poxel

INTERIM FINANCIAL REPORT

AT 30 JUNE 2021

Société anonyme (joint stock company) with capital of €573,407.16
Registered office: 259/261 Avenue Jean Jaurès – Immeuble le Sunway – 69007 Lyon, France
510 970 817 Lyon Trade & Companies Register

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

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 222-4 – 3° 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, 23 September 2021
Thomas Kuhn, Chief Executive Officer of Poxel.

2. ACTIVITY REPORT AT 30 JUNE 2021

2.1 Highlights of the first half-year of 2021

Marketing approval of TWYMEEG® (Imeglimin) for the Treatment of Type 2 Diabetes in Japan

On June 23, 2021, the Group and Sumitomo Dainippon Pharma announced that a new drug application for TWYMEEG® Tablets 500mg (International Nonproprietary Name (INN): Imeglimin hydrochloride), for the treatment of type 2 diabetes, was approved in Japan. Japan is the first country in the world to approve Imeglimin.

The approval in Japan triggered a JPY 1.75 billion (approximately €13.2 million) milestone payment to Poxel from Sumitomo Dainippon Pharma that was fully recognized as revenue at June 30, 2021 and paid in July 2021.

Rare metabolic diseases

In rare diseases, the Group is pursuing non-clinical studies to explore new potential indications for PXL065 and PXL770 with encouraging results in ALD with the most common form of disease (adrenomyeloneuropathy – AMN).

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 its ordinary shares. In November 2019 and March 2020, the Group borrowed €6.5 million under the first tranche and €10.0 million under the second tranche respectively.

In June 2021, following the Marketing approval of Imeglimin in Japan, the Group borrowed €13.5 million under the third and final tranche of IPF Venture Loan and issued warrants to purchase 156,250 ordinary shares with an exercise price of €6.72.

Roivant partnership with Imeglimin

As part of the decision by Roivant not to advance Imeglimin into a Phase 3 program for strategic reasons, the Group's partnership agreement with Roivant has been terminated, effective January 31, 2021. Roivant has returned all rights to Imeglimin to Poxel, as well as all data, materials, and information, including FDA regulatory filings, related to the program. Roivant is not entitled to any payment from Poxel as part of the return of the program.

Arbitration with Merck Serono

As part of the application of the agreement with Merck Serono to the partnership agreement signed with Roivant in February 2018, the Company and Merck Serono had a different interpretation of Poxel's revenue base to be subject to royalties. In April 2019, the Company was notified that Merck Santé had initiated an arbitral proceeding in order to resolve this difference in interpretation. On 18 February 2021, an Arbitral Tribunal rendered a "Final Award" concluding the ICC arbitration

between the Company and Merck Santé. The tribunal's decision is final and the litigation has been closed following a payment to Merck Serono for a total amount of €2.4 million (excl. VAT).

Composition of the Board of directors

In the course of the six-months period ended June 30, 2021, the composition of the Board of Directors changed as follows:

- Dr. John Kozarich was appointed to the Board of Directors during the June 23, 2021 general assembly meeting, and also became the chair of the scientific committee of the Board.

- The mandate of M. Richard Kender was renewed for a 3-year term during the June 23, 2021 general assembly meeting.

- Bpifrance Participations transitioned off as a Board observer, effective July 9, 2021.

Covid-19 outbreak

As of the date of this report, and based on publicly available information, the Group has not identified the occurrence of any material negative effects on its business due to the COVID-19 pandemic that remains unresolved. 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.

2.2 Activity and results of the Group

Partnership activity

Sumitomo

The Company continued to work closely with Sumitomo Dainippon Pharma during the first half of 2021. Marketing approval of Imeglimin in Japan for type 2 diabetes was obtained on June 23, 2021. The approval in Japan triggered a JPY 1.75 billion (approximately €13.2 million) milestone payment to Poxel from Sumitomo Dainippon Pharma that was fully recognized as revenue at June 30, 2021 and paid in July 2021.

Roivant Sciences

As part of the decision by Roivant not to advance Imeglimin into a Phase 3 program for strategic reasons, its partnership agreement with Roivant has been terminated, effective January 31, 2021. Roivant has returned all rights to Imeglimin to Poxel, as well as all data, materials, and information,

including FDA regulatory filings, related to the program. Roivant is not entitled to any payment from Poxel as part of the return of the program.

Research and development activity

In NASH, the Group made significant progress in the development of PXL065 through a streamlined Phase 2 trial (DESTINY-1). Patient screening has been finished in the first semester of 2021 and the enrollment was completed in September 2021. Topline results are expected in the third quarter of 2022. This Phase 2, 36-week trial in noncirrhotic biopsy-proven NASH patients will assess three doses of PXL065 compared to placebo in 123 patients. The results will be used to help identify the dose or doses for a Phase 3 registration trial.

In rare metabolic diseases, the Group is investigating the potential of PXL065 and PXL770 in ALD (Adrenoleukodystrophy) and preparing to initiate two identical Phase 2a clinical POC biomarker studies for PXL065 and PXL770 in adrenomyeloneuropathy (AMN), the most common form of the disease. These two studies are planned to initiate in 2022, with data expected by year end 2022.

The Initiation of the NASH Phase 2b trial for PXL770 will be postponed, pending results from the ongoing PXL065 Phase 2 trials in NASH and both Phase 2a biomarker studies in AMN.

Human resources

The average consolidated workforce is stable and was 52 employees in the first half of 2021, compared to 51 employees in the first half of 2020.

Results

The Group reported revenue of €13,274 thousand at 30 June 2021 compared with 6,372 thousand at 30 June 2020. This revenue mostly reflected a JPY 1,750 million (EUR 13,2 million) milestone payment that Poxel has received from Sumitomo Dainippon Pharma in July 2021 following the approval of Imeglimin in Japon that was obtained on June 23, 2021.

R&D costs amounted to €16,253 thousand for the first half of 2021, compared with €14,080 thousand at 30 June 2020. These costs mainly reflected the DESTINY-1 clinical program cost for PXL065 in NASH.

The research tax credit calculated for the first half of 2021 amounted to €1,538 thousand, compared with €1,500 thousand at 30 June 2020.

General overheads were €5,521 thousand for the first half of 2021, compared with €5,983 thousand at 30 June 2020.

The Group had an operating loss of €6,851 thousand at June 30, 2021 compared with an operating loss of €12,191 thousand at 30 June 2020.

Financial loss stood at €1,178 thousand at June 30, 2021 compared with a financial income of €249 thousand at 30 June 2020. This mostly reflected the interest and the change in derivative liability fair value associated to the IPF loan over the period.

Net loss stood at €8,029 thousand at June 30, 2021, compared with a net loss of €12,060 thousand at 30 June 2020.

Cash

Cash at 30 June 2021 was €36,921 thousand, compared with €40,203 thousand at 31 December 2020. The change in cash was due to:

- operating cash flows of -€ 16,067 thousand;
- investment flows of +€ 10 thousand;
- financing flows of +€ 12,775 thousand;

2.3 Trends and prospects

Based on this cash position at the end of June 30, 2021, that does not include the milestone payment from Sumitomo Dainippon Pharma of JPY 1,750 million (approx. €13.2 million, note 4), that was paid in July 2021, the Group expects that its resources will be sufficient to fund its operations and capital expenditure requirements through at least 12 months from the reporting date (June 30, 2021).

In addition, the commercialization launch of Imeglimin in Japan is expected in 2021.

During the second half of the year, the Group intends to:

- continue to advance the Phase 2 trial (DESTINY-1) for PXL065 in NASH: the patient enrollment was completed in September 2021, and topline data are anticipated in the third quarter of 2022;
- prepare the initiation of the Phase 2a clinical POC biomarker studies of PXL065 and PXL770 which are planned in early 2022, with data expected by year end 2022. The two identical studies will enroll adult male ALD patients with the most common form of disease (adrenomyeloneuropathy – AMN) and assess the effects of PXL065 and PXL770 over 12 weeks of treatment on pharmacokinetics, safety, and efficacy using relevant biomarkers, including the impact on elevated very long chain fatty acids (VLCFA), the hallmark plasma marker of disease;
- continue evaluating external opportunities with a focus on chronic and rare metabolic diseases;
- continue exploring options to move Imeglimin forward in Phase 3 in patients with Type 2 diabetes with moderate to severe chronic kidney disease (CKD), including partnering activities.

2.4 Events occurring after the end of the half-year

In October 2020, The Group received the approvals from BNP Paribas, Bpifrance and CIC Lyonnaise de Banque for a € 6 million non-dilutive financing in the form of a French Government Guarantee loan. Each loan had an initial term of one-year, with a five-year extension option. In July 2021, addendums to the original contracts were executed to exercise this extension option.

Furthermore, as indicated in chapter 2.2 (pages 5 and 6) and the note 7 (page 21) on the present half-year financial report, Sumitomo Dainippon Pharma paid to the Group on July 30, 2021 a JPY 1.75 billion milestone payment following the marketing approval of TWYMEEG® (Imeglimin) in Japan.

2.5 Risk factors and transactions between related parties

2.5.1 Risk factors

The risks for the Company are set out in Chapter 2.2, “Risk factors" of the Company’s 2020 Universal Registration Document. Except for the risks described below, no significant change in the assessment of these risks has been identified by the Company.

In light of the Group’s new strategic direction with increasing focus on rare metabolic diseases, the Group has identified additional risks related to the fact that it is now developing PXL065 and PXL770 for the treatment of X-linked adrenoleukodystrophy (ALD), a condition for which no drug has yet been commercialized and for which there is little clinical experience. As a result, the Group’s development approach involves new endpoints and methodologies. There is a risk that (i) the preclinical data generated by the Group will not translate into similar or identical positive clinical data, (ii) the outcome of the Group’s clinical trials will not be favorable or that, even if favorable, regulatory authorities may not find the results of such clinical trials to be sufficient for marketing approval and (iii) the recruitment and maintenance of suitable patients within its clinical trials may be more difficult as compared to other indications due to the limited number of patients able or willing to participate in a clinical trial in adrenomyeloneuropathy (AMN) the most common form of the disease and (iv) the Group encounters delays in the preparation of the two identical Phase 2a clinical POC biomarker studies for PXL065 and PXL770 in AMN.

2.5.2 Transactions between related parties

Transactions between related parties are the same type as those presented in Chapter 4.4, “Related party transactions” of the 2020 Universal Registration Document.

On June 25, 2021, the Company entered into an agreement with Mr. John Kozarich to indemnify him for the legal costs and convictions he may incur in the event that any liability is imposed against him, in his capacity as a Company director, to the fullest permitted by applicable law, except in the event that is finally determined that: (i) the beneficiary’s conduct forming the subject matter of the proceeding was not consistent with the corporate interests of the Company (ii) the beneficiary’s conduct was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct.. This agreement was set up in the context of the nomination of Mr. John Kozarich as a director on June 23, 2021. It aims to offer a guarantee in consideration for duties performed. This agreement will remain in force for 10 years following the termination of his duties as a director and, if necessary, for one year following the termination of any proceedings still ongoing after this 10-year period.

No other significant transactions were entered into with a director or member of the Board of Directors during the first half of 2021.

3. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021

3.1 Statement of financial positions

POXEL Statements of financial position	Notes	June 30, 2021 K€	Dec 31, 2020 K€
ASSETS			
Intangible assets	6	16,642	16,642
Property, plant and equipment		1,968	2,224
Other non-current financial assets		255	246
Deferred tax assets	19	-	-
Total non-current assets		18,865	19,113
Trade receivables	7	13,339	281
Other receivables	7	6,255	5,480
Current tax asset	19	-	-
Cash and cash equivalents	8	36,921	40,203
Total current assets		56,515	45,964
Total assets		**75,380**	**65,077**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Share capital	10	573	570
Premiums related to the share capital	10	24,780	145,849
Retained earnings (deficit)		4,111	-87,756
Net income (loss)		-8,029	-31,858
Accumulated other comprehensive income		189	74
Total shareholder's equity		**21,625**	**26,879**
Non-current liabilities			
Employee benefits		544	581
Non-current financial liabilities	12	32,901	20,986
Provisions	13	432	172
Total Non-current liabilities		**33,877**	**21,739**
Current liabilities			
Current financial liabilities	12	4,198	2,866
Derivative liabilities	12	1,107	691
Provisions	13	-	2,409
Trade payables	14.1	12,730	8,362
Tax and employee-related payables	14.2	1,838	2,117
Contract liabilities		4	14
Total Current liabilities		**19,879**	**16,459**
Total Liabilities and Shareholder's equity		**75,380**	**65,077**

3.2 Consolidated statements of income (loss)

POXEL Income statement	Notes	June 30, 2021 K€	June 30, 2020 K€
Revenue	15	**13,274**	**6,372**
Research and development expenses			
Research and development expenses	16.1	-16,253	-14,080
Subsidies	16.1	1,570	1,500
General and administrative expenses	16.2	-5,443	-5,983
Operating income (loss)		**-6,851**	**-12,191**
Financial expenses	18	-1,505	-893
Financial income	18	40	1,512
Exchange gains (losses)	18	287	-371
Financial income (loss)	**18**	**-1,178**	**249**
Net income (loss) before taxes		**-8,029**	**-11,942**
Income tax	19	-	**-118**
Net income (loss)		**-8,029**	**-12,060**

Earnings/(loss) per share (€/share)	Notes	June 30, 2021	June 30, 2020
Weighted average number of shares in circulation		28,595,981	26,557,749
Basic Earnings (loss) per share (€/share)	20	**(0,28)**	**(0,45)**
Diluted Earnings (loss) per share (€/share)	20	**(0,28)**	**(0,45)**

3.2.1 Consolidated statement of comprehensive income (loss)

POXEL Statement of comprehensive income (loss)	June 30, 2021 K€	June 30, 2020 K€
Net income (loss) of the year	-8,029	-12,060
Actuarial gains (losses) from defined benefit plans (non-recyclable)	104	-66
Currency translation adjustment (recyclable)	11	29
Tax effect associated with these elements		
Other comprehensive income (loss) (net of tax)	115	-36
Total comprehensive income (loss)	**-7,914**	**-12,096**

The accompanying notes form an integral part of the consolidated financial statements

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€
As of December 31, 2019	*26,054,763*	**521**	**129,024**	**-90,307**	**-96**	**39,142**
Net income (loss) for 2020				-31,858		-31,858
Other comprehensive income (loss)					170	170
Total Comprehensive income (loss)				-31,858	170	-31,688
Issuance of shares	*2,358,483*	47	16,597			16,645
Issuance of warrants			65			65
Exercise of share warrants	*82,277*	2	162			164
Share base payments				2,794		2,794
Treasury shares				-243		-243
As of December 31, 2020	*28,495,523*	**570**	**145,849**	**-119,614**	**74**	**26,879**
As of December 31, 2020	*28,495,523*	**570**	**145,849**	**-119,614**	**74**	**26,879**
Net loss as of June 30, 2021				-8,029		-8,029
Other comprehensive income (loss)					115	115
Total Comprehensive income (loss)				-8,029	115	-7,914
Issuance of shares	*174,835*	3	228			231
Allocation			-121,361	121,361		-
Subscription of share warrants			65			65
Share base payments				2,364		2,364
Treasury shares				1		1
As of June 30, 2021	*28,670,358*	**573**	**24,781**	**-3,917**	**189**	**21,625**

	Currency translation adjustment (recyclable)	Actuarial gains (losses) from defined benefit plans (non-recyclable)	Tax effects associated with these elements	Total
As of December 31, 2019	**-10**	**-86**		**-96**
Other comprehensive income (loss)	29	-66		**-36**
As of June 30, 2020	**20**	**-152**		**-132**

As of December 31, 2020	**262**	**-188**		**74**
Other comprehensive income (loss)	11	104		115
As of June 30, 2021	**273**	**-83**		**189**

3.4 Consolidated statements of cash flows

POXEL Statement of cash flows	Notes	June 30, 2021 K€	June 30, 2020 K€
Cash flows from operating activities			
Net income (loss) for the period		-8,029	- 12,060
Elimination of amortization of intangible assets		-16	-6
Elimination of depreciation of property, plant, and equipment		-267	-268
Provisions booked / Reversal of provisions	13	2,082	-60
Expenses associated with share-based payments	11	-2,364	-1,780
Interest expense / income		-943	-263
Change in derivative liability fair value	12.1	-134	1,004
Effect of unwinding the discount related to IPF Debt	12.1	-122	-164
Effect of unwinding the discount related to repayable advances		-56	-7
US loan non-cash profit	12.3	106	-
Cash flows from operating activities before change in working capital		-6,314	-10,516
Changes in working capital requirements		9,753	4,022
Cash flows from operating activities		**-16,067**	**-14,538**
Cash flows from investing activities			
Acquisitions of intangible assets		-15	-33
Acquisitions of property, plant and equipment		-16	-180
Interest received		40	295
Other cash flows from investing activities		2	-8
Cash flows from investing activities		**10**	**73**
Cash flows from financing activities			
Share capital increase, including premium, net of expenses (note 4)	10	231	16,732
Subscription of share warrants	10	65	-
Interest paid		-442	-489
Roivant contract debt		-	-2,782
IPF debt	12.1	13,500	10,000
IPF expenses	12.1	-203	-150
US PPP loan		-	117
Repayment of loans and conditional advances		-166	-
Repayment of the lease debt		-210	-182
Cash flows from financing activities		**12,775**	**23,245**
Impact of foreign currency exchange fluctuations			
Increase (decrease) in cash and cash equivalents		**-3,282**	**8,781**
Cash and cash equivalents at the opening date (including short-term bank overdrafts)		40,203	37,187
Cash and cash equivalents as of the closing date (including short-term bank overdrafts)		36,921	45,968
Increase (decrease) in cash and cash equivalents		**-3,282**	**8,781**

3.4.1 Explanatory note to the consolidated statements of cash flows

Detail of the changes in working capital	June 30, 2021	June 30, 2020
Trade receivables (net of impairment of trade receivables)	13,058	- 1,522
Other receivables	775	-4,301
Trade payables	-4,368	9,462
Tax and social security liabilities	279	-514
Contract liabilities	10	897
Total changes in working capital	**9,753**	**4,022**

3.5 Notes to the interim condensed consolidated financial statements

Note 1: General information about the Group

The accompanying interim condensed consolidated financial statements for the six months periods ended June 30, 2021 and 2020, and the 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**" 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 treatments for chronic serious diseases with metabolic pathophysiology, including non-alcoholic steatohepatitis (NASH) and rare disorders.

Except for the year in which it was incorporated and for 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 developing 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 January 31, 2021, Roivant has decided not to pursue the development of Imeglimin for strategic reasons and has returned all rights to Imeglimin to Poxel, as well as all data, materials, and information, including FDA regulatory filings, related to the program. Roivant is not entitled to any payment from Poxel as part of the return of the program. The Group has obtained additional funding in the form of a bond loan from IPF Partners. The financing consists of three separate bond tranches: EUR 6.5 million, EUR 10 million and EUR 13.5 million, for a total amount of up to EUR 30 million, subject to the occurrence of contractually defined triggering events. The three tranches were drawn down in November 2019, March 2020 and June 2021 successively. A debt covenant is attached to the contract as detailed in note 22.1.

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, and the amount of royalties received from these agreements (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 23, 2021.

Note 2: Basis of presentation

Except for share and per share amounts, the interim condensed 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 notes to the condensed consolidated financial statements at June 30, 2021 were prepared in accordance with IAS 34 – Interim Financial Reporting, as endorsed by the European Union, which requires the disclosure of selected notes only. The condensed 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 year ended December 31, 2020.

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, 2020.

The results of the operations are for the six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the year ended December 31, 2021 or for any other interim period or for any year in the future.

The interim condensed consolidated financial statements have been prepared using the same accounting methods as those applied by the Group as of December 31, 2020 except for:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2 (mandatory as of January 1, 2021)
- Amendment to IFRS 16 - Leases Covid-19-Related Rent Concessions beyond June 30, 2021.

The adoption of these standards did not have any significant impact on the Company's results or financial position. The standards and interpretations that are optionally applicable to the Company as of June 30, 2021 were not applied in advance.

Recently issued accounting pronouncements are as follows:

- Amendments to IAS 1 - Classification of liabilities as current or non-current;
- Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before intended use;

- Amendments to IAS 37 - Onerous contracts - cost of fulfilling a contract;
- Amendments to IAS 1 - Disclosure of Accounting policies;
- Amendments to IAS 8 - Definition of Accounting Estimates;
- Annual Improvements 2018-2020.

The Group does not anticipate any material impact on its financial statements.

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 cash position of the Group as of June 30, 2021 amounts to € 36.9 million.

Based on this cash position and on the cash forecast for the year 2021 and 2022 presented to the Board of Directors of the Company, that includes the milestone payment from Sumitomo Dainippon Pharma of JPY 1,750 million (approx. €13.2 million, note 4) the Group expects that its resources will be sufficient to fund its operations and capital expenditure requirements through at least 12 months from the reporting date (June 30, 2021).

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 2020.As it relates to the Merck litigation, the tribunal's decision rendered in February 2021 was final, the litigation has been closed and the provision at December 31, 2020 has been reversed accordingly.

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:

		Consolidation Method		% control / % interest	
Company name	Country	As of December 31, 2020	June 30, 2021	As of December 31, 2020	June 30, 2021
POXEL S.A.	France	-		-	
POXEL JAPAN KK	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, 2021

Increase in capital

Performance shares and warrants

On January 27, 2021, the Group noted the definitive allocation of 115,731 performance shares, representing a capital increase of €2,315 taken from the reserves.

On June 20, 2021, the Group noted the definitive allocation of 1,604 performance shares, representing a capital increase of €32, taken from the reserves.

On June 22, 2021, 2,875 warrants corresponding to 57,500 ordinary shares were exercised at a strike price of €4, representing a capital increase of €1,150 with a share premium of €228,850.

Accordingly, the share capital is €573,407.16 at June 30, 2021, divided in 28,670,358 shares of €0.02 of nominal value.

Marketing approval of TWYMEEG® (Imeglimin) for the Treatment of Type 2 Diabetes in Japan

On June 23, 2021, the Group and Sumitomo Dainippon Pharma announced that a new drug application for TWYMEEG® Tablets 500mg (International Nonproprietary Name (INN): Imeglimin hydrochloride), for the treatment of type 2 diabetes, was approved in Japan. Japan is the first country in the world to approve Imeglimin.

The approval in Japan triggered a JPY 1.75 billion (approximately €13.2 million) milestone payment to Poxel from Sumitomo Dainippon Pharma that was fully recognized as revenue at June 30, 2021 and paid in July 2021.

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 its ordinary shares. In November 2019 and March 2020, the Group borrowed €6.5 million under the first tranche and €10.0 million under the second tranche respectively.

In June 2021, following the Marketing approval of Imeglimin in Japan, the Group borrowed €13.5 million under the third and final tranche of IPF Venture Loan and issued warrants to purchase 156,250 ordinary shares with an exercise price of €6.72 (see note 12.1).

Update on Roivant partnership with Imeglimin

As part of the decision by Roivant not to advance Imeglimin into a Phase 3 program for strategic reasons, its partnership agreement with Roivant has been terminated, effective January 31, 2021. Roivant has returned all rights to Imeglimin to Poxel, as well as all data, materials, and information, including FDA regulatory filings, related to the program. Roivant is not entitled to any payment from Poxel as part of the return of the program.

Arbitration with Merck Serono

As part of the application of the agreement with Merck Serono to the partnership agreement signed with Roivant in February 2018, the Company and Merck Serono had a different interpretation of Poxel's revenue base to be subject to royalties. In April 2019, the Company was notified that Merck Santé had initiated an arbitral proceeding in order to resolve this difference in interpretation.

On 18 February 2021, an Arbitral Tribunal rendered a "Final Award" concluding the ICC arbitration between the Company and Merck Santé. The tribunal's decision is final and the litigation has been closed following a payment to Merck Serono for a total amount of €2.4 million (excl. VAT).

Covid-19 outbreak

As of the date of this report, and based on publicly available information, the Group has not identified the occurrence of any material negative effects on its business due to the COVID-19 pandemic that remains unresolved. 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

Exercise of the extension option for the non-dilutive French government Guaranteed loan (PGE)

In October 2020, The Group received the approvals from BNP Paribas, Bpifrance and CIC Lyonnaise de Banque for a € 6 million non-dilutive financing in the form of a French Government Guarantee loan. Each loan had an initial term of one-year, with a five-year extension option.

In July 2021, addendums to the original contracts were executed to exercise this extension option.

Milestone payment related to the marketing approval of TWYMEEG® (Imeglimin) in Japan

As indicated in chapter 2.2 (pages 5 and 6) and the note 7 (page 21) on the present half-year financial report, Sumitomo Dainippon Pharma paid to the Group on July 30, 2021 a JPY 1.75 billion milestone payment following the marketing approval of TWYMEEG® (Imeglimin) in Japan.

Note 5: Segment information

The Group operates in one segment: the development of innovative treatments for chronic serious diseases with metabolic pathophysiology, including non-alcoholic steatohepatitis (NASH) and rare disorders.

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, 2021 and 2020, 100% and 99% respectively of the Group's revenues come from Sumitomo Dainippon Pharma.

Note 6: Intangible assets

In 2018, as part of the contract signed with DeuteRx, the Group acquired a development and commercial license to an innovative drug candidate in clinical development for the treatment of NASH (DRX-065). This acquisition is recognized as an intangible asset for an amount of € 16,572 thousand, which includes € 791 thousand of acquisition costs.

As of June 30, 2021, the management did not identify any indication of impairment loss concerning this intangible asset.

Note 7: Trade and other receivables

Trade receivables (€13,339 thousand as of June 30, 2021 compared with €281 thousand as of December 31, 2020) correspond to:

- €13,328 thousands of receivables, corresponding to a JPY 1,750 million milestone payment from Sumitomo Dainippon Pharma that Poxel received in July 2021 following the Marketing approval of Imeglimin in Japan (Note 4).
- €11 thousand as compared to €279 thousand at December 31, 2020 corresponding to research expenses costs incurred as part of Imeglimin studies in Japan, re-invoiced to Sumitomo Dainippon Pharma.

Other receivables

OTHER RECEIVABLES (Amount in K€)	June 30, 2021	Dec 31, 2020
Research tax credit	3,948	2,411
Value added tax, or VAT	683	368
Debtor suppliers	836	1,629
Prepaid expenses	685	953
Other tax receivables	76	72
Credit notes	-	33
Other	27	14
Total other receivables	**6,255**	**5,480**

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

At June 30, 2021, the 2021 Research tax credit receivable is estimated on the basis of the research incurred at that date and eligible for the research tax credit.

Debtor suppliers relate to advance payments to CROs for the ongoing clinical studies.

Prepaid expenses relate to current expenses.

Note 8: Cash and cash equivalents

Cash and cash equivalents are presented below:

CASH AND CASH EQUIVALENTS (Amount in K€)	June 30, 2021	Dec 31, 2020
Bank accounts (cash at hand)	20,431	15,587
Term deposits	16,490	24,616
Total cash and cash equivalents	**36,921**	**40,203**

Cash and cash equivalents were fully offset by financial liabilities (excluding IFRS16 impacts and derivative debts) as of June 30, 2021. Cash and cash equivalents net of financial liabilities (excluding IFRS16 impacts and derivative debts) were EUR 17.1 million at December 31, 2020.

Note 9: 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, 2021				
	Value of the statement of financial situation	Fair Value (3)	Fair value through profit and loss	Assets at amortized cost (1)	Debts at amortized cost (2)
Non-current financial assets	255	255		255	
Clients and related accounts	13,339	13,339		13,339	
Other receivables	6,255	6,255		6,255	
Cash and cash equivalents	36,921	36,921	36,921		
Total financial assets	**56,771**	**56,771**	**36,921**	**19,849**	
Current financial liabilities	4,198	4,198			4,198
Derivative liabilities	1,107	1,107	1,107		
Non-current financial liabilities	32,901	32,901			32,901
Trade payables	12,730	12,730			12,730
Total financial liabilities	**50,937**	**50,937**	**1,107**		**49,829**

(Amounts in K€)	Dec 31, 2020				
	Value of the statement of financial situation	Fair Value (3)	Fair value through profit and loss	Assets at amortized cost (1)	Debts at amortized cost (2)
Non-current financial assets	246	246		246	
Clients and related accounts	281	281		281	
Other receivables	5,480	5,480		5,480	
Cash and cash equivalents	40,203	40,203	40,203		
Total financial assets	**46,211**	**46,211**	**40,203**	**6,008**	
Current financial liabilities	2,866	2,866			2,866
Derivative liabilities	691	691	691		
Non-current financial liabilities	20,986	20,986			20,986
Trade payables	8,362	8,362			8,362
Total financial liabilities	**32,905**	**32,905**	**691**		**32,214**

(1) The fair value of "assets at amortized costs" 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. The fair value of derivative liabilities is based on level 2 fair value measurements, according to mathematic model and market assumptions Pas (risk-free rate, share price, volatility, etc.).

Note 10: Capital

Share capital issued

Share capital is set at €573,407.16 divided into 28,670,358 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 2021.

The changes to the capital during the first half of 2021 are described in Note 4.

Distribution of dividends

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

Note 11: Share-based payments

Since its inception, the Group has issued share warrants, or BSAs, and founder's share warrants, or BSPCEs and Stock-Options or SO.

Breakdown of the compensation expenses accounted for under IFRS 2 for the period ended June 30, 2020 and 2021

	Number of instruments outstanding	IFRS 2 valuation at inception	Cumulated expense as of the period ended Dec 31, 2019	Expense related to the period ended June 30, 2020	Cumulated expense as of the period ended June 30, 2020	Cumulated expense as of the period ended Dec 31, 2020	Expense related to the period ended June 30, 2021	Cumulated expense as of the period ended June 30, 2021
Total - BSA	904 907	3,443	3,443	0	3,443	3,443	0	3,443
Total - BSPCE	252 334	1,832	1,785	31	1,817	1,825	0	1,825
Total – Stock-Options	1 450 001	6,698	2,651	902	3,554	3,911	555	4,466
Total – Perf. shares	1 024 112	8,959	782	845	1,627	2,294	1,809	4,103
Total IFRS 2	**3 631 354**	**20,932**	**8,662**	**1,780**	**10,440**	**11,473**	**2,364**	**13,837**

The total share-based compensation expense amounts to €2,364 thousand (€1,320 thousand in "Research and development" and €1,044 thousand in "General and administrative expense," respectively) for the period ended June 30, 2021, as compared 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.

Note 12: Loans and financial liabilities

LOANS AND FINANCIAL LIABILITES (Amounts in K€)	June 30, 2021	Dec 31, 2020
Repayable advances	-	-
IPF debt	25,663	13,885
PGE debt	5,965	5,621
Lease debt	1,273	1,479
Financial liabilities – Non-current portion	**32,901**	**20,986**

Repayable advances	66	228
Loan US	-	106
IPF debt	3,693	1,802
PGE debt	32	293
Lease debt	406	436
IPF Derivative liabilities	1,042	691
Forward currency derivative liabilities	65	-
Other	2	2
Financial liabilities - Current portion	**5,306**	**3,557**

Total financial liabilities	**38,207**	**24,542**

Breakdown of financial liabilities by maturity

The maturities of financial liabilities are presented below for 2020 and 2021:

CURRENT AND NON- CURRENT LIABILITES (Amounts in K€)	June 30, 2021			
	Gross amount	Less than 1 year	From 1 to 5 years	Longer than 5 years
IPF Financial debt	29,356	3,693	25,663	
PGE debt	5,997	32	5,965	
Lease debt	1,678	406	1,273	
Derivative liabilities	1,107	1,107		
Repayable advances	66	66		
Other	2	2		
Total financial liabilities	**38,207**	**5,306**	**32,901**	

CURRENT AND NON- CURRENT LIABILITES (Amounts in K€)	Dec 31, 2020			
	Gross amount	Less than 1 year	From 1 to 5 years	Longer than 5 years
IPF Financial debt	15,686	1,802	13,885	
PGE debt	5,914	293	5,621	
US loan	106	106		
Lease debt	1,914	436	1,237	242
Derivative liabilities	691	691		
Repayable advances	228	228		
Other	2	2		
Total financial liabilities	**24,542**	**3,557**	**20,743**	**242**

12.1 IPF Financial debt

(Amounts in K€)	IPF debt - Tranche A	IPF debt - Tranche B	IPF debt- Tranche C	Total IPF Debt
As at December 31, 2020	**5,846**	**9,841**		**15,686**
Increase			13,500	13,500
Derivative liability at inception date			-282	-282
Transaction costs			-203	-203
Capitalized interests	84	128		212
Cash interests	235	358		593
Effect of unwinding the discount	114	8		122
Interest paid	-108	-165		-273
As at June 30, 2021	**6,171**	**10,170**	**13,015**	**29,356**

In June 2021, the Group borrowed €13.5 million under the third tranche of IPF Venture Loan and issued warrants to purchase 156,250 ordinary shares with an exercise price of €6.72. The Group incurred €203 thousand of transaction costs. These costs were included in determining the amortization of the loan using the amortized cost method.

After taking into account the transaction costs and the fair value of the third tranche warrants (€ 282 thousand), the effective interest rate of the bond is 9,67%.

As for Tranches A, B and C, 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 assumptions are:
- Expected term: 1.9 years.
- Volatility: 46%

- Risk-free rate: (-0.7%)

As of June 30, 2021:

- For Tranche A, the derivative liability amounted to €415 thousand as compared to €377 as of December 31, 2020. The increase in fair value over the period amounts to €37 thousand.
- For Tranche B, the derivative liability amounted to €346 thousand as compared to €314 thousand at December 31, 2020. The increase in fair value over the period amounts to €32 thousand.
- For Tranche C, the derivative liability amounted to €282 thousand. Since the drawdown date is the same than the closing date, there is no change in fair value over the period.

12.2 PGE debt

In October 2020, the Group received the approvals from BNP Paribas, Bpifrance and CIC Lyonnaise de Banque for a € 6 million non-dilutive financing in the form of a French Government Guarantee loan.

Each loan has an initial term of one-year, with a five-year extension option. The Group decided to activate the extension option through the execution of addendums to the initial contracts in July 2021.

12.3 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 was a loan designed to provide a direct incentive for small businesses in the context of the Covid-19 outbreak. Following confirmation in early 2021 that it would not to be repaid, this loan was recognized as a subsidy and classified as a reduction of operating expenses.

Note 13: Provisions

Non-current

On June 30, 2021, the Group accrued for social contributions amounting to €432 thousands (compared to €173 thousands on December 31, 2020). These contributions relate to the performance shares awarded in 2019, 2020 and 2021. 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.
In connection with the application of the Merck Serono Agreement to the Roivant License Agreement, the Company and Merck Santé had a different interpretation of a clause which allocates between them the value of certain compensation received by the Company from partners in consideration for the granting of rights to Merck's intellectual property. In particular, the Parties disagreed as to whether certain compensation received under the Roivant License Agreement and the Sumitomo License Agreement fell within certain specific exceptions provided for in the MS Agreement (note 4).

On 18 February 2021, an Arbitral Tribunal rendered a "Final Award" concluding the ICC arbitration between the Company and Merck Santé that led the Group to recognize a €2.4 million provision at December 31, 2020.

In the first semester 2021, expenses for a total amount of €2.4 million have been recognized and paid to Merck Santé, and the provision has been reversed.

On June 30, 2021, there are no other provisions recognized.

Note 14: Suppliers and other current liabilities

14.1. Trade payables

Trade payables (Amounts in K€)	**June 30, 2021**	**Dec 31, 2020**
Suppliers' debts	4,043	3,065
Invoices to be received	8,687	5,297
Total of trade payables	**12,730**	**8,362**

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 period.

Invoices to be received mainly relate to the completion of ongoing clinical studies.

14.2 Tax and employee-related payables

Tax and employee-related payables are presented below:

TAX AND EMPLOYEE-RELATED PAYABLES (Amount in K€)	June 30, 2021	Dec 31, 2020
Staff and related accounts	1,003	1,345
Social security and other social agencies	738	731
Other taxes, dues and similar contributions	97	41
Total tax and employee-related and other current liabilities	**1,838**	**2,117**

Note 15: Revenue

For the six-months period ending June 30, 2021:

REVENUE (Amounts in K€)	June 30, 2021	June 30, 2020
Sumitomo Contract	13,274	6,359
Other contracts	-	13
Total revenue	**13,274**	**6,372**

At June 30, 2020 and June 30, 2021, revenue was mainly related to the contract signed with Sumitomo Dainippon Pharma in 2017.

Revenue in the first half of 2020 included a JPY 500 million (€4.1 million) milestone payment that the Group received from Sumitomo Dainippon Pharma upon submission of the Imeglimin J-NDA in July 2020. To a lesser extent, it also included an allocated portion of the EUR 36.0 million upfront payment received from Sumitomo Dainippon Pharma, 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.

At June 30, 2021, revenue includes a JPY 1,750 million (EUR 13,2 million) milestone payment that Poxel has received from Sumitomo Dainippon Pharma in July 2021 following the approval of Imeglimin in Japan, which has been completed on June 23, 2021 and recognized in Q2 2021 according to the IFRS15 accounting standard.

The license agreement 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, 2021, a JPY 1,750 million (EUR 13,2 million) milestone payment, that Poxel received from Sumitomo Dainippon Pharma following the approval of the Imeglimin in Japan, has been reported in revenue;

- At June 30, 2020, a JPY 500 million (EUR 4,144 million) milestone payment, that Poxel received 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, 2021, no sales were recorded as such in 2021. 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.

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

Note 16: Operating expenses

16.1 Research and development expenses

For the six-months period ending June 30, 2021:

RESEARCH AND DEVELOPMENT EXPENSES (Amount in K€)	June 30, 2021	June 30, 2020
Sub-contracting, studies and research [1]	10,329	9,007
Personnel costs	3,028	3,011
Share-based payments [2]	1,320	708
Travel and events	19	162
Intellectual property fees	433	191
Professional fees	632	914
Other	493	87
Research and development expenses (excluding subsidies received)	**16,253**	**14,080**
Research tax credit	1,538	1,500
Subsidies	32	0
Subsidies classified as a reduction of research and development expenses	**1,570**	**1,500**

(1) Research and development expenses mainly related to studies and clinical trials for 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 11

The increase in subcontracting cots mainly came from the phase 2 DESTINY study evaluating PXL065 in NASH, which started in the second part of 2020 and for which expenses of €5.7 million were incurred during the first six months of 2021.

This increase was partially offset by the Phase 2a study for PXL770 in NASH for which €0.1 million were incurred during the first six months of 2021, compared with €2.9 million for the first six months of 2020.

16.2 General and administrative expenses

For the six-months period ending June 30, 2021:

GENERAL AND ADMINISTRATIVE EXPENSES (Amount in K€)	June 30, 2021	June 30, 2020
Professional fees	1,581	1,621
Personnel costs	1,734	1,976
Share-based payments [(1)]	1,044	1,072
Travel and events	11	219
Other	1,151	1,094
General and administrative expenses (excluding subsidies received)	**5,521**	**5,983**
Subsidies	78	0
Subsidies classified as a reduction of general and administrative expenses	**78**	**0**

(1) Refers to note 11

Note 17: Employees

The Group's average workforce during the periods ended June 30, 2020 and 2021 was as follows:

Average number of employees	June 30, 2021	June 30, 2020
Senior staff	51	50
Non-senior staff	1	1
Total average number of employees	**52**	**51**

Note 18: Financial income (loss)

For the six months period ending June 30, 2021:

FINANCIAL INCOME (LOSS) (Amount in K€)	June 30, 2021	June 30, 2020
Change in derivative liability fair value	-134	1,004
Other financial expenses	-1,162	- 708
Financial income	40	323
Late payment interests	-209	-
Foreign currency exchange gains (losses)	287	-371
Financial income (loss)	**-1,178**	**249**

The financial result as of June 30, 2020 and 2021 is mainly composed of:

- financial income corresponding to income from financial investments (€40 thousand in 2021 compared to €323 thousands in 2020) and the change in fair value of derivative instruments (a € 134 thousand loss compared to a €1,004 thousand income in 2020);
- exchange rate gains and losses, in relation with the Yen and the Dollar exchange rates;
- other financial expenses, which mostly correspond to:
    - interests on IPF debt (€928 thousands in 2021 compared to €660 thousands in 2020);
    - lease debt interest (€21 thousands in 2021 compared to €26 thousands in 2020).

Note 19: Income tax

As of December 31, 2020, and June 30, 2021, 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 €164 million as of December 31, 2020.

Note 20: Earnings per share

For the six-months period ending June 30, 2021:

EARNINGS PER SHARE	June 30, 2021	June 30, 2020
Weighted average number of outstanding shares	28,595,981	26,557,749

Net income (loss) for the year	-8,020	-12,060
Basic earnings per share (€/share)	-0.28	-0.45
Diluted earnings per share (€/share)	-0.28	-0.45

Basic earnings 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 are 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. They are considered as anti-dilutive in 2020 and 2021 as they would reduce loss per share. As a result, the diluted loss per share at June 30, 2020 and June 30, 2021 is identical to the basic earnings per share.

Note 21: Related parties

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

CORPORATE DIRECTORS' COMPENSATION	June 30, 2021	June 30, 2020
Fixed compensation owed	237	225
Variable compensation owed	115	77
Contribution in-kind	5	7
Employer contributions	131	112
Attendance fees-board of directors	204	220
Share-based payments	808	170
Consulting fees	-	4
TOTAL	**1,501**	**814**

Note 22: Commitments

There has been no significant change in commitments since December 31, 2020.

22.1 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, 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 (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, 2021, the Group was compliant with the covenants described above.

22.2 Obligation under the forward currency contract

The Group is exposed to foreign exchange risk taking into account the volume of transactions that it carries out in yen in the framework of the contract signed with Sumitomo Dainippon Pharma, and in dollars as part of the ongoing clinical trials in the US.

As of June 30, 2021, the Group has implemented forward sales of yen in euros and in dollars to cover the exchange rate risk associated to the JPY 1,750 million marketing approval milestone that was paid in July 2021.

At this stage, the Group has not adopted any other recurring mechanism of coverage to protect its activity against currency fluctuations.

4. STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

POXEL

Société Anonyme

Immeuble le Sunway
259 avenue Jean Jaurès
69007 Lyon, France

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2021

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.

75008 Paris

S.A.S. au capital de 309 700€

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Société de Commissariat aux Comptes inscrite à la Compagnie Régionale Ouest Atlantique

92908 Paris-La Défense Cedex

S.A.S. au capital de 2 188 160 €

572 028 041 RCS Nanterre

Société de Commissariat aux Comptes inscrite à la Compagnie Régionale de Versailles et du Centre

POXEL

Société Anonyme

Immeuble le Sunway
259 avenue Jean Jaurès
69007 Lyon, France

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2021

To the Shareholders of POXEL,

In compliance with the assignment entrusted to us by your annual and 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, 2021,
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater

uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

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.

Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris and Paris-La Défense, September 23, 2021

The Statutory Auditors

Becouze **Deloitte & Associés**

Fabien BROVEDANI Julien RAZUNGLES