the dismissal date. This commitment, reported to the Statutory Auditors on June 21, 2011, was approved by the ordinary general meeting on June 6, 2012. This commitment was replaced by the commitment of June 8, 2017 presented below.

Commitment by the Board of Directors on June 8, 2017 in favor of the Chief Executive Officer concerning payments owed or likely to be owed due to the cessation of his duties, replacing a previous commitment of June 11, 2011.

This commitment provides that should Michele Garufi be removed from his functions of Chief Executive Officer and Chair of the Board of Directors, except for reasons of gross negligence, he shall be entitled to a severance benefit contingent on the Board's determination at the time of his removal of the achievement of the following performance criteria:

That at least one approved product generates directly or indirectly revenue for a Group entity. If this criterion is not achieved at the time of the removal, no severance payment should be made. This condition was met on December 31, 2019.

The amount of the severance payment would correspond to two years of compensation (both fixed and variable compensation), calculated on the basis of compensation paid during the last fiscal year ended before the dismissal date.

This severance benefit must be paid in the form of a single payment. Should this corporate officer be revoked in 2020, the Group will be required to pay a severance benefit in the amount of € 1,430,000.

Total compensation recognized for directors (5 persons as of December 31, 2019 and 5 persons as of December 31, 2018) and management committee members (5 persons as of December 31, 2019 and 6 persons as of December 31, 2018) breaks down as follows:

	At December 31	
	2019	**2018**
	In €000	
Short-term benefits	(1,701)	(2,302)
Post-employment benefits	(285)	(175)
Other long-term benefits	(76)	(19)
Share-based payments	(1,062)	(1,879)
Total	*(3,124)*	*(4,375)*

We note that the provisions corresponding, on the one hand, to termination of the employment contract of certain Group employees, in the event of a change in control of the Group or termination of their employment contracts at Group's behest, and on the other hand, the dismissal of its Chief Executive Officer as (described in paragraph 26*** above) apply to members of the Management Committee (four employees and one company director). The amounts the Group would have to pay to the employee beneficiaries in both cases are mentioned in Note 28 - *Contingent liabilities and commitments to employees and corporate directors,* based on compensation paid to them in 2019.

As of December 31, 2019, stock options, restricted stock units (free shares) and equity warrants outstanding awarded to company directors and members of the Management Committee were distributed as follows:

Type of equity instrument	**Exercise price in euros**	**Number of eqwarrants, options or free shares**	**Number of shares issuable**	**Expiry date**
Restricted stock units (free shares)	-	210,000	210,000	-
Stock options[(1)]	9.35	200,000	40,000	01/29/21
Stock options	6.05	72,000	72,000	02/12/27
Equity warrants[(1)]	8.65	200,000	40,000	10/13/20
Equity warrants	11.8841	144,000	144,000	06/07/22
Equity warrants	8.8803	144,000	144,000	05/24/23

(1) Taking into account the 5-for-1 reverse stock split of December 3, 2015.

28. CONTINGENT LIABILITIES, DISPUTES AND COMMITMENTS TO EMPLOYEES AND CORPORATE OFFICERS

In June 2005, the Group introduced new provisions to the effect that if all shares of Company are sold to a shareholder, or if a change in control of the Group occurs that results in a shareholder holding over 50 % of the capital of Company and leads to the termination of the employment contract of certain employees, such employees will receive a severance package in the amount of between six and twenty-four months' salary. This package is granted to each beneficiary for a period limited to two years from the date of the change of majority control or control of the Group. In such an event, and in the event that all current beneficiaries are affected by such dismissal procedure, the Company would have to pay severance totaling € 3,064,000, including payroll taxes, on the basis of the net wages received by the beneficiaries in the last twelve months.

Additionally, in the event of termination of an employment contract at the Group's initiative, each beneficiary, excluding the CEO, will receive a contractual severance payment of an amount between four and eighteen months' salary. In such an event, and in the event that all current beneficiaries are affected by such dismissal procedure, the Company would have to pay severance totaling € 1,276,000, including payroll taxes, on the basis of the net wages received by the beneficiaries in the last twelve months. The salary to be considered in the calculation of the foregoing severance payments is one-twelfth of gross compensation, including all bonuses, for the twelve months preceding the termination. Termination of an employment contract for serious or gross misconduct disqualifies the beneficiary from benefiting from the above provisions. Due to the conditional nature of these commitments, the Group had made no provision to this end at December 31, 2019.

Teva Pharmaceuticals filed a patent opposition on November 23, 2016 for the European patent covering latanoprostene bunod. On July 13, 2018, the Opposition Division of the European Patent Office rejected this patent opposition. On September 12, 2018, Teva Pharmaceuticals filed an appeal of this decision of the European Patent Office. In March 2019, Nicox filed its statement of appeal. The date this appeal decision will be rendered is not known on this date.

29. CONSOLIDATED COMPANIES

Consolidated subsidiary	Date of first-time consolidation	Date of deconsolidation	Registered office	Method of consolidation	Ownership interest (%) 12/31/2018	Ownership interest (%) 12/31/2019
Consolidated subsidiaries :						
Nicox S.A.	1996	-	2405, route des Dolines 06560 Valbonne Sophia Antipolis France	Parent	-	-
Nicox S.r.l.	1999	-	Via Ariosto 21, Bresso, MI 20091 Italy	Full consolidation	100%	100%
Nicox Ophthalmics Inc.	2014	-	470 Atlantic Avenue 4th Floor Boston, MA 02210 United States	Full consolidation	100 %	100 %
Nicox Science Ireland Limited	2014	-	Riverside One, Sir John Rogerson's Quay Dublin 2 Ireland	Full consolidation	100 %	100 %

30. FEES PAID BY THE GROUP

Auditors' fees paid for 2019 and 2018 break down as follows:

	NICOX S.A.							
	Ernst & Young Audit				**Novances**			
	Amount (before tax)		%		Amount (before tax)		%	
	2018	2019	2018	2019	2018	2019	2018	2019
Audit								
External audit, certifications, review of individual and consolidated accounts								
Issuer	145.000	152.000	33.97%	34.16%	36.657	39.488	100.00%	81.44%
Consolidated subsidiaries		12.000	0.00%	2.70%				
Other work and services directly associated with the engagement of the external auditor								
Issuer (required under national law)	281.859	280.974	66.03%	63.14%		9.000	0.00%	18.56%
Subtotal	*426.859*	*444.974*	*100.00%*	*100.00%*	36.657	48.488	*100.00%*	*100.00%*
Other services rendered by the networks								
Tax-related	6.255		100.00%	0.00%				
Other (specify if> 10% of audit fees)								
Subtotal	*6.255*	-	*100.00%*	*0.00%*	*0*	*0*		
Total	**433.114**	**444.974**			**36.657**	**48.488**		

31. SUBSEQUENT EVENTS

NONE