



*Société anonyme* (joint stock company) with capital of €569,910.46  
Registered office: 259/261 Avenue Jean Jaurès – Immeuble le Sunway – 69007 Lyon, France  
510 970 817 Lyon Trade & Companies Register

# **INTERIM FINANCIAL REPORT**

## **AT 30 JUNE 2020**

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## 1. CERTIFICATION BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

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### 1.1. Person responsible for the interim financial report

1. Thomas Kuhn, Chief Executive Officer of Poxel.

### 1.2 Certification by the person responsible

(Article 222-3 – 4° of the AMF General Regulations)

“I certify, to the best of my knowledge, that the condensed financial statements for the previous half-year have been prepared in accordance with the applicable accounting standards, and give a true and fair view of the assets, financial position and earnings of the Company, and that the appended interim activity report gives a fair view of significant events occurring during the first half-year, their impact on the interim financial statements, the main transactions between related parties and a description of the main risks and uncertainties for the remaining half-year”.

Lyon, 15 September 2020

Thomas Kuhn, Chief Executive Officer of Poxel.

## 2. ACTIVITY REPORT AT 30 JUNE 2020

### 2.1. Highlights of the first half-year of 2020

#### Capital increases

On May 25, 2020, the Group announced a raise of €17.7 million and issued 2,358,483 ordinary share with a par value of €0.02, at a price of €7.50 per share, including share premium, for a total subscribed amount of €17,688,622.50, representing approximately 9.04% of the share capital of the Company.

In addition, the Group issued 1,768,861 warrants with a five-year term attached to the new shares representing a total of 75% coverage on the new share issuance, representing 1,768,861 potential additional new ordinary shares and 5.93% of the Company's outstanding fully diluted share capital. The strike price of the warrants shall be equal to €10.03.

#### Performance shares and BSPCE

In January 2020, an employee exercised 500 BSPCE corresponding to 10,000 ordinary shares at a strike price of €2.5, representing a capital increase of €200 with a share premium of €24,800. In addition, an employee exercised 1,666 BSPCE corresponding to 1,666 ordinary shares at a strike price of €7.26, representing a capital increase of €33 with a share premium of €12,062.

On January 29, 2020, the Group noted the definitive allocation of 26,611 performance shares, representing a capital increase of €532, taken from the reserves.

In May 2020, an employee exercised 1,000 BSPCE corresponding to 20,000 ordinary shares at a strike price of €2.5, representing a capital increase of €400 with a share premium of €49,600.

Accordingly, the share capital is €569,430.46 at June 30, 2020, divided in 28,471,523 shares of €0.02 of nominal value

#### IPF Financing

In November 2019, the Group entered into a Subscription Agreement with IPF Partners to secure additional funding in the form of three separate bond tranches up to a total borrowing amount of €30 million and related warrants to purchase up to €4.5 million of our ordinary shares. In November 2019, the Group borrowed €6.5 million under the first tranche and issued warrants to purchase 264,587 ordinary shares with an exercise price of €7.37.

In March 2020, the Group borrowed €10.0 million under the second tranche of IPF Venture Loan (see note 14.1) and issued warrants to purchase 209,967 ordinary shares with an exercise price of €7.14.

#### Composition of the Board of directors

In the course of the six-months period ended June 30, 2020, the composition of the Board of Directors changed as follows:

- On February 17, Mr. Thibaut Roulon and BpiFrance Investissement represented by Mr. Olivier Martinez resigned from their position as Board observers,
- On June 24, the mandates of Mr. Thierry Hercend as Board member and of Andera Partners represented by Mr. Raphaël Wisniewski as Board observer were not renewed and ended after the

ordinary general assembly meeting ruling on the financial statements for the financial year ended on December 31, 2019.

## **2.2. Activity and results of the Group**

### **Partnership activity**

#### **Sumitomo**

The Company continued to work closely with Sumitomo Dainippon Pharma on activities related to the Imeglimin J-NDA submission for type 2 diabetes. Based on the analysis of the new factors identified at June 30, 2020, the management considered the J-NDA submission for Imeglimin in Japan as highly probable. The Company therefore fully recognized the related milestone event amount as revenue at June 30, 2020. In addition, the external costs incurred by the Company as part of the end of the phase Phase 3 TIMES programme for Imeglimin in Japan were re-invoiced to Sumitomo and recognised as net sales, according to the progress of the TIMES programme.

#### **Roivant Sciences**

The agreement signed with Roivant Sciences continued in the first half of 2020. The Company continued to support Metavant, who is making adjustments to the initial Imeglimin Phase 3 plan based on feedback from the U.S. Food and Drug Administration (FDA) and new draft guidance released in March 2020. The Company completed its participation in the financing of this programme in the first quarter of 2020 according to the conditions stated in the contract.

### **Regulatory activity**

The Company continued to work closely with Sumitomo Dainippon Pharma on activities related to the J-NDA submission for the treatment of type 2 diabetes, which is anticipated in the third quarter of 2020, with a target launch in 2021.

### **Research and development activity**

The Company made significant progress in the clinical development of its two drug candidates for the treatment of NASH: PXL770 and PXL065.

The PXL770 PK/PD trial in 16 likely-NASH patients met its primary endpoint and objectives: PXL770 was observed to demonstrate a consistent PK profile, was safe and well-tolerated and showed target engagement and efficacy signals in NASH and for the AMPK platform in other chronic and rare metabolic diseases. Results from a PXL770 preclinical trial also demonstrated additive benefits in a NASH model when combined with other late-stage agents in development, including an FXR agonist (obeticholic acid), a GLP-1 receptor agonist (semaglutide) and a thyroid receptor  $\beta$  agonist (MGL-3196). In addition, results from a PXL770 preclinical trial demonstrated in animal models improvements in cardio-renal disease and ALD / AMN, a deadly inherited rare metabolic disease characterized by neurodegeneration.

As it relates to PXL065, the Company has prepared the Phase 2 NASH trial in Biopsy-Proven Patients study that was initiated on September 2<sup>nd</sup>. This trial will include approximately 120 noncirrhotic biopsy-proven NASH patients and is designed to identify optimal dose or doses to be evaluated in a Phase 3 registration trial.

## Human resources

Over the half-year, the Group continued to strengthen its clinical and administrative teams, to support its development. The average consolidated workforce in the first half of 2020 is 51 employees, compared to 44 employees in the first half of 2019.

## Results

The Group reported turnover of €6,372 thousand at 30 June 2020 compared with €19,164 thousand at 30 June 2019.

R&D costs amounted to €14,080 thousand for the first half of 2020, compared with €25,742 thousand at 30 June 2019. These costs mainly reflect the clinical trials for PXL770, PXL065, and, in a lesser extent, for Imeglimin.

The research tax credit calculated for the first half of 2020 stands at €1,500 thousand, compared with €1,578 thousand at 30 June 2019.

General overheads were €5,983 thousand for the first half of 2020, compared with €4,868 thousand at 30 June 2019. This increase reflects the continued efforts to increase the Company's workforce and the associated resources.

The Group had an operating loss of €12,191 thousand compared with an operating loss of €9,869 thousand at 30 June 2019.

Financial income stood at €249 thousand compared with €71 thousand at 30 June 2019. It consists primarily of the change in fair value of IPF derivative instruments, income from investments and currency losses.

Net loss stood at €12,060 thousand, compared with a net loss of €9,798 thousand at 30 June 2019.

## Cash

Cash at 30 June 2020 was €45,968 thousand, compared with €37,187 thousand at 31 December 2019. The change in cash is due to:

- operating cash flows of -€14,538 thousand;
- investment flows of +€73 thousand;
- financing flows of +€23,245 thousand;

## 2.3. Trends and prospects

The financial resources available to the Company at 30 June 2020 means it can continue the development of studies and clinical trials for PXL770 and PXL065 programmes.

During the second half-year, the Company intends to:

- finalize the J-NDA submission of Imelimin for the treatment of type 2 diabetes in Japan, which has been announced by the Group on July 30, 2020,
- continue to advance the phase 2a study for PXL770 with results are expected in Q3 2020,
- pursue the enrolment of the phase 2 for PXL065, launched on September 2<sup>nd</sup>,
- continue evaluating additional research and development opportunities from its AMPK activation and deuterated TZD platforms as well as external opportunities with a focus on chronic and rare metabolic diseases.

## **2.4. Events occurring after the end of the half-year**

The Company announced on July 30 the submission of Imeglimin Japanese New Drug Application for the treatment of type 2 diabetes by Sumitomo Dainippon Pharma. The J-NDA submission triggers a ¥ 500 million (€4.1 million) development milestone payment to Poxel, that was paid on September 1<sup>st</sup>.

## **2.5. Risk factors and transactions between related parties**

### **2.5.1 Risk factors**

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The risks for the Company are set out in Chapter 2.2, "Risk factors" of the Company's 2019 Universal Registration Document. Except for the Covid-19 outbreak consequences described below, no significant change in the assessment of these risks has been identified by the Company.

In the context of the COVID-19 outbreak, which was declared a pandemic by the World Health Organization (WHO) on March 12, 2020, the Company is regularly reviewing the impact of the outbreak on its business.

As of the date of this report, and based on publicly available information, the Company has not identified the occurrence of any material negative effect on its business due to the COVID-19 pandemic, other than the delay in the initiation of the Phase 2 study enrolment for its drug candidate PXL065, which the Company initially planned during the second quarter of 2020 and was eventually initiated on September 2, 2020. However, the Company anticipates that the COVID-19 pandemic could have further material negative impact on its business operations. The worldwide impact of COVID-19 may notably affect the Company's internal organization and efficiency, particularly in countries where it operates and where confinement measures are implemented by the authorities. In addition, COVID-19 may impact market conditions and the Company's ability to seek additional funding or enter into partnerships. Particularly, delays in the supply of drug substance or drug products, in the initiation or the timing of results of preclinical and/or clinical trials, as well as delays linked to the responsiveness of regulatory authorities could occur, which could potentially have an impact on the Company's development programs and partnered programs. The Company will continue to proactively monitor the situation.

### **2.5.2 Transactions between related parties**

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Transactions between related parties are the same type as those presented in Chapter 4.4, "Related party transactions" of the 2019 Universal Registration Document. No significant transactions were entered into with a director or member of the Board of Directors during the first half of 2020.

### 3. CONDENSED INTERIM FINANCIAL STATEMENTS UNDER IFRS AT 30 JUNE 2020

#### 3.1. Statements of financial position

POXEL Statements of financial position		Notes	June 30, 2020 K€	Dec 31, 2019 K€
<b>ASSETS</b>				
Intangible assets	6		16 641	16 614
Property, plant and equipment	7		2 442	2 323
Other non-current financial assets	8		234	477
Deferred tax assets	22			
<b>Total non-current assets</b>			<b>19 317</b>	<b>19 414</b>
Trade receivables	9		5 071	6 593
Other receivables	9		4 806	9 107
Current tax asset	22			
Cash and cash equivalents	10		45 968	37 187
<b>Total current assets</b>			<b>55 846</b>	<b>52 888</b>
<b>Total assets</b>			<b>75 163</b>	<b>72 302</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
Share capital	12		569	521
Premiums related to the share capital	12		145 707	129 024
Retained earnings (deficit)			-88 779	-64 564
Net income (loss)			-12 060	-25 743
Accumulated other comprehensive income			-132	-96
<b>Total shareholders' equity</b>			<b>45 307</b>	<b>39 142</b>
<b>Non current liabilities</b>				
Employee benefits	15		493	375
Non-current financial liabilities	14		16 820	1 842
Provisions	16		151	94
<b>Total Non-current liabilities</b>			<b>17 464</b>	<b>2 311</b>
<b>Current liabilities</b>				
Current financial liabilities	14		1 131	8 941
Derivative liabilities	14		965	1 766
Trade payables	17.1		6 944	16 406
Tax and employee-related payables	17.2		2 634	2 120
Contract liabilities	17.3		719	1 616
<b>Total Current liabilities</b>			<b>12 392</b>	<b>30 849</b>
<b>Total Liabilities and Shareholder's equity</b>			<b>75 163</b>	<b>72 302</b>



### 3.2. Consolidated statements of income (loss)

POXEL	Notes	June 30, 2020	June 30, 2019 Adjusted (1)
Income statement		K€	K€
<b>Revenue</b>	18	<b>6 372</b>	<b>19 164</b>
Research and development expenses			
Research and development expenses	19.1	-14 080	-25 742
Subsidies	19.1	1 500	1 578
General and administrative expenses	19.2	-5 983	-4 868
<b>Operating income (loss)</b>		<b>-12 191</b>	<b>-9 869</b>
Financial expenses	21	-893	-26
Financial income	21	1 512	116
Exchange gains (losses)	21	-371	-19
<b>Financial income (loss)</b>	<b>21</b>	<b>249</b>	<b>71</b>
<b>Net income (loss) before taxes</b>		<b>-11 942</b>	<b>-9 798</b>
Income tax	22	-118	
<b>Net income (loss)</b>		<b>-12 060</b>	<b>-9 798</b>

  

Earnings/(loss) per share (€/share)	Notes	June 30, 2020	June 30, 2019 Adjusted(1)
Weighted average number of shares in circulation		26 557 749	25 896 723
<b>Basic Earnings (loss) per share (€/share)</b>	23	<b>(0,45)</b>	<b>(0,38)</b>
<b>Diluted Earnings (loss) per share (€/share)</b>	23	<b>(0,45)</b>	<b>(0,38)</b>

POXEL - IFRS	Notes	June 30, 2020	June 30, 2019 Adjusted(1)
Statement of comprehensive income (loss)		K€	K€
<b>Net income (loss) of the year</b>		<b>-12 060</b>	<b>-9 798</b>
Actuarial gains (losses) from defined benefit plans (non recyclable) - (2)	15	-66	-31
Currency translation adjustment (recyclable)		29	-1
Tax effect associated with these elements			
<b>Other comprehensive income (loss) (net of tax)</b>		<b>-36</b>	<b>-31</b>
<b>Total comprehensive income (loss)</b>		<b>-12 096</b>	<b>-9 829</b>

(1) This interim financial information has been prepared applying the accounting policy reported in the annual 2019 consolidated financial statements with respect to the revenue recognition of the Sumitomo agreement under IFRS 15 (see note 26).

(2) See note 15

### 3.3. Consolidated statements of changes in shareholders' equity

POXEL Changes in Shareholders' equity	Capital Number of shares	Share Capital	Premiums related to the share capital	Retained earnings adjusted	Other comprehensive income (loss)	Total Equity
	K€	K€	K€	K€	K€	K€
<b>As of December 31, 2018</b>	25 856 827	517	127 996	-66 017	-65	62 432
Net loss as of June 30, 2019 - Adjusted				-9 798		-9 798
Other comprehensive income (loss)					-31	-31
<b>Total Comprehensive income (loss)</b>				-9 798	-31	-9 829
Issuance of shares (2)	24 150					
Exercise of share warrants and employee warrants	33 800	1	84			85
Share base payments				741		741
Treasury shares				41		41
<b>As of June 30, 2019 - Adjusted (1)</b>	25 914 777	518	128 080	-75 033	-96	53 469
<b>As of December 31, 2019</b>	26 054 763	521	129 024	-90 307	-96	39 142
Net loss as of June 30, 2020				-12 060		-12 060
Other comprehensive income (loss)					-36	-36
<b>Total Comprehensive income (loss)</b>				-12 060	-36	-12 097
Issuance of shares (2)	2 385 094	47	17 641			17 689
Exercise of share warrants and employee warrants	31 666	1	86			87
Share base payments				1 780		1 780
Treasury shares				-251		-251
Capital increase costs			-1 044			-1 044
<b>As of June 30, 2020</b>	28 471 523	569	145 707	-100 838	-132	45 307

(1) This interim financial information has been prepared applying the accounting policy reported in the annual 2019 consolidated financial statements with respect to the revenue recognition of the Sumitomo agreement under IFRS 15 (see note 26).

(2) In 2020, the capital increase corresponds to:

- 2,358,483 ordinary shares issued at a price of €7.50 per share, for a total subscribed amount of €17,689 thousands net of €1,044 thousands of costs (see note 4.1).

- the definitive allocation of 26,611 free shares,

- the exercise of BSPCE leading to the creation of 31,666 shares (30 000 shares at a price of €2.5 per share and 1 666 shares at a price of €7.26 per share - see notes 12 and 13).

In 2019, the capital increase corresponds to the definitive allocation of 24,150 free shares and the exercise of BSPCE leading to the creation of 33,800 shares at a price of €2.5 per share.

	Currency translation adjustment (recyclable)	Actuarial gains (losses) from defined benefit plans (non recyclable)	Tax effects associated with these elements	Total
<b>As of December 31, 2018</b>	-5	-60		-65
Other comprehensive income (loss)	-1	-31		-31
<b>As of June 30, 2019, Adjusted</b>	-6	-90		-96
<b>As of December 31, 2019</b>	-10	-86		-96
Other comprehensive income (loss)	29	-66		-36
<b>As of June 30, 2020</b>	20	-152		-132

### 3.4. Consolidated statements of cash flows

POXEL Statement of cash flows		June 30, 2020 K€	June 30, 2019 Adjusted (1) K€
Notes			
<b>Cash flows from operating activities</b>			
<b>Net income (loss) for the period</b>		-12 060	-9 798
(-) Elimination of amortization of intangible assets	6	-6	-1
(-) Elimination of depreciation of property, plant and equipment	7	-268	-196
(-) Provisions booked	15-16	-109	-35
(-) Reversal of provisions	16	49	18
(-) Expenses associated with share-based payments	13	-1 780	-741
(+) Interests expense		-537	
(-) Interests income		274	116
(-)Change in IPF derivative liability fair value	14.1	1 004	
(-)Effect of unwinding the discount related to IPF Debt	14.1	-164	
(-) Effect of unwinding the discount related to repayable advances	14.2	-7	-11
<b>Cash flows from operating activities before change in working capital requirement</b>		-10 516	-8 948
(-) Changes in working capital requirements		4 022	2 742
<b>Cash flows from operating activities</b>		<b>-14 538</b>	<b>-11 690</b>
<b>Cash flows from investing activities</b>			
Acquisitions of intangible assets	6	-33	-3
Acquisitions of property, plant and equipment	7	-180	-51
(+) Interest received		295	130
Other cash flows from investing activities	8	-8	206
<b>Cash flows from investing activities</b>		<b>73</b>	<b>282</b>
<b>Cash flows from financing activities</b>			
Share capital increase, including premium, net of expenses (2)	12	16 732	85
Subscription of share warrants	12		
(-) Interest paid		-489	-4
Roivant contract debt	14.4	-2 782	-5 408
IPF debt	14.1	10 000	
IPF expenses	14.1	-150	
Capitalized interests	14.5	117	
Repayment of loans and conditional advances	14.2		-98
Repayment of the lease debt	14.3	-182	-143
<b>Cash flows from financing activities</b>		<b>23 245</b>	<b>-5 568</b>
Impact of foreign currency exchange fluctuations			
<b>Increase (decrease) in cash and cash equivalents</b>		<b>8 781</b>	<b>-16 976</b>
Cash and cash equivalents at the opening date (including short-term bank overdrafts)		37 187	66 737
Cash and cash equivalents as of the closing date (including short-term bank overdrafts)		45 968	49 761
<b>Increase (decrease) in cash and cash equivalents</b>		<b>8 781</b>	<b>-16 976</b>

- (1) *This interim financial information has been prepared applying the accounting policy reported in the annual 2019 consolidated financial statements with respect to the revenue recognition of the Sumitomo agreement under IFRS 15 (see note 26).*
- (2) *In 2020, the capital increase and the issue premium net of expenses correspond to:*
- *2,358,483 ordinary shares issued at a price of €7.50 per share, for a total subscribed amount of €17,689 thousands, net of €1,044 thousands of costs,*
  - *the exercise of BSPCE leading to the creation of 31,666 shares (+€87 095).*

*In 2019, the capital increase and the issue premium net of expenses correspond to an exercise of 1,690 BPSCE by employees (+€85,000).*

### 3.5. Explanatory note to the consolidated statements of cash flows

Detail of the changes in working capital	June 30, 2020	June 30, 2019 Adjusted (1)
Trade receivables (net of impairment of trade receivables)	-1 522	-1 346
Other receivables	-4 301	2 450
Trade payables	9 462	-1 233
Tax and social security liabilities	-514	39
Contract liabilities	897	2 833
Total changes in working capital	4 022	2 742

- (1) *This interim financial information has been prepared applying the accounting policy reported in the annual 2019 consolidated financial statements with respect to the revenue recognition of the Sumitomo agreement under IFRS 15 (see note 26).*

### 3.6. Notes to the consolidated financial statements

#### Note 1: General information about the Group

The accompanying condensed consolidated financial statements for the period from January 1<sup>st</sup>, 2020 to June 30, 2020 (including comparative financial information for the period from January 1<sup>st</sup>, 2019 to June 30, 2019) and related notes, present the Group's activities.

##### **1.1. Information on the Group and its business**

Incorporated in March 2009 as a result of a Merck Serono spin-off of its anti-diabetic drug candidates portfolio, Poxel (hereinafter referred to as "Poxel" or the "Company", and together with its subsidiaries, referred to as the "Group") is a French joint stock company (société anonyme) governed by French law and has its registered office located at 259/261 Avenue Jean Jaurès, Immeuble le Sunway, 69007 Lyon, France (register Number at the company's house: 510 970 817 RCS de LYON). The Group is developing innovative and first in class molecules for the treatment of metabolic diseases, including type 2 diabetes and nonalcoholic steatohepatitis (NASH).

Except for the year in which it was incorporated and 2018, the Group has incurred losses each year. These losses result from internal and external research and development expenses, particularly related to the performance of numerous preclinical and clinical trials, mainly in the context of the development of Imeglimin. In October 2017, the Group signed a first strategic partnership agreement with Sumitomo Dainippon Pharma for the development and commercialization of Imeglimin, a drug candidate for the treatment of type 2 diabetes, in Japan, China and eleven other countries in Asia. A second strategic partnership was signed in February 2018 with Roivant Sciences for the development and commercialization of Imeglimin in the United States, Europe and other countries not covered by the agreement with Sumitomo Dainippon Pharma. On August 30, 2018, the Group signed a strategic agreement with DeuteRx for the acquisition of development and commercial rights on an innovative drug candidate in clinical development for the treatment of NASH, as well as other programs for the treatment of metabolic diseases.

The Group's future operations are highly dependent on a combination of factors, including: (i) the success of its research and development programs; (ii) the continuation of the partnership agreements entered into by the Group, (iii) securing regulatory approvals and market access of the Group's drug candidates; (iv) the timely and successful completion of additional funding initiatives; and (v) the development of competitive therapies by other biotechnology and pharmaceutical companies. As a result, the Group is and should continue, in the short to mid-term, to be financed through partnerships agreements for the development and commercialization of its drug candidates and through the issuance of new equity or debt instruments.

##### **1.2 Date of authorization of issuance**

The consolidated financial statements have been prepared under the responsibility of management of the Group and were approved and authorized for issuance by the board of directors on September 15, 2020.

#### Note 2: Basis of presentation and statements of compliance

Except for share and per share amounts, the consolidated financial statements are presented in thousands of euros. Amounts are rounded up or down the nearest whole number for the calculation of certain financial data and other information contained in these accounts. Accordingly, the total amounts presented in certain tables may not be the exact sum of the preceding figures.

## Statements of compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The general accounting conventions were applied in accordance with the underlying assumptions, namely (i) going concern, (ii) permanence of accounting methods from one year to the next and (iii) independence of financial years, and in conformity with the general rules for the preparation and presentation of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements for the period ended December 31, 2019.

The results of the operations are for the six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ended December 31, 2020 or for any other interim period or for any year in the future.

The interim consolidated financial statements have been prepared using the same accounting methods as those applied by the Group as of December 31, 2019 except for:

- Amendments to References to the Conceptual Framework in IFRS Standards issued on December 6, 2019;
- Amendments to IAS 1 and IAS 8: Definition of Material issued on December 10, 2019;
- Amendments to IAS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform issued on January 16, 2020;
- Amendments to IFRS 3: Business Combinations issued on April 22, 2020.

The above modifications had no impact on the interim consolidated financial statements.

Regarding IFRS 16, the Group has retained the methodology initially recommended by the French Accounting Standards Authority (Autorité des Normes Comptables) concerning the assessment of the lease term to be used for its French commercial leases. A subsequent analysis will be carried out in order to take into account the conclusions of the IFRS Interpretation Committee in November 2019 questioned by ESMA on the determination of the enforceable term of a lease.

## Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments, if any) measured at fair value
- defined benefit pension plans measured at fair value.

## Going concern

The assumption of going concern was used given the Group's financial position and liquidity to meet its financing needs for the next 12 months following the reporting date.

### **Use of judgments and estimates**

In order to prepare consolidated financial statements in accordance with IFRS, estimates, judgments and assumptions were made by the Group's management which could affect the reported amounts of assets, liabilities, contingent liabilities, income and expenses.

These estimates are based on the assumption of going concern and are prepared in accordance with information available at the date the consolidated financial statements were prepared. They are reviewed on an ongoing basis using past experience and various other factors considered to be reasonable as the basis to measure the carrying amount of assets and liabilities. Estimates may be revised due to changes in the underlying circumstances or subsequent to new information. Actual results may differ significantly from these estimates in line with assumptions or different conditions.

The main judgments and estimates made by the Management and the main assumptions used are the same as those applied in the development of the consolidated financial statements as of 31 December 2019.

### **Changes in accounting policies**

The six-month periods ended June 30, 2019 and June 30, 2020 condensed consolidated financial statements have been prepared applying the change in accounting policy reported in the 2019 consolidated financial statements and related to the allocation of the transaction price applicable to the Sumitomo agreement under IFRS 15 (please refer to Note 26).

### **Note 3: Consolidation scope**

The condensed consolidated financial statements include the accounts of the subsidiaries in which the Group holds, directly or indirectly, sole control. The Group considers that it has exclusive control over an entity when it has the ability to govern the entity's operational and financial policies in order to obtain economic benefits.

The full consolidation method takes into account, after elimination of internal operations and results, all the assets, liabilities, and income statements items of the Companies concerned, the share of the results and shareholders' equity attributable to the Group Companies (Share of the Group) being distinguished from that relating to the interests of the other shareholders (non-controlling interests). All significant transactions between the Consolidated Companies as well as the internal results of the consolidated group (including dividends) are eliminated.

Intra-group transactions and balances are eliminated. The financial statements of the subsidiary are prepared over the same reference period as those of the parent company, based on consistent accounting methods.

At the date of publication of these consolidated financial statements, the Group does own two wholly owned subsidiaries consolidated using the full consolidation method:

Company name	Country	Consolidation Method		% control / % interest	
		As of December 31, 2019	June 30, 2020	As of December 31, 2019	June 30, 2020
POXEL S.A.	France		-		-
POXEL JAPAN	Japan	FC	FC	100%	100%
POXEL INC	USA	FC	FC	100%	100%

FC: full consolidation

#### Note 4: Significant events

##### 4.1: Period ended June 30, 2020

##### **Increase in capital**

On May 25, 2020, the Group announced a raise of €17.7 million and issued 2,358,483 ordinary share with a par value of €0.02, at a price of €7.50 per share, including share premium, for a total subscribed amount of €17,688,622.50, representing approximately 9.04% of the share capital of the Company.

In addition, the Group issued 1,768,861 warrants with a five-year term attached to the new shares representing a total of 75% coverage on the new share issuance, representing 1,768,861 potential additional new ordinary shares and 5.93% of the Company's outstanding fully diluted share capital. The strike price of the warrants shall be equal to €10.03.

##### *Free shares and BSPCE*

In January 2020:

- an employee exercised 500 BSPCE corresponding to 10,000 ordinary shares at a strike price of €2.5, representing a capital increase of €200 with a share premium of €24,800;
- an employee exercised 1,666 BSPCE corresponding to 1,666 ordinary shares at a strike price of €7.26, representing a capital increase of €33 with a share premium of €12,062.

On January 29, 2020, the Group noted the definitive allocation of 26,611 free shares, representing a capital increase of €532, taken from the reserves.

In May 2020, an employee exercised 1,000 BSPCE corresponding to 20,000 ordinary shares at a strike price of €2.5, representing a capital increase of €400 with a share premium of €49,600;

Accordingly, the share capital is €569,430.76 at June 30, 2020, divided in 28,471,523 shares of €0.02 of nominal value.

##### **IPF Financing**

In November 2019, the Group entered into a Subscription Agreement with IPF Partners to secure additional funding in the form of three separate bond tranches up to a total borrowing amount of €30 million and related warrants to purchase up to €4.5 million of our ordinary shares. In November 2019,



the Group borrowed €6.5 million under the first tranche and issued warrants to purchase 264,587 ordinary shares with an exercise price of €7.37.

In March 2020, the Group borrowed €10.0 million under the second tranche of IPF Venture Loan (see note 14.1) and issued warrants to purchase 209,967 ordinary shares with an exercise price of €7.14.

### **Composition of the Board of directors**

In the course of the six-months period ended June 30, 2020, the composition of the Board of Directors changed as follows:

- On February 17, Mr. Thibaut Roulon and BpiFrance Investissement represented by Mr. Olivier Martinez resigned from their position as Board observers,
- On June 24, the mandates of Mr. Thomas Kuhn, Mr. Khoso Baluch, Mrs. Pascale Boissel and Mrs. Kumi Sato as Board members and of BpiFrance Participations represented by Mr. Laurent Higuieret as Board observer were renewed for a three-year term,
- On June 24, the mandates of Mr. Thierry Hercend as Board member and of Andera Partners represented by Mr. Raphaël Wisniewski as Board observer were not renewed and ended after the ordinary general assembly meeting ruling on the financial statements for the financial year ended on December 31, 2019.

### **Sumitomo agreement – Recognition of the Imeglimin J-NDA milestone**

Poxel is entitled to receive a JPY 500 million (EUR 4.1 million) milestone payment from Sumitomo Dainippon Pharma upon submission of the Imeglimin J-NDA. Based on the analysis of the new factors identified at June 30, 2020, the management considered the J-NDA submission for Imeglimin in Japan as highly probable. The Group therefore fully recognized the related milestone event amount as revenue at June 30, 2020.

### **COVID-19 outbreak**

In the context of the COVID-19 outbreak, which was declared a pandemic by the World Health Organization (WHO) on March 12, 2020, the Group is regularly reviewing the impact of the outbreak on its business.

Based on this review, and as of the date of this report, the Group has identified one significant impact of the COVID-19 outbreak related to the initiation of the Phase 2 study enrollment for its drug candidate, PXL065, which the Group initially planned during the second quarter of 2020 and eventually initiated on September 2<sup>nd</sup> 2020.

As of the date of this report, and based on publicly available information, the Group has not identified the occurrence of other material negative effects on its business due to the COVID-19 pandemic. However, the Group anticipates that the COVID-19 pandemic could have further material negative impact on its business operations. The worldwide impact of COVID-19 may notably affect the Group's internal organization and efficiency, particularly in countries where it operates and where confinement measures are implemented by the authorities. In addition, COVID-19 may impact market conditions and the Group's ability to seek additional funding or enter into partnerships. Particularly, delays in the supply of drug substance or drug products, in the initiation or the timing of results of preclinical and/or clinical trials, as well as delays linked to the responsiveness of regulatory authorities could occur, which could potentially have an impact on the Group's development programs and partnered programs. The Group will continue to proactively monitor the situation.

#### 4.2: Post-closing event

##### **Submission of Imeglimin Japanese New Drug Application for the Treatment of Type 2 Diabetes by Sumitomo Dainippon Pharma**

On July 30, 2020, the Group announced the Submission of Imeglimin Japanese New Drug Application for the Treatment of Type 2 Diabetes by Sumitomo Dainippon Pharma. This J-NDA submission triggered a ¥ 500 million (€ 4,1 million) development milestone payment to the Group, that was paid on September 1<sup>st</sup>.

##### **Note 5: Segment information**

The Group operates in one segment: the development of innovative molecules for the treatment of metabolic diseases, in particular type 2 diabetes and non-alcoholic steatohepatitis (NASH).

Poxel SA has a subsidiary in Japan since 2018, and a subsidiary in the USA since 2019, which have, with the exception of personnel expenses, no significant activity at closing. Thus, most of the assets and operating income presented are located in France. The Group's performance is currently assessed at the consolidated level.

For the six months ended June 30, 2020 and 2019, 99% of the Group's revenues come from Sumitomo Dainippon Pharma.

**Note 6: Intangible assets**

<b>GROSS VALUE</b> <b>(Amount in K€)</b>	<b>Software</b>	<b>In-process research and development</b>	<b>In process other intangible assets</b>	<b>Total</b>
<b>Statement of financial position at December 31, 2018</b>	<b>9</b>	<b>16 572</b>		<b>16 580</b>
Capitalisation of development costs				
Acquisition	3			<b>3</b>
Disposal				
Transfer				
<b>Statement of financial position at June 30, 2019 - Adjusted</b>	<b>11</b>	<b>16 572</b>		<b>16 583</b>
<b>Statement of financial position at December 31, 2019</b>	<b>13</b>	<b>16 572</b>	<b>36</b>	<b>16 621</b>
Capitalisation of development costs				
Acquisition			33	<b>33</b>
Disposal				
Transfer	36		-36	
<b>Statement of financial position at June 30, 2020</b>	<b>49</b>	<b>16 572</b>	<b>33</b>	<b>16 654</b>
<b>AMORTISATIONS</b>				
<b>Statement of financial position at December 31, 2018</b>	<b>4</b>			<b>4</b>
Increase	1			<b>1</b>
Reduction				
<b>Statement of financial position at June 30, 2019 - Adjusted</b>	<b>5</b>			<b>5</b>
<b>Statement of financial position at December 31, 2019</b>	<b>7</b>			<b>7</b>
Increase	6			<b>6</b>
Reduction				
<b>Statement of financial position at June 30, 2020</b>	<b>13</b>			<b>13</b>
<b>NET BOOK VALUES</b>				
<b>As of December 31, 2018</b>	<b>5</b>	<b>16 572</b>		<b>16 577</b>
<b>As of June 30, 2019 - Adjusted</b>	<b>6</b>	<b>16 572</b>		<b>16 578</b>
<b>As of December 31, 2019</b>	<b>6</b>	<b>16 572</b>	<b>36</b>	<b>16 614</b>
<b>As of June 30, 2020</b>	<b>36</b>	<b>16 572</b>	<b>33</b>	<b>16 641</b>

Due to the COVID-19 outbreak, the Group has identified one significant event related to the initiation of the Phase 2 study enrollment for its drug candidate, PXL065, (that is part of the DeuteRx portfolio acquired in 2018 and reported in intangible asset), which the Company initially planned during the second quarter of 2020 and is now anticipated in the second half of 2020.

The PXL065 development and commercial model has been revised accordingly. The updated impairment tests did not lead to the recognition of any impairment in the financial years presented. As part of the sensitivity tests (increase/decrease of the Probabilities of Success rate +/- 2%, changes in sales +/- 5%, increase/decrease of the discount rate +/-1%), the group has not identified any change in key assumptions that could lead to an impairment, as the net present value of the cash flows related to the DeuteRx intangible asset is higher than the carrying amount of the assets related to the project. The main assumptions retained are :

- A discount rate amounting to 11%;
- A cash-flow projection of 13 years (no terminal value was considered in the impairment test) which relies on :
  - o Long-term forecasts
  - o Probabilities of success from Phase 2 to Marketing approval

The amortization of intangible assets related to the license will commence upon generating economic benefits.

Due to the risks and uncertainties associated with the research and development process, the six capital criteria are not considered fulfilled for any of the ongoing development projects. Consequently, all costs incurred by the Group are expensed.

### Note 7: Property, Plant & Equipment

GROSS VALUE (amounts in K€)	Property	Installation and fixtures	Computer hardware	Furniture	Total	Including right of use
<b>Statement of financial position at December 31, 2018</b>		<b>239</b>	<b>125</b>	<b>103</b>	<b>467</b>	
Impact of the 1st application of IFRS 16	1 698	3		8	1 709	1 709
Acquisition	43	13	10	28	94	43
Disposal						
Transfer						
<b>Statement of financial position at June 30, 2019 - Adjusted</b>	<b>1 741</b>	<b>254</b>	<b>135</b>	<b>139</b>	<b>2 269</b>	<b>1 752</b>
<b>Statement of financial position at December 31, 2019</b>	<b>2 363</b>	<b>254</b>	<b>156</b>	<b>142</b>	<b>2 914</b>	<b>2 374</b>
Acquisition	180	123	9	75	387	207
Disposal						
Transfer						
<b>Statement of financial position at June 30, 2020</b>	<b>2 543</b>	<b>377</b>	<b>164</b>	<b>217</b>	<b>3 301</b>	<b>2 581</b>
<b>AMORTIZATION</b>						
<b>Statement of financial position at December 31, 2018</b>		<b>47</b>	<b>81</b>	<b>43</b>	<b>170</b>	
Increase	159	14	22	1	196	159
Reduction						
<b>Statement of financial position at June 30, 2019 - Adjusted</b>	<b>159</b>	<b>61</b>	<b>102</b>	<b>44</b>	<b>366</b>	<b>159</b>
<b>Statement of financial position at December 31, 2019</b>	<b>335</b>	<b>77</b>	<b>109</b>	<b>71</b>	<b>591</b>	<b>343</b>
Increase	219	17	15	17	268	222
Reduction						
<b>Statement of financial position at June 30, 2020</b>	<b>554</b>	<b>94</b>	<b>124</b>	<b>88</b>	<b>859</b>	<b>565</b>
<b>NET BOOK VALUES</b>						
<b>As of December 31, 2018</b>		<b>192</b>	<b>44</b>	<b>60</b>	<b>296</b>	
<b>As of June 30, 2019 - Adjusted</b>	<b>1 581</b>	<b>193</b>	<b>33</b>	<b>96</b>	<b>1 903</b>	<b>1 592</b>
<b>As of December 31, 2019</b>	<b>2 028</b>	<b>177</b>	<b>47</b>	<b>71</b>	<b>2 323</b>	<b>2 031</b>
<b>As of June 30, 2020</b>	<b>1 990</b>	<b>283</b>	<b>41</b>	<b>129</b>	<b>2 442</b>	<b>2 016</b>

There has been no recognition of impairment loss in application of IAS 36 over the presented periods.

### Note 8: Other non-current financial assets

Non-current financial assets consist of:

OTHER NON CURRENT FINANCIAL ASSETS (Amount in K€)	June 30, 2020	Dec 31, 2019
Equity part of the liquidity contract	105	356
Deposits related to simple leases	130	121
<b>Total other non-current financial assets</b>	<b>234</b>	<b>477</b>

**Note 9: Trade and other receivables**

Trade receivables (€5,071 thousand in 2020 compared with €6,593 thousand in 2019) correspond to:

- €4,144 thousands receivables, corresponding to a JPY 500 million (EUR 4.1 million) milestone payment from Sumitomo Dainippon Pharma that Poxel is entitled to receive upon submission of the Imeglimin J-NDA.
- €914 thousand as compared to € 6,519 thousand at December 31, 2019, corresponding to research expenses costs incurred as part of Imeglimin phase 3 TIMES program in Japan, re-invoiced to Sumitomo Dainippon Pharma, the amount of which is reported according to the program completion rate.

Other receivables break down as follows:

<b>OTHER RECEIVABLES</b> <b>(Amount in K€)</b>	<b>June 30,</b> <b>2020</b>	<b>Dec 31, 2019</b>
Research tax credit	1 500	4 372
Value added tax, or VAT	743	933
Debtor suppliers	1 024	1 682
Prepaid expenses	531	898
Other tax receivables	806	800
Credit notes	186	397
Other	16	25
<b>Total other receivables</b>	<b>4 806</b>	<b>9 107</b>

All other current assets have a maturity of less than one year.

At June 30, 2020, the Research tax credit receivable is estimated on the basis of the research incurred at that date and eligible for the research tax credit.

Prepaid expenses relate to current expenses.

**Note 10: Cash and cash equivalents**

Cash and cash equivalents are presented below:

<b>CASH AND CASH EQUIVALENTS</b> <b>(Amount in K€)</b>	<b>June 30, 2020</b>	<b>Dec 31, 2019</b>
Bank accounts (cash at hand)	26 122	18 161
Term deposits	19 846	19 026
<b>Total cash and cash equivalents</b>	<b>45 968</b>	<b>37 187</b>

Cash and cash equivalents net of financial liabilities (see note 14) amounted to €28,957 thousand at June 30, 2020 and €27,446 thousand at December 31, 2019.

**Note 11: Financial assets and liabilities and effects on income**

The Group's assets and liabilities are valued as follows for each year:

(Amounts in K€)	June 30, 2020				
	Value of the statement of financial situation	Fair Value (3)	Fair value through profit and loss	Loans and receivables (1)	Debts at amortized cost (2)
Non-current financial assets	234	234		234	
Clients and related accounts	5 071	5 071		5 071	
Other receivables	4 806	4 806		4 806	
Cash and cash equivalents	45 968	45 968	45 968		
<b>Total financial assets</b>	<b>56 080</b>	<b>56 080</b>	<b>45 968</b>	<b>10 111</b>	
Current financial liabilities	1 131	1 131			1 131
Derivative liabilities	965	965	965		
Non-current financial liabilities	16 820	16 820			16 820
Suppliers debts and related accounts	6 944	6 944			6 944
<b>Total financial liabilities</b>	<b>25 860</b>	<b>25 860</b>	<b>965</b>		<b>24 895</b>

(Amounts in K€)	Dec 31, 2019				
	Value of the statement of financial situation	Fair Value (3)	Fair value through profit and loss	Loans and receivables (1)	Debts at amortized cost (2)
Non-current financial assets	477	477		477	
Clients and related accounts	6 593	6 593		6 593	
Other receivables	9 107	9 107		9 107	
Cash and cash equivalents	37 187	37 187	37 187		
<b>Total financial assets</b>	<b>53 365</b>	<b>53 365</b>	<b>37 187</b>	<b>16 178</b>	
Current financial liabilities	8 941	8 941			8 941
Derivative liabilities	1 766	1 766	1 766		
Non-current financial liabilities	1 842	1 842			1 842
Suppliers debts and related accounts	16 406	16 406			16 406
<b>Total financial liabilities</b>	<b>28 955</b>	<b>28 955</b>	<b>1 766</b>		<b>27 188</b>

(1) The fair value of "loans and receivables" corresponds to the value reported in the statements of financial position (value at the transaction date and then tested for impairment on each reporting date).

(2) The carrying amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.

(3) The fair value of financial assets held for trading (such as cash at hand and money market funds in cash and cash equivalents) is determined based on Level 1 fair value measurements and corresponds to the market value of the assets.

**Note 12: Capital****Share capital issued**

Share capital is set at €569,430.46 divided into 28,471,523 ordinary shares with a nominal value of €0.02 each, fully paid up after taking account changes in the capital in the first half of 2020.

The changes to the capital during the first half of 2020 are described in Note 4.

## Distribution of dividends

The Group did not distribute any dividend for any of the periods presented.

## Note 13: Share based payment

The Group has issued share warrants, or BSAs, founder's share warrants, or BSPCEs, Stock Options or SO and performance shares.

### Share warrants (Bons de souscription d'actions, or BSAs)

The following table summarizes the data relating to share warrants as well as the assumptions used for the measurement thereof in accordance with IFRS 2:

Grant date	Type	Number of warrants issued	Number of lapsed warrants	Number of warrants exercised	Number of warrants outstanding	Maximum number of shares to be issued	Underlying assumptions used for the measurement of the compensation expense							
							Fair value of the underlying share (1)	Fair value of the warrants (1)	Expected term	Strike price (in €) (1) (2)	Duration	Volatility	Risk-free rate	IFRS 2 valuation at inception
July 5, 2010	BSA administrateurs	4 500	0	4 500	0	0	3,33 €	1,50 €	5 years	3,33 €	10 years	45%	3,5%	135
Feb 20, 2013	BSA 31/10/2012	2 500	0	0	2 500	50 000	4,23 €	2,04 €	5 years	4,00 €	10 years	52%	2,2%	72
March 12, 2014	BSA 31/10/2012	2 500	0	0	2 500	50 000	8,00 €	5,16 €	4,5 years	4,00 €	10 years	55%	1,8%	228
Jan 8, 2015	BSA 25-07-2014	42 500	0	0	42 500	42 500	8,20 €	5,16 €	6 years	4,00 €	10 years	57%	0,0%	219
April 29, 2015	BSA 16-06-2015	42 500	0	0	42 500	42 500	13,57 €	6,77 €	6 years	9,37 €	10 years	57%	0,0%	288
May 7, 2015	BSA 16-06-2015	240 000	0	0	240 000	240 000	13,57 €	6,46 €	6 years	9,62 €	10 years	57%	0,1%	1 551
Jan 29, 2016	BSA 29-01-2016	42 500	0	0	42 500	42 500	9,07 €	2,84 €	6 years	9,05 €	10 years	53%	0,2%	121
Jan 29, 2016	BSA 29-01-2016	42 500	0	0	42 500	42 500	9,07 €	2,84 €	6 years	9,05 €	10 years	53%	0,2%	121
March 31, 2016	BSA 29-01-2016	42 500	0	0	42 500	42 500	12,23 €	5,19 €	6 years	9,26 €	10 years	53%	0,0%	220
Jan 27, 2017	BSA 27-01-2017	62 500	0	0	62 500	62 500	6,76 €	2,66 €	5,5 years	7,17 €	10 years	53%	0,0%	166
June 30, 2017	BSA 30-06-2017	25 000	0	0	25 000	25 000	6,61 €	2,64 €	5,5 years	6,90 €	10 years	53%	0,0%	66
Jan 25, 2018	BSA 2018	90 000	0	0	90 000	90 000	6,74 €	2,84 €	5,5 years	6,80 €	10 years	53%	0,1%	256
Jan 24, 2019	BSA 2019	120 000	0	0	120 000	120 000	5,16 €	0,00 €	5,5 years	5,16 €	10 years	53%	0,0%	
Feb 14, 2020	BSA 2020	120 000	0	0	120 000	120 000	10,38 €	0,00 €	6 years	10,77 €	10 years	44%	0,0%	
<b>At June 30, 2020</b>		<b>879 500</b>	<b>0</b>	<b>4 500</b>	<b>875 000</b>	<b>970 000</b>								

The warrants issued before the division of the nominal by 20, effective in March 2014, are convertible to 20 ordinary shares. Consequently, the underlying fair value, the fair value of the warrant and the exercise price have been adjusted accordingly.

The exercise price of the rights attributed after the listing on the stock market is based on the average share price during the 20 days before attribution.

Warrants issued between 2010 and 2019 are fully vested at June 30, 2020.

Exercise rights for warrants issued in January 2020 are immediately vested.

The exercise of the warrants issued is not subject to a performance condition. It is subject to a condition of presence.

All BSA have been fully subscribed except for the BSA 2019 and BSA 2020 which have a subscription period of 10 years from the grant date. These plans are qualified as "equity settled". The Group does not commit to repurchase these instruments from beneficiaries in the event of departure or in the case of non-occurrence of a particular event.

## Stock-options

The following table summarizes the data relating to option plans issued as well as the assumptions used for the measurement thereof in accordance with IFRS 2:

							Underlying assumptions used for the measurement of the compensation expense							
Grant date	Type	Number of stock-options issued	Number of lapsed stock-options	Number of stock-options exercised	Number of stock-options outstanding	Maximum number of shares to be issued	Fair value of the underlying share	Fair value of the stock-options	Expected term	Strike price (in €)	Duration	Volatility	Risk-free rate	IFRS 2 valuation at inception
March 31, 2016	Stock Options	80 000	0	0	80 000	80 000	12,55 €	5,88 €	5,5 ans	12,55 €	10 years	53%	0,0%	47
Nov 23, 2016	Stock Options	150 000	0	0	150 000	150 000	6,47 €	3,15 €	6 years	6,47 €	10 years	53%	0,0%	47
Jan 27, 2017	Stock Options	12 500	0	0	12 500	12 500	6,76 €	3,15 €	5,5 years	6,76 €	10 years	53%	0,0%	3
Jan 27, 2017	Stock Options	185 000	61 679	123 321	0	0	6,76 €	3,27 €	6 years	6,76 €	10 years	53%	0,0%	60
June 30, 2017	Stock Options	97 500	7 500	0	90 000	90 000	6,61 €	3,20 €	6 years	6,61 €	10 years	53%	0,0%	31
Jan 25, 2018	Stock Options	215 000	43 335	16 665	155 000	155 000	6,74 €	3,27 €	6 years	6,79 €	10 years	53%	0,2%	67
Sept 27, 2018	Stock Options 2018-2	130 000	0	0	130 000	130 000	6,82 €	3,31 €	6 years	6,82 €	10 years	53%	0,1%	43
Jan 24, 2019	Stock option	40 000	0	0	40 000	40 000	5,16 €	2,40 €	5,5 years	5,16 €	10 years	53%	0,0%	9
November 4, 2019	Stock option	70 000	70 000	0	0	0	7,55 €	3,60 €	6 years	7,76 €	10 years	53%	0,0%	25
November 18, 2019	Stock option	257 500	105 000	0	152 500	152 500	7,55 €	3,66 €	6 years	7,04 €	10 years	53%	0,0%	55
Feb 14, 2020	Stock option 2020-1	40 000	0	0	40 000	40 000	10,38 €	4,25 €	6 years	10,26 €	10 years	44%	0,0%	17
Feb 14, 2020	Stock option 2020-2	230 000	15 000	0	215 000	215 000	10,38 €	4,25 €	6 years	10,26 €	10 years	44%	0,0%	97
Feb 14, 2020	Stock option 2020-3	150 000	0	0	150 000	150 000	10,38 €	4,25 €	6 years	10,26 €	10 years	44%	0,0%	63
At June 30, 2020		1 657 500	302 514	139 986	1 215 000	1 215 000								

Stock options issued in 2016 and 2017 are fully vested at June 30, 2020.

Exercise rights for stock options issued in January 2018, 2019 and 2020 are vested:

- annually by third for stock options granted in 2018 and 2019.
- on the first anniversary date of the grant for stock options granted by the Board of Directors on January 2019.
- immediately for the stock-options 2020-1
- annually by third for the stock options 2020-2 and 2020-3.

The exercise of the stock-options issued is subject to a presence condition.

These plans are qualified as “equity settled”. The Group does not commit to repurchase these instruments from beneficiaries in the event of departure or in the case of non-occurrence of a particular event.

## Founder's Share warrants (Bons de souscription de parts de créateur d'entreprise, or BSPCEs)

The following table summarizes the data relating to the founder's share warrants as well as the assumptions used for the measurement thereof in accordance with IFRS 2:

							Underlying assumptions used for the measurement of the compensation expense							
Grant date	Type	Number of warrants issued	Number of lapsed warrants	Number of warrants exercised	Number of warrants outstanding	Maximum number of shares to be issued	Fair value of the underlying share (1)	Fair value of the warrants (1)	Expected term	Strike price (in €) (1)	Duration	Volatility	Risk-free rate	IFRS 2 valuation at inception
June 20, 2010	BCE 10-06-2010-1	5 000	2 750	2 250	0	0	3,33 €	1,77 €	5 ans	2,50 €	10 years	45%	3,5%	177
Dec 17, 2010	BCE 10-06-2010-2	3 000	0	3 000	0	0	3,33 €	1,72 €	4,5 ans	2,50 €	10 years	45%	3,73%	103
Sept 20, 2011	BCE 10-06-2010-2	1 500	0	1 500	0	0	3,74 €	2,00 €	3,5 ans	2,50 €	10 years	50%	4,0%	60
March 12, 2014	BCE 31-10-2012	5 000	0	2 300	2 700	54 000	8,00 €	5,58 €	4,5 ans	3,20 €	10 years	55%	1,80%	558
July 29, 2016	BSPCE 29-07-2016	45 000	45 000	0	0	0	7,53 €	3,30 €	5,5 years	8,45 €	10 years	53%	0,00%	99
March 31, 2017	BSPCE 31-03-2017	100 000	0	0	100 000	100 000	6,76 €	2,63 €	6 years	5,91 €	10 years	53%	0,00%	263
June 30, 2017	BSPCE 2017-2	177 500	15 000	1 666	160 834	160 834	6,61 €	3,04 €	6 years	7,26 €	10 years	53%	0,00%	532
Sept 21, 2017	BSPCE 2017-3	15 000	0	0	15 000	15 000	5,76 €	2,72 €	6 years	6,01 €	10 years	53%	0,0%	41
At June 30, 2020		352 000	62 750	10 716	278 534	329 834								

The warrants issued before the division of the nominal by 20, effective in March 2014, are convertible to 20 ordinary shares. Consequently, the underlying fair value, the fair value of the warrant and the exercise price have been adjusted in order to take this into account.

The exercise price for the rights attributed after the listing on the stock market is based on the mean share price during 20 days before the award.

The exercise rights for all founder's share warrants are acquired annually on the grant date in increments of one-third. The exercise of founder's share warrants is not subject to performance conditions. However, there is a service condition under which the beneficiary must still be an employee or director of the Group. These plans are qualified as “equity settled” under IFRS 2. The Group does not have an obligation to purchase these instruments from employees in the event of departure or if a specific event does not occur.



## Performance shares

Grant date	Type	Number of performance shares issued	Number of lapsed performance shares	Number of performance shares exercised	Number of performance shares outstanding	Maximum number of shares to be issued	Performance share value
Jan 25, 2018	Performance shares	126 500	35 791	50 761	39 948	39 948	6,74 €
Jan 24, 2019	Performance shares	240 000	12 500	0	227 500	227 500	5,16 €
June 20, 2019	Performance shares	3 600	0	0	3 600	3 600	5,00 €
September 25, 2019	Performance shares	65 000	0	0	65 000	65 000	7,76 €
January 29, 2020	Performance shares	370 000	3 500	0	366 500	366 500	10,84 €
<b>At June 30, 2020</b>		<b>805 100</b>	<b>51 791</b>	<b>50 761</b>	<b>702 548</b>	<b>702 548</b>	

On January 25, 2018, the Board of Directors awarded 126,500 performance shares to employees.

On January 24, 2019, June 20, 2019 and September 25, 2019, the Board of Directors were respectively awarded 240,000, 3,600 and 65,000 performance shares to employees.

On January 29, 2020, the Board of Directors awarded 370,000 performance shares to employees.

For January 2018 and 2019 plans and June 2019 plan, the definitive allocation of performance shares is defined and carried out annually, by one-third on each anniversary date of the award. Each annual tranche is subject to a condition of presence and three performance conditions, each of which conditions the obtaining of one third of the annual tranche:

- two annual performance conditions not linked to market conditions, such that the total number of shares delivered will depend on the level of achievement of the conditions for each year. For each of these conditions, the probability to achieve the objective has been estimated by management. The expense recognized as such in 2019 and 2020 was based on the number of performance shares expected to be definitively granted by the Group. This figure has been defined on the basis of the management estimate.
- an annual performance condition linked to market conditions and reflected in the fair value measurement.

For September 2019 plan, the definitive allocation of performance shares is defined through three tranches. The first one is based on a presence condition and vested on three years. The second one depends on three performance conditions, for which the probability to achieve the objective has been estimated by management. The third one is based on an annual performance condition linked to market conditions and reflected in the fair value measurement.

For January 2020 plan, the definitive allocation of performance shares is defined through three tranches:

- two tranches with annual performance conditions not linked to market conditions, such that the total number of shares delivered will depend on the level of achievement of these conditions. For each of these conditions, the probability to achieve the objective has been estimated by management. The expense recognized as such in 2020 is based on the number of performance shares expected to be definitively granted by the Group. This figure has been defined on the basis of the management estimate.
- one tranche an annual performance condition linked to market conditions and reflected in the fair value measurement.

The Board of 29 January 2020 modified the performance conditions attached to 2020 of the January 2018 plan and to 2020 and 2021 of the January and June 2019 plans, aligning them with the terms of

the 2020 plan. In accordance with IFRS 2.27 B43, this amendment increases the fair value of the equity instruments granted, its effects result in the recognition of the fair value incremental, equal to the difference between the fair value of the modified equity instrument and the fair value of the original equity instrument, both measured at the date of amendment of the transaction.

For these 5 plans, the fair value of the options subject to the market conditions was determined using the Monte Carlo model. The valuation methods used to estimate the fair value of the performance shares are specified below:

- the price of the share used is equal to the share price on the grant date (except for the estimate of the incremental fair value of 2018 and 2019 plan described above);
- the risk-free rate is determined from the average life of the instruments;
- the volatility was determined on the basis of a sample of listed companies in the biotechnology sector, on the instrument's subscription date and over a period equivalent to the life of the option.

These plans are qualified as “equity settled”. The Group does not commit to repurchase these instruments from employees in the event of departure or in the case of non-occurrence of a particular event.

#### Breakdown of the compensation expenses accounted for under IFRS 2 for the period ended June 30, 2019 and 2020

Share warrants (Bons de Souscription d'Actions, or BSAs)	Number of warrants outstanding	IFRS 2 valuation at inception	Cumulated expense as of the period ended Dec 31, 2018	Expense related to the period ended June 30, 2019	Cumulated expense as of the period ended June 30, 2019	Expense related to the period ended June 30, 2020	Cumulated expense as of the period ended June 30, 2020
BSA directors	0	135	135		135		135
BSA 31/10/2012	2 500	72	72		72		72
BSA 31/10/2012	2 500	228	228		228		228
BSA 25-07-2014	42 500	219	219		219		219
BSA 16-06-2015	42 500	288	288		288		288
BSA 16-06-2015	240 000	1 551	1 551		1 551		1 551
BSA 29-01-2016	42 500	121	120	1	121		121
BSA 29-01-2016	42 500	121	120	1	121		121
BSA 29-01-2016	42 500	220	214	6	220		220
BSA 27-01-2017	62 500	166	166		166		166
BSA 30-06-2017	25 000	66	66		66		66
BSA 2018	90 000	256	234	20	256		256
BSA 2019	120 000						
BSA 2020	120 000						
<b>Total - BSA</b>	<b>875 000</b>	<b>3 443</b>	<b>3 413</b>	<b>28</b>	<b>3 443</b>		<b>3 443</b>

Founders share warrants (Bons de Souscription de Parts de Créateurs d'Entreprise, BSPCEs)	Number of warrants outstanding	IFRS 2 valuation at inception	Cumulated expense as of the period ended Dec 31, 2018	Expense related to the period ended June 30, 2019	Cumulated expense as of the period ended June 30, 2019	Expense related to the period ended June 30, 2020	Cumulated expense as of the period ended June 30, 2020
BCE 10-06-2010-1	0	177	177		177		177
BCE 10-06-2010-2	0	103	103		103		103
BCE 10-06-2010-2	0	60	60		60		60
BCE 31-10-2012	2 700	558	558		558		558
BSPCE 29-07-2016	0	99	99		99		99
BSPCE 31-03-2017	100 000	263	216	25	241		256
BSPCE 2017-2	160 834	532	393	73	466	29	524
BSPCE 2017-3	15 000	41	28	6	34	2	40
<b>Total - BSPCE</b>	<b>278 534</b>	<b>1 832</b>	<b>1 634</b>	<b>104</b>	<b>1 738</b>	<b>31</b>	<b>1 817</b>

Stock options	Number of warrants outstanding	IFRS 2 valuation at inception	Cumulated expense as of the period ended Dec 31, 2018	Expense related to the period ended June 30, 2019	Cumulated expense as of the period ended June 30, 2019	Expense related to the period ended June 30, 2020	Cumulated expense as of the period ended June 30, 2020
Stock Options	80 000	471	471		471		471
Stock Options	150 000	472	425	26	451		472
Stock Options	12 500	39	39		39		39
Stock Options	0	605	525	41	566		403
Stock Options	90 000	312	234	43	277	17	312
Stock Options	155 000	679	383	112	495	35	537
Stock Options 2018-2	130 000	430	68	131	199	59	353
Stock Options 2019	40 000	96		41	41	6	96
Stock Options 2019	152 500	558				243	303
Stock Options 2019	0	252				-26	
Stock Options 2020	40 000	170				170	170
Stock Options 2020	215 000	977				234	234
Stock Options 2020-2	150 000	637				163	163
<b>Total - Stock Options</b>	<b>1 215 000</b>	<b>5 698</b>	<b>2 146</b>	<b>394</b>	<b>2 540</b>	<b>902</b>	<b>3 554</b>

Performance shares	Number of performance shares outstanding	IFRS 2 valuation at inception	Cumulated expense as of the period ended Dec 31, 2018	Expense related to the period ended June 30, 2019	Cumulated expense as of the period ended June 30, 2019	Expense related to the period ended June 30, 2020	Cumulated expense as of the period ended June 30, 2020
Performance shares	39 948	474	291	87	378	36	487
Performance shares	227 500	664		129	129	156	432
Performance shares	3 600	13				3	6
Performance shares	65 000	449				105	157
Performance shares	366 500	2 611				547	547
<b>Total - Free shares</b>	<b>702 548</b>	<b>4 210</b>	<b>291</b>	<b>216</b>	<b>507</b>	<b>847</b>	<b>1 629</b>

Total IFRS 2:

	Number of warrants outstanding	IFRS 2 valuation at inception	Cumulated expense as of the period ended Dec 31, 2018	Expense related to the period ended June 30, 2019	Cumulated expense as of the period ended June 30, 2019	Expense related to the period ended June 30, 2020	Cumulated expense as of the period ended June 30, 2020
<b>Total IFRS 2</b>	<b>3 071 082</b>	<b>15 184</b>	<b>7 485</b>	<b>742</b>	<b>8 228</b>	<b>1 780</b>	<b>10 443</b>

The total share-based compensation expense amounts to €1,780 thousand (€708 thousand in “Research and development” and €1,072 thousand in “General and administrative expense,” respectively) for the period ended June 30, 2020, as compared to €742 thousand (€358 thousand in “Research and development” and €384 thousand in “General and administrative expense,” respectively) for the period ended June 30, 2019.

**Note 14: Loans and financial liabilities**

<b>LOANS AND FINANCIAL LIABILITIES</b> <b>(Amounts in K€)</b>	<b>June 30, 2020</b>	<b>Dec 31, 2019</b>
Repayable advances	63	62
IPF Financial debt	15 060	
Lease debt	1 697	1 780
<b>Financial liabilities - Non current portion</b>	<b>16 820</b>	<b>1 842</b>
Repayable advances	303	297
Loan US	117	
IPF debt	284	5 528
Lease debt	428	329
Derivative liabilities	965	1 766
Roivant contract		2 782
Agios		5
<b>Financial liabilities - Current portion</b>	<b>2 096</b>	<b>10 708</b>
<b>Total financial liabilities</b>	<b>18 916</b>	<b>12 549</b>

**Breakdown of financial liabilities by maturity**

The maturities of financial liabilities are presented below for 2019 and 2020:

<b>CURRENT AND NON CURRENT LIABILITIES</b> <b>(Amounts in K€)</b>	<b>June 30, 2020</b>			
	<b>Gross amount</b>	<b>Less than 1 year</b>	<b>From 1 to 5 years</b>	<b>Longer than 5 years</b>
IPF Financial debt	15 344	284	15 060	
US Loan	117	117		
Lease debt	2 125	428	1 360	336
Derivative liabilities	965	965		
Repayables advances	365	303	63	
<b>Total financial liabilities</b>	<b>18 916</b>	<b>2 096</b>	<b>16 483</b>	<b>336</b>

<b>CURRENT AND NON CURRENT LIABILITIES</b> <b>(Amounts in K€)</b>	<b>Dec 31, 2019</b>			
	<b>Gross amount</b>	<b>Less than 1 year</b>	<b>From 1 to 5 years</b>	<b>Longer than 5 years</b>
IPF Financial debt	5 528	5 528		
Roivant contract	2 782	2 782		
Lease debt	2 109	329	1 365	415
Derivative liabilities	1 766	1 766		
Repayables advances	359	297	62	
Agios	5	5		
<b>Total financial liabilities</b>	<b>12 549</b>	<b>10 707</b>	<b>1 427</b>	<b>415</b>

## 14.1 IPF Financial debt

(Amounts in K€)	IPF debt - Tranche A	IPF debt - Tranche B	Total IPF Debt
<b>As at December 31, 2019</b>	<b>5 528</b>		<b>5 528</b>
Increase		10 000	10 000
Derivative liability at inception date		-251	-251
Transaction costs		-150	-150
Capitalized interests	66	51	117
Cash interests	215	164	379
Effect of unwinding the discount	120	44	165
Interest paid	-280	-164	-444
<b>As at June 30, 2020</b>	<b>5 650</b>	<b>9 694</b>	<b>15 344</b>

In March 2020, the Group borrowed €10.0 million under the second tranche of IPF Venture Loan and issued warrants to purchase 209,967 ordinary shares with an exercise price of €7.14. The Group incurred €150 thousand of transaction costs of which legal and advisory fees. These fees were included in determining the amortization of the loan using the amortized cost method.

After taking into account the transaction costs and the discount related to the 2nd tranche warrants (€ 251 thousand), the effective interest rate of the bond is 9,97%.

As for Tranche A and as a result of the analysis of warrants under the provisions of IAS 32, no "equity" component was found, since the conversion formula depends on an adjustment mechanism based on share value. As a result, warrants are referred to as derivative liability recorded for their fair value on the date of issuance. Subsequently, at each closing, change in fair value is recognized through financial income/(loss).

The fair value of warrants was determined using the Black&Scholes model. The valuation methods used to estimate the fair value of the warrants are presented below:

- the share price is based on the closing quoted price of the ordinary shares;
- the risk-free rate is determined based on the yield on French government bonds over the term equal to the maturity of the warrants;
- the volatility is determined based on a sample of listed companies in the biotechnologies sector, at the subscription date of the instruments and over a period equal to the lifetime of the option.
- The main hypotheses are:
  - Expected term: 2.9 years.
  - Volatility: 43,5%
  - Risk-free rate: 0%

As of June 30, 2020:

- For Tranche A, the derivative liability amounted to €529 thousand as compared to €1,718 thousand as of December 31, 2019. The decrease in fair value over the period amounts to €1,189 thousand.
- For Tranche B, the derivative liability amounted to €436 thousand as compared to €251 thousand at the drawdown date. The change in fair value over the period amounts to €185 thousand.

Furthermore, the Company is subject to the following covenants at consolidated level:

- Gearing ratio: The Group should maintain a Gearing Ratio lower than 50%. The Gearing Ratio is measured by the ratio of total net debt (defined as total financial liabilities reduced by the aggregate amount of cash freely and immediately available) to the market capitalization value of the Group.
- Cash management: The Group should maintain a minimum cash position of the highest of ten million euros and the sum of the consolidated debt service of the Group and the amount of cash required to be spent by the Group as part of its operations, in each case for the following 6-month period.

A breach of any of those covenants would constitute an event of default. In such a situation, the debt would become immediately payable.

As of June 30, 2020, the Group was compliant with the covenants described above.

## 14.2 Repayable advances

The following table presents changes in conditional advances:

(Amounts in K€)	Imeglimin (New Formulation)
<b>As at December 31, 2018</b>	<b>577</b>
(+) Increase	
(-) Decrease	-98
Financial expenses	11
<b>As at June 30, 2019</b>	<b>490</b>
<b>As at December 31, 2019</b>	<b>359</b>
(+) Increase	
(-) Decrease	
Financial expenses	6
<b>As at June 30, 2020</b>	<b>365</b>

In March 2020, the Company was allowed by BpiFrance Financement to postpone for six months the repayable advance reimbursement due to the Covid-19 pandemic. Therefore, no payment was made on the first half of 2020.

**Breakdown of conditional advances and subsidies by maturity**

(Amounts in K€)	Imeglimin (New Formulation)
<b>As at June 30, 2020</b>	<b>365</b>
Portion less than 1 year	303
From 1 year to 5 years	63
Portion above 5 years	

(Amounts in K€)	Imeglimin (New Formulation)
<b>As at December 31, 2019</b>	<b>359</b>
Portion less than 1 year	297
From 1 year to 5 years	62
Portion above 5 years	

The Group did not obtain a new repayable advance in the first half of 2020 or received any additional payment in respect of existing advance.

**14.3 Lease debt**

(Amounts in K€)	Lease debt
<b>As at January 1st, 2019</b>	<b>1 709</b>
Increase	665
Decrease	-266
<b>As at December 31, 2019</b>	<b>2 109</b>

<b>As at December 31, 2019</b>	<b>2 109</b>
Increase	199
Decrease	-182
<b>As at June 30, 2020</b>	<b>2 125</b>

In 2020, the group leased additional space in Japan. The weighted average incremental borrowing rate applied by the Group to this contract was 2.5%.

#### 14.4 Obligation to participate in the financing of the Roivant's development program

(Amounts in K€)	Roivant Debt
<b>As at December 31, 2018</b>	<b>13 646</b>
Increase	
Repayment	-5 408
<b>As at June 30, 2019</b>	<b>8 238</b>
<b>As at December 31, 2019</b>	<b>2 782</b>
Increase	
Repayment	-2 782
<b>As at June 30, 2020</b>	

As regards the Roivant Sciences' contract, the Group received an initial payment of \$35 million and has also committed to contribute \$25 million to the financing of the development of Imeglimin in the United States and Europe. The portion of the initial payment that is counterpart to the obligation to participate in the financing of Roivant's development program has been treated as a financial liability, which was fully reimbursed in 2020 first half.

#### 14.5 Other financial debt

In May 2020, Poxel Inc received a loan as part of the "Paycheck Protection Program" amounting to \$131 thousand (€117 thousand). The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses in the context of the Covid-19 outbreak.

#### Note 15: Employee benefits

Employee benefits obligations include the provision for the defined benefit plan, measured based on the provisions stipulated under the applicable collective agreements, i.e., the French pharmaceutical industry's collective agreement. This commitment only applies to employees subject to French law.

The main actuarial assumptions used to measure the post-employment benefits are as follows:

Actuarial assumptions	June 30, 2020	Dec 31, 2019
Retirement age	Voluntary retirement at 65/67 years old	
Collective agreement	Pharmaceutical industry	
Discount Rate (IBoxx Corporates AA)	0,86%	0,77%
Mortality rate table	INSEE 2017	INSEE 2017
Salary increase rate	2%	2%
Turnover rate	Low	Low
Employee contribution rate	50%	50%



Changes in the projected benefit obligation for the periods presented were as follows:

<b>PROJECTED BENEFIT OBLIGATION</b> <b>Amounts in K€</b>	<b>Employee benefits</b>
<b>As at December 31, 2019</b>	<b>375</b>
Service cost	50
Interest cost	1
Actuarial gain and losses	66
<b>As at June 30, 2020</b>	<b>493</b>

#### Note 16: Provisions

##### **Non-current**

On June 30, 2020, the Group accrued for social contributions amounting to €150 thousands (compared to €94 thousands on December 31, 2019). These contributions relate to the performance shares awarded in 2019 and 2020. They will be payable upon their definitive acquisition.

##### **Current**

The Group may be involved in legal, administrative or regulatory proceedings in the normal course of its business. A provision is recorded by the Group as soon as it is probable that the outcome of the litigation will result in an expense for the Group.

On June 30, 2020, there are no provisions recognized.

#### Note 17: Suppliers and other current liabilities

##### **17.1. Trade payables**

<b>SUPPLIERS DEBT AND OTHER RELATED ACCOUNTS</b> <b>(Amounts in K€)</b>	<b>June 30, 2020</b>	<b>Dec 31, 2019</b>
Suppliers debts	3 111	10 223
Invoiced not received	3 832	6 183
<b>Total of supplier debts and related accounts</b>	<b>6 944</b>	<b>16 406</b>

No discount was applied to payables and related accounts since the amounts did not have a maturity over one year at the end of the current financial year.

## 17.2 Tax and employee-related payables

Tax and employee-related payables are presented below:

<b>TAX AND EMPLOYEE-RELATED PAYABLES</b> <b>(Amount in K€)</b>	<b>June 30, 2020</b>	<b>Dec 31, 2019</b>
Staff and related accounts	705	1 452
Social security and other social agencies	1 740	615
Other taxes, dues and similar contribution	189	54
<b>Total tax and employee-related and other current liabilities</b>	<b>2 634</b>	<b>2 120</b>

## 17.3. Contract liabilities

Contract liabilities are presented below:

<b>OTHER CURRENT LIABILITIES</b> <b>(Amount in K€)</b>	<b>June 30, 2020</b>	<b>Dec 31, 2019</b>
Deferred income - initial payment of the Sumitomo Contract	91	738
Other / Advances received	628	878
<b>Total of liabilities on contracts</b>	<b>719</b>	<b>1 616</b>

The deferred revenue relates to the initial payment received under the Sumitomo Dainippon Pharma contract, which is recognized according to the completion rate of the TIMES phase 3 program for Imeglimin in Japan (see note 18).

In 2019, the advances received corresponded to the re-invoicing to Sumitomo Dainippon Pharma of advances made by the Group to a CRO under the TIMES phase 3 program for Imeglimin in Japan. At June 30, 2020, these advances have been fully reimbursed. Other liabilities include the royalties that Merck Serono is entitled to receive as part the application of the agreement with Merck Serono to the Sumitomo partnership agreement.

## Note 18: Revenue

For the six-months period ending June 30, 2020:

<b>REVENUE</b> <b>(Amounts in K€)</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b> <b>Adjusted</b>
Sumitomo Contract	6 359	18 909
Other Contract	13	255
<b>Total turnover</b>	<b>6 372</b>	<b>19 164</b>

At June 30, 2019 and June 30, 2020, revenue was mainly related to the contract signed with Sumitomo Dainippon Pharma in 2017.

At June 30, 2020, revenue includes a portion of the EUR 36.0 million upfront payment received from Sumitomo Dainippon Pharma in 2017, as well as the residual Imeglimin Phase 3 program costs in Japan incurred during the first half of 2020 that were re-invoiced to Sumitomo Dainippon Pharma. Both the portion of the upfront payment and the re-invoiced costs of the Imeglimin Phase 3 program were

recognized based on the accounting percentage of completion of this program. Revenue also includes a JPY 500 million (EUR 4,144 million) milestone payment that Poxel is entitled to receive from Sumitomo Dainippon Pharma upon submission of the Imeglimin J-NDA, which has been completed on July 30, 2020 and recognized in Q2 2020 according to the IFRS15 accounting standard.

In addition to these license revenues, operating revenues also include the subsidies detailed in the table above, accounted as a credit to research and development expenses.

In the application of IFRS 15, the Group has made significant judgments in the following areas:

#### **Assessing whether the estimate of variable consideration should be constrained**

Under IFRS 15, the estimated amount of variable consideration should be included in the transaction price only to the extent that it is highly probable that a significant reversal of revenue will not occur when the contingency is subsequently resolved. The group is entitled to future development and regulatory milestone payments, which are contingent upon successful outcome of clinical trials and obtaining marketing approval from regulatory authorities. Except for the milestone payment from Sumitomo Dainippon Pharma which is due upon submission of the Imeglimin J-NDA, and considered as highly probable, and therefore fully recognized as revenue at June 30, 2020, the Group has considered that such future payments do not meet the highly probable threshold required by IFRS 15 and should therefore be excluded from the transaction price. This is because the contingency relates to factors that are outside of the Group's influence and historical experience has no predictive value.

Accordingly, only the submission of the Imeglimin J-NDA JPY 500 million (EUR 4.1 million) milestone payment from Sumitomo Dainippon Pharma has been recognized as revenue at June 30, 2020. No revenue has been accrued for the other contingent payments.

#### **Assessing whether variable consideration should be allocated to a single specific performance obligation**

A variable consideration should be allocated directly to a specific performance obligation if the variability relates to the entity's efforts in satisfying the specific performance obligation, or to a specific outcome from satisfying that performance obligation, and only if such an allocation is consistent with the overall allocation objective in the standard. We are entitled to reimbursement of external subcontracting costs incurred in providing the R&D service to Sumitomo. We have allocated such cost reimbursement entirely to the R&D service. We believe it is consistent with the overall allocation objective, after taking in account all fixed and variable consideration and all performance obligations in the contract.

#### **Estimating the standalone selling price of each performance obligation**

When a contract includes multiple performance obligations, the transaction price must be allocated to the performance in proportion to their respective standalone selling prices (except in the specific circumstances discussed above). The standalone selling price is the price at which the Group would have sold the asset or service in a separate transaction. For example, we have allocated the fixed portion of the Sumitomo transaction price (which includes the upfront payment) to the license and the service in proportion to their standalone selling prices. Such standalone selling prices are not directly observable and have been estimated as follows :

- For the service component, the standalone selling price is determined as the expected cost (including both internal and subcontracted costs) plus a margin consistent with what would be expected by an independent CRO for similar services (clinical trials).

- For the license component, the standalone service price is estimated using a discounted cash flow approach. Inputs in the DCF estimate include: probability of success of Phase III clinical trials and regulatory approval, drug product sales volumes and price, royalty rates, upfront payments and milestone payments, and discount rate. These inputs are corroborated by observable data, including: stock market analyst reports who disclosed assumptions used in performing a DCF valuation of our Asian franchise, independent survey of historical clinical development success rates, independent market study for Imeglimin drug, the terms of the agreement between Poxel and Roivant (which, as compared to the Sumitomo deal, is a separate license sale for same drug, same indication and different territory) and information publicly released by other biotech companies about the terms of their licensing agreements.

#### **Accounting treatment of the Roivant contract:**

On February 9, 2018, the Group entered into an exclusive agreement with Roivant Sciences GmbH ("Roivant") for the development and commercialization of Imeglimin, an oral drug candidate developed by the Group for the treatment of type 2 diabetes, in the United States, Europe and other countries not covered by the existing partnership in East and Southeast Asia between the Group and Sumitomo Dainippon Pharma.

This contract is analyzed as an exclusive license assignment for Imeglimin in Roivant. No other performance obligation has been identified. The contract price on the transaction date was valued at \$ 10 million and recognized as revenue at the date of the grant of the license. This price consists of a non-refundable fixed payment of \$ 35 million, net of \$ 25 million made by the Corporation in the form of a firm commitment to participate in the financing of the Roivant development program. The part of the initial payment relating to the financing of the research program of Roivant was treated as a financial liability and was fully reimbursed at June 30, 2020.

The license agreement also provides for the payment by Roivant of conditional development, regulatory and commercial milestone payments and royalties based on Imeglimin's sales in the territories granted. These payments fall into the category of variable counterparties remunerating the Group's transfer of license to Roivant.

- Milestone payments based on development milestones and regulatory milestones are not considered highly probable as of June 30, 2020, no sales were recorded as such in 2020. These payments will be considered highly probable, when the development of Imeglimin is sufficiently advanced to reach the defined technical and regulatory milestones.
- The milestone payments based on a level of sales as well as the royalties based on the sales of Imeglimin benefit from the exception provided by the standard IFRS 15 relating to the royalties on license of intellectual property. Payments and royalties will be recognized as revenue as they become due, based on sales made by Roivant.

#### **Accounting treatment of the Sumitomo contract:**

In October 2017, the Group signed a partnership contract with Sumitomo Dainippon Pharma, under which the two companies will co-develop Imeglimin for the treatment of type 2 diabetes in Japan. Sumitomo Dainippon Pharma will fund the phase 3 development costs and the commercialization costs.

This contract provides for the following payments:

- an initial payment of €36,031 thousands, which was collected in December 2017 and is non-refundable;

- reimbursement of external development costs incurred in connection with Phase 3 clinical trials, under the conditions set out in the contract;
- regulatory and sales-based milestone payments; and
- sales-based royalties.

The Group determined that the contract includes two separate performance obligations:

- Grant of license: the performance obligation is satisfied immediately for the license, as this is a case of static licenses.
- Co-development: the performance obligation is satisfied over time. The nature of the performance obligation is to provide development services, primarily comprised of phase III clinical trials. Progress-to-completion is measured by the ratio of cost incurred to total estimated costs at completion, including both internal and external direct costs necessary to fulfill the development obligation.

The transaction price is composed of the initial payment and the reimbursement of specified external costs. Future regulatory milestone payments will be included into the transaction price when and if they become highly probable. Sales-based milestone payments and royalties will be recognized when and if Imeglimin sales occur.

The Group allocated the transaction price between the two performance obligations as follows:

- the reimbursement of external R&D costs has been allocated to the co-development performance obligation as it is contingent upon the actual cost incurred by the Group in satisfying this performance obligation, in accordance with IFRS 15.85;
- the initial payment has been allocated based on the relative standalone selling prices of each performance obligations. The standalone selling prices have been estimated maximizing the use of observable inputs.

At June 30, 2020, the total remaining unfulfilled performance obligations is estimated amount to €493 thousands, compared to €4,040 thousand at the end of 2019 and primarily relates to the Sumitomo R&D services. These amounts exclude future milestone payments expected after J-NDA filing and royalties.

The license agreement also provides for the payment by Sumitomo of conditional development, regulatory and commercial milestone payments and royalties based on Imeglimin's sales in the territories granted. These payments fall into the category of variable counterparties remunerating the Group's transfer of license to Sumitomo.

- At June 30, 2020, a JPY 500 million (EUR 4,144 million) milestone payment that Poxel is entitled to receive from Sumitomo Dainippon Pharma upon submission of the Imeglimin J-NDA has been reported in revenue ;
- No other milestone payments based on future development milestones and regulatory milestones are considered highly probable as of June 30, 2020, no sales were recorded as such in 2020. These payments will be considered highly probable when the development of Imeglimin is sufficiently advanced to reach the defined technical and regulatory milestones.
- The milestone payments based on a level of sales as well as the royalties based on the sales of Imeglimin benefit from the exception provided by the standard IFRS 15 relating to the royalties on license of intellectual property. Payments and royalties will be recognized as revenue as they become due, based on sales made by Sumitomo.

**Note 19: Operating expenses****19.1 Research and development expenses**

For the six-months period ending June 30, 2020:

<b>RESEARCH AND DEVELOPMENT EXPENSES (Amount in K€)</b>	<b>June 30, 2020</b>	<b>June 30, 2019 Adjusted</b>
Sub-contracting, studies and research (1)	9 007	21 749
Personnel costs	3 011	2 139
Share-based payments (2)	708	358
Travel and events	162	316
Intellectual property fees	191	50
Professional fees	914	984
Other	87	145
<b>Research and development expenses (excluding subsidies received)</b>	<b>14 080</b>	<b>25 742</b>
Research tax credit	1 500	1 578
<b>Subsidies classified as a reduction of research and development expenses</b>	<b>1 500</b>	<b>1 578</b>

(1) Research and development expenses mainly relate to studies and clinical trials for Imeglimin, PXL770 and PXL065. The Group conducted its studies through its network of subcontracted service providers. Compensation of these contracts constitutes the majority of its research operating expenses. They also include the royalties that Merck Serono is entitled to receive as part the application of the agreement with Merck Serono to the Sumitomo partnership agreement.

(2) Refers to note 13

The decrease in subcontracting costs mainly comes from the TIMES program in Japan, for which expenses of €0,6 million were incurred during the first six months of 2020, compared with €17,8 million for the first six months of 2019.

## 19.2 General and administrative expenses

For the six-months period ending June 30, 2020:

<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> <b>(Amount in K€)</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b> <b>Adjusted</b>
Professional fees	1 621	1 818
Personnel costs	1 976	1 369
Share-based payments	1 072	383
Travel and events	219	482
Other	1 094	817
<b>General and administrative expenses</b>	<b>5 983</b>	<b>4 868</b>

The increase in personnel costs and share-based payments costs are mostly driven by the continuous development of the Group in France and in its subsidiaries.

### Note 20: Employees

The Group's average workforce during the periods ended June 30, 2019 and 2020 was as follows:

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>Average number of employees</b>		
Senior staff	50	43
Non-senior staff	1	1
<b>Total average number of employees</b>	<b>51</b>	<b>44</b>

### Note 21: Financial income (loss)

For the six months period ending June 30, 2020:

<b>FINANCIAL INCOME (LOSS)</b> <b>(Amount in K€)</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b> <b>Adjusted</b>
Change in IPF derivative liability fair value	1 004	
Other financial expenses	-708	-26
Financial income	323	116
Foreign currency exchange gains (losses)	-371	-19
<b>Financial income (loss)</b>	<b>249</b>	<b>71</b>

The financial result as of June 30, 2019 and 2020 is mainly composed of:

- financial income corresponding to income from financial investments (€298 thousand in 2020 compared to €116 thousands in 2019) and the change in fair value of derivative instruments (€1,004 thousand in 2020);
- exchange rate gains and losses, in relation with the Yen and the Dollar exchange rates;
- other financial expenses, which mostly correspond to:
  - o interests on IPF debt (€660 thousands in 2020 compared to no interest in 2019);
  - o lease debt interest (€26 thousands in 2020 compared to €14 thousands in 2019).

**Note 22: Income tax**

As of December 31, 2019, and June 30, 2020, the Group did not recognize a deferred tax asset for its tax loss carryforwards. Given its stage of development, the Group considers that it is unable to make projections of its future taxable profits against which these unused tax losses may be charged.

The amount of accumulated tax loss carryforwards since inception was €130,818 thousand as of December 31, 2019.

At June 30, 2020, the Group recognized a tax expense of €118 thousand related to Poxel Inc.

**Note 23: Earning per share**

For the six-months period ending June 30, 2020:

<b>EARNING PER SHARE</b>		<b>June 30, 2020</b>	<b>June 30, 2019 Adjusted</b>
Weighted average number of outstanding shares		26 557 749	25 896 723
Net income (loss) for the period (in K€)		-12 060	-9 798
<b>Basic earnings per share (€/share)</b>	-	<b>0,45</b>	- <b>0,38</b>
<b>Diluted earnings per share (€/share)</b>	-	<b>0,45</b>	- <b>0,38</b>

**Basic earning per share**

Earnings per share is calculated by dividing income attributable to equity holders of the Group by the weighted average number of outstanding ordinary shares for the year.

**Diluted earnings per share**

Diluted earnings per share is based on an average number of outstanding shares adjusted for the weighted average number of shares that would result from the exercise, during the year, of existing stocks options or other dilutive instruments. There are considered as anti-dilutive in 2019 and 2020 because they lead to an increase in earnings per share. As a result, the diluted loss per share at June 30, 2019 and June 30, 2020 is identical to the basic earnings per share.



**Note 24: Related parties**

No post-employment benefits are granted to the members of the board of directors.

<b>CORPORATE DIRECTORS COMPENSATION</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Fixed compensation owed	225	190
Variable compensation owed	77	88
Contribution in-kind	7	4
Employer contributions	112	70
Attendance fees-board of directors	220	209
Share-based payments	170	148
Consulting fees	4	7
<b>TOTAL</b>	<b>814</b>	<b>714</b>

The valuation methods for the benefit relating to share-based payments are presented in note 13.

**Note 25: Commitments**

There has been no significant change in commitments since December 31, 2019.

**25.1 Commitment in respect of the agreement with Merck Serono at the creation of the Group**

On April 23, 2019, the group was notified by mail dated April 19, 2019 of the initiation by Merck Serono of arbitration proceedings to settle the difference in interpretation of the contract between the Group and Merck Serono.

As part of the application of the agreement with Merck Serono to the partnership agreement signed with Roivant in February 2018, the Group and Merck Serono have a different interpretation of Poxel's revenue base to be subject to royalties. In April 2019, the Group was notified that Merck Serono had initiated an arbitral proceeding in order to resolve this difference in interpretation. Furthermore, in September 2019, in the context of the arbitration process, the Group received the Statement of Claim from Merck Serono. In November 2019, the Group filed the Statement of Defense and counterclaim. During 2020, arbitration procedures were delayed due to the Covid-19 pandemic. After having analyzed those elements together with its counsels, the Group still considers that its calculation of income subject to royalties is justified by well-founded legal arguments and that the likelihood of being required to pay more than the amount already paid (€ 1.2 million) is remote.

**25.2 Obligation under the IPF debt**

In November 2019, the Group entered into a Subscription Agreement with IPF Partners to secure additional funding in the form of three separate bond tranches up to a total borrowing amount of €30 million and related warrants to purchase up to €4.5 million of our ordinary shares.

The bonds contain customary financial and security interest covenants.

Customary security interests are granted to the benefit of the bondholders, including a pledge on certain intellectual property rights.

Furthermore, and as set out in Note 14.1, the Group is subject to the following covenants:

- Gearing ratio: The Group should maintain a Gearing Ratio lower than 50%. The Gearing Ratio is measured by the ratio of total net debt to the market capitalization value of the Group.
- Cash management: The Group should maintain a cash position of the highest of ten million euros and the sum of the consolidated debt service of the Group and the amount of cash required to be spent by the Group as part of its operations, in each case for the following 6-month period.

A breach of any of those covenants would constitute an event of default. In such a situation, the debt would become immediately payable.

As of June 30, 2020, the Group was compliant with the covenants described above.

#### Note 26: Change in accounting policy relating to the accounting treatment of the Sumitomo contract

In 2019, a review of the Company's accounting policies led to a change in the method used to allocate the transaction price of the Sumitomo agreement, to reflect a preferable method that has emerged in the biotech industry since the early adoption of IFRS 15 by the Company in 2017. This review led to a change in the accounting policy for the allocation of the transaction price applicable to the Sumitomo contract, detailed in December 31, 2019 financial statements.

#### ADJUSTMENT OF FINANCIAL STATEMENTS AS OF JUNE 30, 2019

POXEL Income statement	June 30, 2019 As reported K€	Adjustments K€	June 30, 2019 Adjusted* K€
<b>Revenue</b>	<b>23 169</b>	<b>-4 005</b>	<b>19 164</b>
Research and development expenses			
Research and development expenses	-25 742		-25 742
Subsidies	1 578		1 578
General and administrative expenses	-4 868		-4 868
<b>Operating income (loss)</b>	<b>-5 864</b>	<b>-4 005</b>	<b>-9 869</b>
Financial expenses	-26		-26
Financial income	116		116
Exchange gains (losses)	-19		-19
<b>Net income (loss) before tax</b>	<b>-5 792</b>	<b>-4 005</b>	<b>-9 798</b>
<b>Net income (loss)</b>	<b>-5 792</b>	<b>-4 005</b>	<b>-9 798</b>

  

Earnings/(loss) per share (€/share)	June 30, 2019 As reported	Adjustments	June 30, 2019 Adjusted*
Weighted average number of shares in circulation	25 896 723		25 896 723
<b>Basic Earnings (loss) per share (€/share)</b>	<b>(0,22)</b>		<b>(0,38)</b>
<b>Diluted Earnings (loss) per share (€/share)</b>	<b>(0,22)</b>		<b>(0,38)</b>

POXEL - IFRS Statement of cash flows	June 30, 2019 As reported K€	Adjustments K€	June 30, 2019 Adjusted* K€
<b>Net income (loss) for the year</b>	-5 792	-4 005	-9 798
Operational cash flow	-4 942	-4 005	-8 948
(-) Changes in working capital requirements	6 748	-4 005	2 742
<b>Cash flow from operating activities</b>	-11 690		-11 690
<b>Cash flow from investing activities</b>	282		282
<b>Cash flow from financing activities</b>	-5 568		-5 568
<b>Increase (decrease) in cash and cash equivalents</b>	<b>-16 976</b>		<b>-16 976</b>
Cash and cash equivalents as the opening date	66 737		66 737
Cash and cash equivalents as the closing date	49 761		49 761

#### **4. REVIEW REPORT OF THE STATUTORY AUDITORS ON THE INTERIM FINANCIAL INFORMATION (IN ENGLISH) FOR THE SIX-MONTH PERIOD ENDING JUNE 30,2020**

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S.A.S. au capital de 2 188 160 €  
572 028 041 RCS Nanterre

### **POXEL**

Société Anonyme  
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#### **Statutory Auditors' Review Report on the Half-yearly Financial Information**

Period from January 1 to June 30, 2020

*This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

To the Shareholders of Poxel S.A.,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code ("*code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of POXEL, for the period from January 1 to June 30, 2020,
- the verification of the information presented in the half-yearly management report.

These half-yearly condensed consolidated financial statements were prepared under the responsibility of the board of directors on September 15, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

##### **1. Conclusion on the financial statements**

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an

audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

## **2. Specific verification**

We have also verified the information presented in the half-yearly management report commenting the condensed half-yearly consolidated financial statements subject to our review prepared on September 15, 2020. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La Défense, September 15, 2020  
The Statutory Auditors  
*French original signed by*

**Mazars**

**Deloitte & Associés**

Séverine HERVET

Julien RAZUNGLES