English translation for information purposes only

Joint stock company (*société anonyme*) with share capital of 390.624,56 €
Registered office: 259/261, Avenue Jean Jaurès, Immeuble le Sunway
69007 Lyon

DOCUMENT DE RÉFÉRENCE 2015

AUTORITÉ DES MARCHÉS FINANCIERS

Pursuant to its General Regulation, and more particulary to Article 212-13, the Autorité des Marchés Financiers has registered this registration document on June 13, 2016 under number R.16-053. This document may be used to support a financial transaction only if completed by a transaction note approuved by the AMF. It was prepared by the issuer and is the responsibility of its signatories.

Pursuant to Article L621-8-1-I of the Monetary and Financial Code, registration was made after the AMF verified that the document is exhaustive and comprehensible and that the information contained in it is consistent. It does not imply that the Autorité des Marchés Financiers has verified the accounting and financial information presented herein.

In accordance with article 28 of Commission regulation (EC) n° 809/2004, the restated IFRS corporate accounts of POXEL for the fiscal year 2014 as well as related statutory auditors report mentionned in sections 7 and 8.1 of the annual financial report for 2014, are incorporated by reference in the document de reference and available on the Company website (www.poxel.com).

This document is available witjout charge at the registered office of the Company, and in electronic form on the AMF website (www.amf-france.org) and the Company website (www.poxel.com).

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GENERAL REMARKS

Note

In this *document de référence*, unless otherwise indicated , the terms the "Company" or "Poxel" mean Poxel , a limited company with a capital of €390,624.56, whose registered office is at 259/261 Avenue Jean Jaurès – Immeuble le Sunway – 69007 Lyon, France, and which is registered with the Lyon Trade and Companies Registry under number 510 970 817 .

Pursuant to Article 28 of Regulation (EC) No 809/2004 of the European Commission of April 29, 2004, this *document de référence* incorporates by reference the financial statements prepared in accordance with IFRS standards as adopted by the European Union, for the year ended 31 December 2014 and the report of the Statutory Auditors relating to it, set out on pages 108 to 153 and page 155, respectively, of the 2014 Annual Financial Report.

Warning

This *document de référence* contains information relating to the activities of the Company and the market in which it operates. This information comes from studies attributable to internal or external sources (e.g. industry publications, specialized studies, information published by market research companies, analysts' reports). The Company believes that as at the date of this document, this information provides a fair view of the market and its competitive position in this market. However, such information has not been verified by an independent expert and the Company cannot guarantee that a third party using different methods to gather, analyze or calculate market data would obtain the same results.

Forward-looking statements

This *document de référence* also contains information on the objectives and the development priorities of the Company. This information is sometimes identified by the use of future or conditional tense and forward-looking terms such as "estimate", "consider", "aim", "expect", "intend", "should" , "wishes" and "could" or any variant or similar terminology. The reader's attention is drawn to the fact that these objectives and development priorities are not historical data and must not be interpreted as a guarantee that the facts and data mentioned will occur, that the assumptions will be verified or that the objectives will be achieved. These are objectives which by nature may not be achieved and the information provided in this *document de référence* may be incorrect without the Company being obliged to update it, subject to applicable regulations, including the General Regulation of the *Autorité des marchés financiers* (the "*AMF*").

Risk factors

Investors are also invited to consider the risk factors described in Section 4 "Risk factors" of this *document de référence* before making any investment decision. The realization of any or all of these risks is likely to have a negative effect on the business, position, financial results or objectives of the Company. In addition, other risks not yet identified or considered immaterial by the Company, could have the same negative effect and investors could lose all or part of their investment

1. PERSONS RESPONSIBLE

1.1. Person in charge of the *document de référence*

Mr. Thomas Kuhn, Chief Executive Officer

1.2. Certification by the person in charge

I certify, after having taken all reasonable measures to this effect, that the information contained in this *document de référence* is, to my knowledge, consistent with reality and contain no omission likely to affect its impact.

I obtained a letter from the Statutory Auditors, stating that they they have completed their assignment, which included checking the information concerning the financial situation and the accounts contained in this *document de référence* and reading all of this *document de référence*.

The historical financial information presented in the *document de référence* was subject to reports of Statutory Auditors.

The annual financial statements prepared under IFRS standards as adopted by the European Union, published on a voluntary basis and for the financial year ended December 31st, 2014, incorporated by reference in this document were subject to a report of Statutory Auditors, appearing on page 155 of the 2014 Annual Financial Report, which contains an observation: "Without questioning the opinion expressed above, we draw your attention to:

- note 11.4 "Liabilities towards Merck Serono" of the financial statements prepared under IFRS standards, which shows the impact of the accounting treatment of the contract entered into with Merck Serono.

- note 11.5 “Liabilities towards Kreos” of the financial statements prepared under IFRS standards, which shows the impact of the accounting treatment of the contract entered into with Kreos.

Made in Lyon, on June 13, 2016

Mr. Thomas Kuhn,
CEO

1.3. Person in charge of the financial reporting

Mr. Eric Massou,
Administrative and financial director
Address: 259/261 Avenue Jean Jaurès - Immeuble le Sunway - 69007 Lyon
Phone: 0033 4 37 37 20 10
Email: investors@poxelpharma.com

2. STATUTORY AUDITORS

2.1. Statutory auditors

MAZARS SA, member of the regional company of the auditors of Versailles, TOUR EXALTIS - 61 RUE HENRI REGNAULT, 92400 COURBEVOIE
represented by Frédéric MAUREL
First appointment date: January 29th, 2016.
Term: 5 years, corresponding to the remainder of the term of its predecessor
Term expiration date: during the general meeting of the shareholders for the approval of the financial statements of the financial year ended December 31st, 2020

PRICEWATERHOUSECOOPERS AUDIT, member of the regional company of the auditors of Versailles, 63 rue de Villiers, 92208 Neuilly-Sur-Seine Cedex
represented by Elisabeth L'HERMITE
Appointment date: January 31st, 2014
Term: 6 years
Term expiration date: during the general meeting of the shareholders for the approval of the financial statements of the financial year ended December 31st, 2019

2.2. Deputy Auditors

Emmanuel CHARNAVEL, member of the regional company of the auditors of Lyon, Le Premium, 131 Boulevard Stalingrad, 69624 Villeurbanne Cedex
Substitute of MAZARS SA
Appointment date: January 29th, 2016.
Term: 5 years, corresponding to the remainder of the term of its predecessor
Term expiration date: during the general meeting of the shareholders for the approval of the financial statements of the financial year ended December 31st, 2020

Jean-Christophe GEORGHIOU, member of the regional company of the auditors of Versailles, 63 rue de Villiers, 92208 Neuilly-Sur-Seine Cedex
Substitute of PRICEWATERHOUSECOOPERS AUDIT
Appointment date: January 31st, 2014
Term: 6 years
Term expiration date: during the general meeting of the shareholders for the approval of the financial statements of the financial year ended December 31st, 2019

2.3. Information on auditors that have resigned, have been removed or have not been renewed

MAZARS SA, member of the regional company of the auditors of Lyon, Le Premium, 131 Boulevard Stalingrad, 69624 Villeurbanne Cedex

Represented by Christine DUBUS

Term expiration date: during the general meeting of the shareholders for the approval of the financial statements of the financial year ended December 31st, 2020

Date of resignation: January 29th, 2016

and

Frédéric MAUREL, substitute of MAZARS SA, member of the regional company of the auditors of Lyon, Le Premium, 131 Boulevard Stalingrad, 69624 Villeurbanne Cedex

Term expiration date: during the general meeting of the shareholders for the approval of the financial statements of the financial year ended December 31st, 2019

Date of resignation: January 29th, 2016

The resignations of the auditors occurred due to an internal reorganization of mandates made by MAZARS SA, which led to the transfer of the mandate relating to the Company in the Lyon region to the Paris region.

3. SELECTED FINANCIAL INFORMATION

The Company, which did not have any subsidiaries as at December 31st, 2015, prepared in addition to its annual financial statements that comply with French accounting standards, restated financial statements in accordance with IFRS standards as adopted by the European Union, in respect of financial years 2014 and 2015. These restated financial statements were published on a voluntary basis.

The following selected financial information is derived from those financial statements, appearing in section 20.1 "IFRS financial statements prepared for the financial year ended December 31st, 2015" of this *document de référence,* as well as the quarterly financial information on March 31st, 2016 prepared under IFRS standards appearing in section 20.4 "quarterly financial information on March 31st, 2016" of this *document de référence.*

The selected accounting and operational data below should be read regarding the information contained in sections 9 "Review of financial situation and results" and 10 "Cash and capital" of this *document de référence*.

Simplified balance sheet in euros IFRS standards	**31/12/2015 Audited** 12 months	**31/12/2014 Audited** 12 months	**31/03/2016 Unaudited 3 months**	**31/03/2015Unaudited 3 months**
TOTAL ASSET	**46 848 113**	**13 825 900**	**42 134 902**	**36 899 626**
Non current assets	**686 715**	**307 813**	**741 270**	**480 208**
Intangible assets	*540*	*910*	*481*	*1 136*
Property, plant and equipment	*152 748*	*21 335*	*147 815*	*20 912*
Other non current financial assets	*533 428*	*285 569*	*592 974*	*458 161*
Current assets	**46 161 396**	**13 518 086**	**41 393 632**	**36 419 417**
Inventories	*-*	*-*	*-*	*-*
Trade receivables	*11 580*	*-*	*11 580*	*-*
Other receivables and related accounts	*3 736 414*	*3 264 451*	*4 034 931*	*3 586 429*
Cash an cash equivalents	*42 413 402*	*10 253 635*	*37 347 121*	*32 832 988*
TOTAL LIABILITIES	**46 848 113**	**13 825 900**	**42 134 902**	**36 899 626**
Shareholder's equity	**38 027 817**	**(2 547 504)**	**31 647 712**	**27 842 082**
Non current liabilities	**1 683 884**	**4 415 465**	**1 028 308**	**3 913 204**
Employee benefit obligations	*129 958*	*97 758*	*140 379*	*101 601*
Financial liabilities	*1 553 926*	*4 317 707*	*887 929*	*3 811 603*
Current liabilities	**7 136 411**	**11 957 939**	**9 458 882**	**5 144 340**
Financial liabilities	*2 397 150*	*8 551 302*	*2 527 195*	*1 862 430*
Trade payables	*4 336 522*	*3 098 682*	*6 441 524*	*3 093 915*
Tax and employee related payables	*379 739*	*307 955*	*436*	*187 995*

			472	
				53
Other current liabilities	*23 000*	-	*691*	-

(1) As at December 31, 2015 the cash and shareholder's equity had been strengthened as a result of the cash increases during the financial year (see note 1.2 to financial statements published on a volotntary basis presented in section 20.1 "Financial statements under IFRS for the financial year ended December 31, 2015" of this *document de référence*).

Simplified income statement in euros IFRS standard	**31/12/2015 Audited 12 months**	**31/12/2014 Audited 12 months**	**31/03/2016Unaudited 3 months**	**31/03/2015 Unaudited 3 months**
Turnover	**59 650**	**-**	**-**	**-**
Research and development expenses net of CIR	*(7 318 749)*	*(5 017 534)*	*(4 543 214)*	*(1 165 265)*
General and administrtive expenses	*(4 461 852)*	*(1 878 448)*	*(1 580 579)*	*(1 243 086)*
Operating loss	**(11 720 951)**	**(6 895 982)**	**(6 123 793)**	**(2 408 350)**
Financial expenses	*(908 575)*	*(7 258 193)*	*(170 899)*	*(254 880)*
Financial income	*388 514*	*71 726*	*47 158*	*92 508*
Net loss	**(12 241 013)**	**(14 082 448)**	**(6 247 534)**	**(2 570 722)**
Loss per share	*(0,68)*	*(1,41)*	*(0,32)*	*(0,16)*

Simplified cash flows	**31/12/2015 Audited 12 months**	**31/12/2014 Audited 12 months**	**31/03/2016 Unaudited 3 months**	**31/03/2015 Unaudited 3 months**
Cash flow from operating activities	**(10 061 267)**	**(6 089 349)**	**(3 776 154)**	**(2 792 777)**
Before change in working capital requirements	*(10 520 376)*	*(6 060 434)*	*(5 670 063)*	*(2 346 073)*
Changes in working capital requirements	*459 110*	*(28 915)*	*1 893 909*	*(446 704)*
Cash flows from investing activies	**96 887**	**(225 097)**	**24 257**	**37 046**
Cash flows from financing activies	**42 124 146**	**8 597 460**	**(1 314 384)**	**25 335 085**
Increase (decrease) in cash and cash equivalent	**32 159 767**	**2 283 013**	**(5 066 281)**	**22 579 354**
Cash equivalent as of the opening date	10 253 635	7 970 622	42 413 402	10 253 635
Cash equivalent as of the closing date	42 413 402	10 253 635	37 347 121	32 832 988

Net indebtness level (in euros) IFRS standard	**31/12/2015 Audited 12 months**	**31/12/2014 Audited 12 months**	**31/03/2016 Unaudited 3 months**	**31/03/2015 Unaudited 3 months**
+ Financial liabilities – non current portion	1 553 926	4 317 707	887 929	3 811 603
+ Financial liabilities – current portion	2 397 150	8 551 302	2 527 195	1 862 430
- Cash and cash equivalent	42 413 402	10 253 635	37 347 121	32 832 988

Total net indebtness (1)	**(38 462 328)**	**2 615 373**	**(33 931 997)**	**(27 158 955)**

(1) Net debt is the sum of financial debt less net cash (active cash less passive cash)

4. RISKS FACTORS

An investment in our ordinary shares (which may be in the form of ADSs) involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the information contained in this prospectus, including our financial statements and the related notes, before making an investment decision regarding the ordinary shares (which may be in the form of ADSs). If any of the following risks are realized, our business, financial condition, results of operations or prospects could be materially and adversely affected. In that event, the market price of our ordinary shares (which may be in the form of ADSs) could decline, and you could lose part or all of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements."

4.1. Risks Related to Our Financial Position and Need for Additional Capital

4.1.1. *We have incurred significant losses since our incorporation and anticipate that we will continue to incur significant losses in the foreseeable future.*

We are a clinical-stage biopharmaceutical company and we have not yet generated any revenue from product sales. We have incurred net losses in each year since our incorporation in 2009, including net losses of €14.1 million and €12.2 million for the December 31, 2014 and 2015 fiscal years, respectively. These losses are principally the result of our internal and external research expenditures and development costs for conducting preclinical studies and clinical trials, primarily in the context of the development of Imeglimin. As of December 31, 2015, we had an accumulated deficit of €44.3 million.

We have devoted most of our financial resources to research and development, including our clinical and preclinical development activities. Even if we obtain regulatory approval to market a drug candidate, our future revenues will depend upon the size of any markets in which our drug candidates have received approval and our ability to achieve sufficient market acceptance, reimbursement from third-party payors and adequate market share for our drug candidates in those markets. There can be no assurance that we will ever earn any revenues or revenues sufficient to offset past, current and future losses or achieve profitability, which would impair our ability to sustain our operations. Moreover, even if we achieve profitability, such profitability may not be sustainable. Any inability to generate sustained profits could have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if and as we:

- continue the preclinical and clinical development of our drug candidates;
- expand the scope of our current clinical trials for our drug candidates;
- begin new clinical trials for our drug candidates;
- develop our commercial manufacturing capabilities for our drug candidates;
- seek regulatory and marketing approvals for any drug candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure to commercialize any drugs for which we may obtain marketing approval for which we have not entered into a collaboration with a third-party;
- seek to identify and validate additional drug candidates;

- acquire or in-license other drug candidates and technologies;
- make milestone, royalty or other payments under in-license or collaboration agreements;
- maintain, protect and expand our intellectual property portfolio;
- attract new and retain existing skilled personnel; and
- create additional infrastructure to support our operations as a U.S. public company.

The net losses we incur may fluctuate significantly from year to year, such that a period-to-period comparison of our results of operations may not be a good indication of our future performance. In any particular period or periods, our operating results could be below the expectations of securities analysts or investors, which could cause the price of the ordinary shares (which may be in the form of ADSs) to decline.

4.1.2. ***We may need to raise additional funding, which may not be available on acceptable terms, or at all, and failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.***

We are currently advancing our drug candidates through clinical development and conducting preclinical studies with respect to other programs. Developing drug candidates is expensive, time-consuming and risky, and we expect our research and development expenses to increase substantially in connection with our ongoing activities, particularly as we seek to advance our drug candidates toward commercialization.

As of December 31, 2015, our cash and cash equivalents were €42.4 million. We estimate that the net proceeds from the global offering will be approximately $ million, assuming an offering price of € per ordinary share (which may be in the form of ADSs), the last reported sale price of our ordinary shares on Euronext Paris on , 2016, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We expect that the net proceeds from the global offering and our existing cash and cash equivalents will be sufficient to fund our current operations for at least the next months. However, our operating plans may change as a result of a variety of factors, and we may need to seek additional funds sooner than planned. In any event, we will require additional capital to pursue preclinical and clinical activities, obtain regulatory approval for and commercialize our drug candidates. More specifically, we will require additional funding to undertake one or more Phase 3 clinical trials of Imeglimin, which are a prerequisite for obtaining marketing approval for Imeglimin, which we estimate will cost up to €300 million. Further, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations. In relation to all of the above, we may seek additional financing in the form of public or private equity or debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements or a combination of these sources.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our drug candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our shareholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our ordinary shares (which may be in the form of ADSs) to decline. The sale of additional equity or convertible securities would be dilutive to our shareholders. The incurrence of indebtedness would result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct

our business. If we are unable to obtain adequate financing, we may be required to delay, reduce or eliminate the number or scope of our projects and drug candidates (including our preclinical studies and clinical trial programs). We could also be required to seek funds through arrangements with collaborators or otherwise at an earlier stage than otherwise would be desirable and we may be required to relinquish rights to some of our technologies or drug candidates or otherwise agree to terms unfavorable to us. If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any drug candidate or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could impair our prospects.

4.2. Risks Related to our Product Development, Regulatory Approval and Commercialization

4.2.1. *Most of our human, financial and material resources are allocated to developing a single drug candidate, Imeglimin.*

Our business and future success depends on our ability to complete clinical development of, obtain regulatory approval for and successfully commercialize our lead drug candidate, Imeglimin. Accordingly, we are particularly exposed to delays in the development and marketing of Imeglimin. For example, we will need to demonstrate that Imeglimin has a beneficial impact on glucose tolerability and glucose-dependent insulin secretion, which could potentially delay cardiovascular complications associated with type 2 diabetes patients. We are preparing a Phase 3 development program that is intended to satisfy the requirements of both the European Medicines Agency, or the EMA, and the U.S. Food and Drug Administration, or the FDA. However, we have not yet received input from the EMA and our ability to simultaneously meet the requirements of both the EMA and FDA is uncertain at this point. All of our drug candidates, including Imeglimin, will require additional clinical and non-clinical developments, regulatory review and approval in multiple jurisdictions, substantial investment, access to sufficient commercial manufacturing capacity and significant marketing efforts before we can generate any revenue from product sales.

We expect to enter into partnerships for the purposes of conducting Phase 3 clinical trials. In the event that we are unable to enter into such partnerships in certain jurisdictions, we may conduct Phase 3 clinical trials of Imeglimin ourselves. Conducting these clinical trials will require significant financial resources, which we may not be able to fund from our own internal cash flows. Accordingly, our ability to commit such resources will depend upon our ability to obtain adequate financing. Any shortfall, delay or inability in obtaining such financing at all or at an acceptable cost could delay or impede completion of our Phase 3 clinical trials of Imeglimin in the relevant jurisdiction.

If we fail to successfully develop or market Imeglimin, or cause a delay in its development or marketing, this could have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.2.2. *Drug candidates under development must undergo costly, rigorous and highly regulated preclinical studies and clinical trials, whose time of completion, number and outcomes are uncertain.*

We are engaged in preclinical studies and clinical trials, with the primary objective of developing and marketing drug therapies aimed at combating type 2 diabetes. Preclinical studies and clinical trials are generally expensive, are difficult to design and implement, can take many years to complete and are inherently uncertain as to outcome. We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. It may take several years to complete the preclinical studies and clinical development necessary to commercialize a drug candidate, and delays or failure can occur at any stage. Interim results of clinical trials do not necessarily predict final

results, and success in preclinical studies and early clinical trials does not ensure that later clinical trials will be successful. A number of companies in the pharmaceutical, biopharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials even after promising results in earlier trials, and we cannot be certain that we will not face similar setbacks. The design of a clinical trial can determine whether its results will support approval of a product, and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. An unfavorable outcome in one or more trials would be a major setback for our drug candidates and for us. Due to our limited financial resources, an unfavorable outcome in one or more trials may require us to delay, reduce the scope of, or eliminate one or more product development programs, which could have a material adverse effect on our business and financial condition and on the value of our securities.

In connection with clinical testing and trials, we face a number of risks, including risks that:

- a drug candidate is ineffective, inferior to existing approved medicines, unacceptably toxic, or has unacceptable side effects;
- patients may die or suffer other adverse effects for reasons that may or may not be related to the drug candidate being tested;
- extension studies on long-term tolerability could invalidate the use of our product;
- the results may not confirm the positive results of earlier testing or trials; and
- the results may not meet the level of statistical significance required by the EMA, the FDA, the Pharmaceuticals and Medical Devices Agency, or the PMDA, or other regulatory authorities to establish the safety and efficacy of our drug candidates.

In addition, regulatory authorities in the jurisdictions in which we intend to market our drug candidates may interpret results in a manner differently than we have. We have, in any event, the discretion to require further testing (including relating to research protocols, patient characteristics, durations of treatment and post-treatment monitoring) or to impose additional and unexpected conditions on the trials. The outcome of these trials is highly uncertain, and there can be no assurance that any of our drug candidates will successfully complete their respective trials with marketable results or within a time frame that permits profitable marketability.

We cannot guarantee that the results of the clinical trials will demonstrate tolerability, safety (including the absence or limited nature of adverse side effects or interactions with other drugs and therapies) and the efficacy of one or more of our drug candidates on humans. Any failure to so demonstrate during one or more of the various clinical phases could result in a delay in the development and marketing of the product in question or result in suspension of its development.

None of our drug candidates are in Phase 3. Prior to initiating Phase 3 clinical trials of Imeglimin, we will need to complete a thorough QT interval study, which may reveal unacceptable cardiovascular toxicity risks and prevent or delay further development of Imeglimin. Entry into Phase 3 exposes broader samples of the population to a particular drug candidate, which could reveal previously unseen or unnoticed safety problems, adverse effects and interactions or a lack of efficacy. Moreover, Phase 3 clinical trials can also reveal currently unknown, but remote, effects or trigger or aggravate currently unknown pathologies, whether preexisting or not, which could delay or interrupt development of the drug candidate. In order to complete certain Phase 3 and other clinical trials, we expect to enter into partnerships and, accordingly, will be subject to risks associated with our reliance on partnerships and third parties.

If any of the foregoing materializes, or our drug candidates otherwise fail to complete, or are delayed in the completion of, their respective clinical trials, the marketing of such drugs could be delayed or prevented, which could have a materially adverse impact on our business, prospects, financial condition, cash flows or results of operations.

4.2.3. *Clinical trials are subject to prior approval by regulatory authorities, which may not be granted.*

All of our drug candidates are in preclinical studies or clinical trial phases and none have been submitted for final approval. Accordingly, further clinical trials will be required. All clinical trials are subject to prior approval by the regulatory authorities of the jurisdiction in which the trial is to be carried out, as well as by various ethics and similar committees. A failure to obtain an approval or a negative opinion of a committee could delay or suspend our clinical development program. Additionally, once we have the relevant approvals, the regulatory authorities could suspend or terminate the development of our drug candidates. If any of these events occurs, it could have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.2.4. *Interaction with other products may delay or prohibit marketability of our drug candidates.*

Our drug candidates are intended to be used in combination with certain other products. We undertake studies to determine any risks arising from our drug candidates' interaction with other products and treatments when taken in combination. For example, combined use of Imeglimin and metformin may in the future show additive toxicities despite our belief of sufficient mechanistic differences between these drugs. These studies, by their nature, cannot cover every possible combination. In addition, our drug candidates may interact negatively with other products and treatments in certain populations not covered by any of our studies. Further, such negative interactions may only arise once our drugs, if approved, have been released to the market. Any such interactions may have unacceptable or undetected side effects or reduce or negate the efficacy of our drug candidates, which could reduce the marketability of our drug candidates, delay the development of our drug candidates and, in turn, have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.2.5. *Our drug candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.*

Undesirable side effects caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the EMA, FDA, PMDA or other comparable authorities in other jurisdictions. Further, our drug candidates may be found to have interactions with other drugs or treatments that are not acceptable or not mitigated. In such an event, our trials could be suspended or terminated and the EMA, FDA, PMDA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our drug candidates for any or all targeted indications. The product related side effects could affect patient enrollment in our clinical trials or the ability of any enrolled patients to complete such trials or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

If one or more of our drug candidates received marketing approval, and we or others later identify undesirable side effects caused by such drugs or negative interactions with other products or treatments (including, for example, as a result of interactions with other products once on the market as illustrated in "—Interaction with other products may delay or prohibit marketability of our drug candidates"), a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of such product;

- regulatory authorities may require additional warnings on the product's label;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular drug candidate, if approved, and could have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.2.6. *Delays, suspensions and terminations in our clinical trials could result in increased costs to us and delay or prevent our ability to generate revenues.*

Human clinical trials are very expensive, time-consuming, and difficult to design, implement and complete. The completion of trials for Imeglimin or our other drug candidates may be delayed, suspended or terminated due to a number of factors, including:

- lack of effectiveness of drug candidates during clinical trials;
- adverse events, safety issues or side effects relating to the drug candidates or their formulation;
- inability to raise additional capital in sufficient amounts to continue clinical trials or development programs, which are very expensive;
- the need to sequence clinical trials as opposed to conducting them concomitantly in order to conserve resources;
- our inability to enter into partnerships relating to the development and commercialization of our drug candidates;
- our failure to conduct clinical trials in accordance with regulatory requirements;
- our inability to manufacture or obtain from third parties materials sufficient for use in preclinical studies and clinical trials;
- governmental or regulatory delays and changes in regulatory requirements, policy and guidelines, including mandated changes in the scope or design of clinical trials or requests for supplemental information with respect to clinical trial results;
- delays in patient enrollment, variability in the number and types of patients available for clinical trials, and lower-than anticipated retention rates for patients in clinical trials;
- difficulty in patient monitoring and data collection due to failure of patients to maintain contact after treatment; and
- varying interpretations of our data, and regulatory commitments and requirements by the EMA, FDA, PMDA and other regulatory authorities.

Many of these factors may also ultimately lead to denial of our marketing application for Imeglimin or our other drug candidates. If we experience delay, suspensions or terminations in a clinical trial, the commercial prospects for the related drug candidate will be harmed, and our ability to generate product revenues will be delayed or such revenues could be reduced or fail to materialize.

4.2.7. *Changes in regulatory requirements, guidance from regulatory authorities or unanticipated events during our clinical trials of our drug candidates could necessitate changes to clinical trial protocols or additional clinical trial requirements, which would result in increased costs to us and could delay our development timeline.*

Changes in regulatory requirements, FDA guidance or guidance from the EMA, PMDA or other regulatory authorities, or unanticipated events during our clinical trials, may force us to amend clinical trial protocols. The regulatory authorities could also impose additional clinical trial requirements. Amendments to our clinical trial protocols would require resubmission to the EMA, FDA, PMDA, national clinical trial regulators and institutional review board, or IRB, for review and approval, which may adversely impact the cost, timing or successful completion of a clinical trial. If we experience delays completing, or if we terminate, any of our clinical trials, or if we are required to conduct additional clinical trials, the commercial prospects for our drug candidates may be harmed and our ability to generate product revenue will be delayed.

4.2.8. If we, or any future partners, experience delays or difficulties in the enrollment of patients in clinical trials, our or their receipt of necessary regulatory approvals could be delayed or prevented.

We, or any future partners, may not be able to initiate or continue clinical trials for our current drug candidates or any future drug candidates that we, or any future partners, may develop if we, or they, are unable to locate and enroll a sufficient number of eligible patients to participate in clinical trials. Patient enrollment is a significant factor in the timing of clinical trials, and is affected by many factors, including:

- the size and nature of the patient population;
- the severity of the disease under investigation;
- the availability of approved therapeutics for the relevant disease;
- the proximity of patients to clinical sites;
- the eligibility criteria for the trial;
- the design of the clinical trial;
- efforts to facilitate timely enrollment;
- competing clinical trials; and
- clinicians' and patients' perceptions as to the potential advantages and risks of the drugs being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating.

In addition, we may have difficulty in retaining patients to participate in clinical trials of our drug candidates. Once recruited, patients enrolled in such trials may suspend or terminate their participation at will, at any time. If too many patients withdraw from a trial, the analysis of the results of such trial may not have a statistically significant scope.

Our inability, or the inability of any future partners, to enroll and retain a sufficient number of patients for our, or their, clinical trials could result in significant delays or may require us or them to abandon one or more clinical trials altogether. Enrollment delays in our, or their, clinical trials may result in increased development costs for our drug candidates, delay or halt the development of and approval processes for our drug candidates and jeopardize our, or any future partners', ability to commence sales of and generate revenues from our drug candidates, which could cause the value of our company to decline and limit our ability to obtain additional financing, if needed.

4.2.9. *Clinical failure can occur at any stage of clinical development. The results of earlier clinical trials are not necessarily predictive of future results and any drug candidate we advance through clinical trials may not have favorable results in later clinical trials or receive regulatory approval.*

Clinical failure can occur at any stage of our clinical development. Clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. Moreover, success in preclinical studies and early clinical trials does not ensure that subsequent clinical trials will generate the same or similar results or otherwise provide adequate data to demonstrate the efficacy and safety of a drug candidate. A number of companies in the pharmaceuticals industry, including those with greater resources and experience than us, have suffered significant setbacks in Phase 3 clinical trials, even after seeing promising results in earlier clinical trials, and we could face similar setbacks. The design of a clinical trial can determine whether its results will support approval of a product and flaws in the design of a clinical trial may not become apparent until the clinical trial is well-advanced. In addition, data obtained from clinical trials and preclinical studies are susceptible to varying interpretations and analyses. Many companies that believed their drug candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval for the drug candidates. Even if we, or any future partners, believe that the results of clinical trials for our drug candidates warrant marketing approval, the EMA, FDA, PMDA or other regulatory authorities may disagree and may not grant marketing approval of our drug candidates.

In some instances, there can be significant variation in safety or efficacy results between different clinical trials of the same drug candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, changes in and adherence to the dosing regimen and other clinical trial protocols and the rate of dropout among clinical trial participants. If we fail to receive positive results in clinical trials of our drug candidates, the development timeline and regulatory approval and commercialization prospects for our most advanced drug candidates, and, correspondingly, our business and financial prospects will be negatively impacted.

If our drug candidates are not approved for marketing by applicable government authorities, we will be unable to commercialize them. The European Commission (following review by the EMA) in Europe, the FDA in the United States, the PMDA in Japan and comparable regulatory authorities in other jurisdictions must approve new drug or biologic candidates before they can be commercialized, marketed, promoted or sold in those territories. We must provide these regulatory authorities with data from preclinical studies and clinical trials that demonstrate that our drug candidates are safe and effective for a defined indication before they can be approved for commercial distribution. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is inherently uncertain as to outcome. We must provide data to ensure the identity, strength, quality and purity of the drug substance and drug product. Also, we must assure the regulatory authorities that the characteristics and performance of the clinical batches will be replicated consistently in the commercial batches. We have focused our development and planned commercialization efforts on Europe, the United States and Japan. However, the processes by which regulatory approvals are obtained from the EMA, FDA and PMDA to market and sell a new product are complex, require a number of years and involve the expenditure of substantial resources. We cannot assure you that any of our drug candidates will receive EMA, FDA or PMDA approval. Even if we obtain marketing approval of any of our drug candidates in a major pharmaceutical market, such as the United States or Europe, we may never obtain approval or commercialize our drug candidates in other major markets, due to varying approval procedures or otherwise, which will limit our ability to realize their full market potential.

Delays to or a failure to secure such approvals for any or all of our markets for a given drug candidate may result in a loss of development costs, loss in market value of the drug candidate and its associated intellectual property and an inability to widely market the product to the public, which, in turn, could have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.2.10. ***Even if we obtain marketing approvals for our drug candidates, the terms of approvals and ongoing regulation of our drugs may limit how we market our drugs, which could materially impair our ability to generate revenue.***

Even if we receive regulatory approval for a drug candidate, this approval may carry conditions that limit the market for the drug or put the drug at a competitive disadvantage relative to alternative therapies. For instance, a regulatory approval may limit the indicated uses for which we can market a drug or the patient population that may utilize the drug, or may be required to carry a warning in its labeling and on its packaging. Drugs with boxed warnings are subject to more restrictive advertising regulations than drugs without such warnings. These restrictions could make it more difficult to market any drug candidate effectively. Accordingly, assuming we receive marketing approval for one or more of our drug candidates, we will continue to expend time, money and effort in all areas of regulatory compliance.

4.2.11. ***Any of our drug candidates for which we obtain marketing approval could be subject to post-marketing restrictions or withdrawal from the market, and we may be subject to substantial penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drugs following approval.***

Any of our drug candidates for which we obtain marketing approval, as well as the manufacturing processes, post-approval studies and measures, labeling, advertising and promotional activities for such drugs, among other things, will be subject to continual requirements of and review by the EMA, FDA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing approval of a drug candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, including the FDA requirement to implement a Risk Evaluation and Mitigation Strategy, or REMS to ensure that the benefits of a drug or biological product outweigh its risks.

The EMA, FDA and PMDA may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of a product, such as long-term observational studies on natural exposure. The FDA and other agencies, including the Department of Justice, closely regulate and monitor the post-approval marketing and promotion of products to ensure that they are manufactured, marketed and distributed only for the approved indications and in accordance with the provisions of the approved labeling. Violation of the U.S. Federal Food, Drug, and Cosmetic Act, or the FDCA, and other statutes, including the False Claims Act, relating to the promotion and advertising of prescription drugs may lead to investigations or allegations of violations of federal and state health care fraud and abuse laws and state consumer protection laws.

4.2.12. ***The regulatory environment for our drugs may change.***

We operate in a heavily regulated industry, and regulation in certain of our key markets, including in the United States, Europe and Japan, is subject to change. Any such changes could result in a limitation of the indications for which we may market our drugs or prevent such marketing at all. The

cost of compliance with applicable regulations is significant and increasing. If this trend continues, it could reduce the economic value of any of our new drugs.

For example, certain regulatory authorities, particularly the FDA, have imposed increasingly burdensome data provision requirements in order to prove the efficacy and safety of a drug candidate. These requirements have reduced the number of drug candidates meeting the criteria for approval of a New Drug Application, or NDA, or marketing approval and accordingly, the number of products authorized. Marketed products are also subject to regular reevaluation of the benefit to risk ratio after the granting of marketing approval. The late discovery of problems not identified during the research stage can lead to marketing restrictions, product suspension or withdrawal and a heightened risk of legal action.

If we fail to comply with such regulations and changes in regulation, we could become subject to substantial penalties, including fines, product recalls, restrictions on sale, temporary or permanent suspension of its operations and civil or criminal proceedings. If any of the foregoing occurs, it could have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.2.13. ***Even if we successfully complete clinical trials of our drug candidates, those candidates may not be commercialized successfully for other reasons.***

Even if we successfully complete clinical trials for one or more of our drug candidates, those candidates may not be commercialized for other reasons, including:

- failing to receive regulatory clearances required to market them as drugs;
- being subject to proprietary rights held by others;
- failing to obtain clearance from regulatory authorities on the manufacturing of our drugs;
- being difficult or expensive to manufacture on a commercial scale;
- having adverse side effects that make their use less desirable;
- having negative interactions with other products or treatments;
- failing to compete effectively with products or treatments commercialized by competitors; or
- failing to show that the long-term benefits of our drugs exceed their risks.

4.2.14. ***Even if any of our drug candidates are commercialized, they may fail to achieve the degree of market acceptance by physicians, patients, healthcare prescribers, third-party payors or the medical community in general necessary for commercial success.***

To date, we have never commercialized a product, and even if one of our drug candidates is approved by the appropriate regulatory authorities for marketing and sale, it may nevertheless fail to gain sufficient market acceptance by physicians, patients, healthcare prescribers, third-party payors and others in the medical community.

Even if the medical community accepts a product as safe and efficacious for its indicated use, physicians may choose to restrict the use of the product if we are unable to demonstrate that, based on experience, clinical data, side-effect profiles and other factors, our product is preferable to any existing products or treatments. We cannot predict the degree of market acceptance of any drug candidate that receives marketing approval, which will depend on a number of factors, including, but not limited to:

- the demonstration of the clinical efficacy and safety of the product; and the perception of its therapeutic benefit by prescribers and patients;
- the approved labeling for the product and any required warnings;
- the potential occurrence of unfavorable side-effects and interactions;

- the product's ease of use, in particular in respect of its method of administration;
- the advantages and disadvantages of the product compared to alternative treatments;
- our ability to educate the medical community about the safety and effectiveness of the product;
- the market price of our product relative to competing treatments;
- the availability of coverage and adequate reimbursement from governments and other third-party payors pertaining to the product, and patients' willingness to pay out-of-pocket for cost shares or the product if third-party payor reimbursement is limited or not available;
- the effective implementation of a scientific publication strategy;
- the support of opinion leaders in the field of type 2 diabetes; and
- the development of one or more competing products for the same indication.

If one or more of our drugs fails to be accepted by the market for any of the reasons set forth above or for any other reason in one or more jurisdictions, this could negatively affect the profitability and marketability of such drugs, which could, in turn, have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

In addition, the marketing of our drugs will require the entering into of partnerships.

4.2.15. *We currently have no sales organization. If we are unable to enter into sales, marketing and distribution arrangements with third parties, we may not be successful in commercializing our drug candidates if and when they are approved.*

We do not have a sales or marketing infrastructure and have no experience in the sale, marketing or distribution of pharmaceutical products. To achieve commercial success for any drug candidate for which we obtain marketing approval, we will need to establish a sales and marketing organization or make arrangements with third parties to perform sales and marketing functions and we may not be successful in doing so.

We intend to seek to enter into and rely on partnerships with third parties that we believe may contribute to our ability to advance development and ultimately commercialize our drug candidates. As a result of entering into arrangements with third parties to perform sales, marketing and distribution services, our product revenues or the profitability of these drug revenues may be lower, perhaps substantially lower, than if we were to directly market and sell our drugs. Furthermore, we may be unsuccessful in entering into the necessary arrangements with third parties or may be unable to do so on terms that are favorable to us.

Even if we are able to enter into acceptable partnerships, we may have little or no control over such third parties, and our future partners may fail to devote the necessary resources and attention to sell and market our drugs effectively. For example, budgeting restrictions or strategy changes of our future partners could delay or prevent successful clinical development or marketing efforts. Similarly, our future partners could decide to give priority to the clinical development or marketing of other drug candidates or develop or seek to develop drug candidates in competition with our drug candidates.

Our failure to establish and maintain successful partnerships could have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.2.16. *There are numerous competitors in the market for type 2 diabetes therapeutic treatments.*

The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change as researchers learn more about diseases and develop new technologies and treatments. Numerous biopharmaceutical laboratories, biotechnology companies,

institutions, universities and other research entities are actively engaged in the discovery, research, development and marketing of therapeutic responses to treat type 2 diabetes making it a highly competitive field. Significant competitive factors in our industry include product efficacy and safety, quality and breadth of an organization's technology, skill of an organization's employees and its ability to recruit and retain key employees, timing and scope of regulatory approvals, government reimbursement rates for, and the average selling price of, products, the availability of raw materials and qualified manufacturing capacity, manufacturing costs, intellectual property and patent rights and their protection and sales and marketing capabilities. Given the intense competition in our industry, we cannot assure you that any of the products that we successfully develop will be clinically superior or scientifically preferable to products developed or introduced by our competitors.

In addition, significant delays in the development of our drug candidates could allow our competitors to succeed in obtaining EMA, FDA, PMDA or other regulatory approvals for their drug candidates more rapidly than us, which could place us at a significant competitive disadvantage or deny us marketing exclusivity rights.

Further, our competitors may be more effective at using their technologies to develop commercial products. Many of the organizations competing with us have significantly greater financial resources and expertise in research and development, manufacturing, preclinical studies, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through partnership arrangements with large and established companies. These companies also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

In addition, a number of surgical and other alternative therapies to combat type 2 diabetes are being researched and are in various stages of development. Should these therapies prove effective, it could reduce the potential size of the market for our drugs. In addition, there can be no assurance that our competitors will not deploy their superior resources to damage our and our drug candidates' prospects.

The occurrence of any of the foregoing could have a significant impact on our ability to generate profits from our drugs, which could, in turn, have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.2.17. *Government restrictions on pricing and reimbursement, as well as other healthcare payor cost-containment initiatives, may negatively impact our ability to generate revenues if we obtain regulatory approval to market a product.*

The continuing efforts of the government, insurance companies, managed care organizations and other third-party payors of healthcare costs to contain or reduce costs of healthcare may adversely affect one or more of the following:

- our ability or our future partners' ability to set a price we believe is fair for our drugs, if approved;
- our ability or our future partners' ability to obtain and maintain market acceptance by the medical community and patients;
- our ability to generate revenues and achieve profitability; and
- the availability of capital.

We cannot be sure that coverage and reimbursement will be available for any potential drug candidate that we may commercialize and, if reimbursement is available, what the level of

reimbursement will be. Coverage and reimbursement may impact the demand for, or the price of, any drug candidate for which we obtain marketing approval. If coverage and reimbursement are not available or reimbursement is available only to limited levels, we may not successfully commercialize any drug candidate for which we obtain marketing approval.

In the United States, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or together, the ACA, is significantly impacting the provision of, and payment for, healthcare. Various provisions of the ACA were designed to expand Medicaid eligibility, subsidize insurance premiums, provide incentives for businesses to provide healthcare benefits, prohibit denials of coverage due to pre-existing conditions, establish health insurance exchanges, and provide additional support for medical research. With regard to pharmaceutical products specifically, the ACA, among other things, expanded and increased industry rebates for drugs covered under Medicaid programs and made changes to the coverage requirements under the Medicare prescription drug benefit. Since its enactment there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to ACA in the future. More recently, both the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012, or the ATRA, have instituted, among other things, mandatory reductions in Medicare payments to certain providers. Additional legislative proposals to reform healthcare and government insurance programs, along with the trend toward managed healthcare in the United States, could influence the purchase of medicines and reduce reimbursement and/or coverage of our drug candidates, if approved. For example, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products. For example, there have been several recent U.S. Congressional inquiries and proposed bills designed to, among other things, bring greater transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. Any such health reform initiative could harm our ability to market any drug candidates and generate revenues. Cost containment measures that healthcare payors and providers are instituting and the effect of further healthcare reform could significantly reduce potential revenues from the sale of any of our drug candidates approved in the future, and could cause an increase in our compliance, manufacturing, or other operating expenses.

We expect that the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and in additional downward pressure on the price that we receive for any approved drug candidate. Any reduction in reimbursement from Medicare or other government-funded programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our drug candidates. Moreover, we cannot predict what healthcare reform initiatives may be adopted in the future.

In some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. In addition, in certain foreign markets, the pricing of prescription drugs is subject to government control and reimbursement may in some cases be unavailable. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of our company placing the medicinal product on the market. There can be no assurance that any country that has price controls or reimbursement limitations for biopharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our drug candidates. Historically, biopharmaceutical products launched in the European Union do not follow price structures of the United States and generally tend to have significantly lower prices.

We believe that pricing pressures at the federal and state levels in the United States, as well as internationally, will continue and may increase, which may make it difficult for us to sell our drug candidates that may be approved in the future at a price acceptable to us or any of our future partners.

4.2.18. ***Our future growth depends, in part, on our ability to penetrate foreign markets, where we would be subject to additional regulatory burdens and other risks and uncertainties.***

Our future profitability will depend, in part, on our ability to commercialize our drug candidates in markets outside of the United States and Europe. If we commercialize our drug candidates in foreign markets, we will be subject to additional risks and uncertainties, including:

- economic weakness, including inflation, or political instability in particular economies and markets;
- the burden of complying with complex and changing foreign regulatory, tax, accounting and legal requirements, many of which vary between countries;
- different medical practices and customs in foreign countries affecting acceptance in the marketplace;
- tariffs and trade barriers;
- other trade protection measures, import or export licensing requirements or other restrictive actions by U.S. or foreign governments;
- longer accounts receivable collection times;
- longer lead times for shipping;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- workforce uncertainty in countries where labor unrest is common;
- language barriers for technical training;
- reduced protection of intellectual property rights in some foreign countries, and related prevalence of generic alternatives to therapeutics;
- foreign currency exchange rate fluctuations and currency controls;
- differing foreign reimbursement landscapes;
- uncertain and potentially inadequate reimbursement of our drugs; and
- the interpretation of contractual provisions governed by foreign laws in the event of a contract dispute.

Foreign sales of our drugs could also be adversely affected by the imposition of governmental controls, political and economic instability, trade restrictions and changes in tariffs.

4.2.19. ***We are subject to healthcare laws and regulations which may require substantial compliance efforts and could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings, among other penalties.***

Healthcare providers, physicians and others will play a primary role in the recommendation and prescription of our products, if approved. Our arrangements with such persons and third-party payors and our general business operations will expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we research, market, sell and distribute our drugs, if we obtain marketing approval. Restrictions under applicable U.S. federal, state and foreign healthcare laws and regulations include, but are not limited to, the following:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, including any kickback, bribe or rebate, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase or lease, order or recommendation of, any item, good, facility or service, for which payment may be made under federal healthcare programs such as Medicare and Medicaid;
- U.S. federal civil and criminal false claims laws and civil monetary penalties laws, including the civil False Claims Act, which impose criminal and civil penalties, including those from civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, claims for payment that are false or fraudulent or making a false statement to avoid, decrease, or conceal an obligation to pay money to the federal government;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes that impose criminal and civil liability for, among other things, executing or attempting to execute a scheme to defraud any healthcare benefit program or knowingly and willingly falsifying, concealing or covering up a material fact or making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, and its implementing regulations, which impose certain requirements on covered entities and their business associates, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- U.S. federal transparency requirements under the Physician Payments Sunshine Act, enacted as part of the ACA, that require applicable manufacturers of covered drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to track and annually report to the Centers for Medicare & Medicaid Services payments and other transfers of value provided to physicians and teaching hospitals, and require certain manufacturers and group purchasing organizations to report annually certain ownership and investment interests held by physicians or their immediate family members; and
- analogous state or foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers, state marketing and/or transparency laws applicable to manufacturers that may be broader in scope than the federal requirements, state laws that require biopharmaceutical companies to comply with the biopharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect as HIPAA, thus complicating compliance efforts.

Ensuring that our business arrangements with third parties comply with applicable healthcare laws and regulations will likely be costly. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations were found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, possible exclusion from government funded healthcare programs, such as Medicare and Medicaid, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations, any of which could substantially disrupt our operations. If the physicians or other providers or entities with whom we expect to do

business are found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

4.2.20. *Product liability and other lawsuits could divert our resources, result in substantial liabilities and reduce the commercial potential of our drug candidates.*

The risk that we may be sued on product liability claims is inherent in the development and commercialization of our drug candidates. Side effects of, or manufacturing defects in, drugs that we develop could result in the deterioration of a patient's condition, injury or even death. For example, our liability could be sought after by patients participating in the clinical trials in the context of the development of the therapeutic products tested and unexpected side effects resulting from the administration of these drugs. In addition, we could face liability due to undetected side-effects caused by the interaction of our drugs with other drugs following release of the drug candidate to the market. Once a product is approved for sale and commercialized, the likelihood of product liability lawsuits increases. Criminal or civil proceedings might be filed against us by patients, regulatory authorities, biopharmaceutical companies and any other third party using or marketing our drugs. These actions could include claims resulting from actions by our partners, licensees and subcontractors, over which we have little or no control. These lawsuits may divert our management from pursuing our business strategy and may be costly to defend. In addition, if we are held liable in any of these lawsuits, we may incur substantial liabilities and may be forced to limit or forgo further commercialization of the affected products.

We maintain product liability insurance coverage for our clinical trials at levels which we believe are appropriate for our clinical trials. Nevertheless, our insurance coverage may be insufficient to reimburse us for any expenses or losses we may suffer. In addition, in the future, we may not be able to obtain or maintain sufficient insurance coverage at an acceptable cost or to otherwise protect against potential product or other legal or administrative liability claims by us or our partners, licensees or subcontractors, which could prevent or inhibit the commercial production and sale of any of our drug candidates that receive regulatory approval. Product liability claims could also harm our reputation and the marketability of our drugs, which may adversely affect our ability to commercialize our drugs successfully.

4.3. Risks Related to our Dependence on Third Parties

4.3.1. *We expect to rely on third parties to conduct our clinical trials, which may result in costs and delays that prevent us from successfully commercializing our drug candidates.*

We expect to rely on third parties, such as contract research organizations, clinical data management organizations, medical institutions and clinical investigators, to conduct our clinical trials and, in particular, for our Phase 3 clinical trials of Imeglimin in the United States, Europe and Japan. We may not be able to locate a suitable partner and may not be able to enter into an agreement on commercially reasonable terms or at all. Even if we are successful in entering into such partnerships, our development activities or clinical trials conducted in reliance on third parties may be delayed, suspended or terminated if:

- the third parties do not devote a sufficient amount of time or effort to our activities or otherwise fail to successfully carry out their contractual duties or to meet regulatory obligations or expected deadlines;
- we replace a third party; or
- the quality or accuracy of the data obtained by third parties is compromised due to their failure to adhere to clinical protocols, regulatory requirements or for other reasons.

We generally would not have the ability to control the performance of third parties in their conduct of development activities. Third-party performance failures may increase our development costs, delay our ability to obtain regulatory approval, and delay or prevent the commercialization of our drug candidates. While we believe that there are numerous alternative sources to provide these services, in the event that we seek such alternative sources, we may not be able to enter into replacement arrangements without incurring delays or additional costs.

4.3.2. *We rely upon a small number of third party suppliers.*

We currently rely, and expect to continue to rely, on a small number of third-party suppliers for the supply of various raw materials and chemical products and clinical batches needed for our preclinical studies and clinical trials, the execution of our preclinical studies and clinical trials and, in the future, the production of our drug candidates for which we obtain marketing approval. For example, in the fiscal year ended December 31, 2015, our total purchases and outside expenses were concentrated in two suppliers, including HMR, which provides clinical research services and accounted for 14.8% of our total purchases and outside expenses, and MEDPACE, which provides clinical research services and accounted for 13.0% of our total purchases and outside expenses. We may be unable to establish any additional agreements with third-party suppliers or to do so on acceptable terms.

Even if we are able to establish agreements with third-party suppliers, reliance on third-party suppliers entails additional risks, including:

- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the supply agreement by the third party;
- the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us; and
- reliance on the third party for regulatory compliance, quality assurance and safety.

Third-party manufacturers may not be able to comply with current good manufacturing practices, regulations or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party suppliers, to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of drug candidates, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect the duration, cost or continuation of our clinical trials, which would, in turn, affect the eventual manufacturing and marketing of our drugs and harm our business and results of operations.

Any performance failure on the part of our existing or future suppliers could delay clinical development or marketing approval. If any one of our current suppliers cannot perform as agreed, we may be required to replace that supplier. Although we believe that there are several potential alternative suppliers who could supply the various raw materials and chemical products and clinical batches needed for our preclinical studies and clinical trials, we may incur added costs and delays in identifying and qualifying any such replacement.

Our current and anticipated future dependence upon others for the supply and manufacture of our drug candidates may adversely affect our future profit margins and our ability to commercialize any drug candidates that receive marketing approval on a timely and competitive basis.

4.3.3. *We expect to seek to establish partnerships and, if we are not able to establish them on commercially reasonable terms, we may have to alter our development and commercialization plans.*

We expect to seek one or more partners for the development and commercialization of one or more of our drug candidates. Likely partners in the United States may include large- and mid-size

pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. In addition, if we are able to obtain marketing approval for drug candidates from the EMA and other regulatory authorities, we expect to seek to enter into strategic relationships with one or more international biotechnology or pharmaceutical companies for the commercialization of such drug candidates outside of the United States.

We face significant competition in seeking appropriate partners. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration, and the proposed collaborator's evaluation of a number of factors. Those factors may include the potential differentiation of our drug candidate from competing drug candidates, design or results of clinical trials, the likelihood of approval by the EMA, FDA, PMDA or other regulatory authorities and the regulatory pathway for any such approval, the potential market for the drug candidate, the costs and complexities of manufacturing and delivering the product to patients and the potential of competing products. The collaborator may also consider alternative drug candidates or technologies for similar indications that may be available for collaboration and whether such a collaboration could be more attractive than the one with us for our drug candidate. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our drug candidates or bring them to market and generate product revenue.

4.3.4. *If we enter into collaborations with third parties for the development and commercialization of any drug candidates, our prospects with respect to those drug candidates will depend in significant part on the success of those partnerships.*

We expect to enter into collaborations with third parties for the development and commercialization of one or more drug candidates we may develop. We have not entered into any such partnerships to date. If we enter into such collaborations, we will have limited control over the amount and timing of resources that our collaborators will dedicate to the development or commercialization of our drug candidates. Our ability to generate revenues from these arrangements will depend on any future partners' abilities to successfully perform the functions assigned to them in these arrangements. In addition, any future partners may have the right to abandon research or development projects and terminate applicable agreements, including funding obligations, prior to or upon the expiration of the agreed upon terms.

Collaborations involving our drug candidates pose a number of risks, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these parnerships;
- collaborators may not perform their obligations as expected;
- collaborators may not pursue development and commercialization of our drug candidates or may elect not to continue or renew development or commercialization programs, based on clinical trial results, changes in the collaborators' strategic focus or available funding or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a drug candidate, repeat or conduct new clinical trials or require a new formulation of a drug candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our drug candidates;
- a collaborator with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;

- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of drug candidates, might lead to additional responsibilities for us with respect to drug candidates, or might result in litigation or arbitration, any of which would be time consuming and expensive;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability; and
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable drug candidates.

Collaboration agreements may not lead to development or commercialization of our drug candidates in the most efficient manner or at all. If any future collaborator of ours is involved in a business combination, it could decide to delay, diminish or terminate the development or commercialization of any drug candidate licensed to it by us.

4.4. Risks Related to our Operations

4.4.1. *We expect to expand our organization, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.*

As of February 29, 2016, we had 18 employees. We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of lead discovery and product development, regulatory affairs, clinical affairs and manufacturing and, if any of our drug candidates receives marketing approval, sales, marketing and distribution.

In order to manage our anticipated development and expansion, including the potential commercialization of our drug candidates in Europe and the United States we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such expected growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations. If our management is unable to effectively manage our expected development and expansion, our expenses may increase more than expected, our ability to generate or increase our revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize our drug candidates, if approved, and compete effectively will depend, in part, on our ability to effectively manage the future development and expansion of our company.

4.4.2. Our future success depends on our ability to retain our key executives and to attract, retain and motivate qualified personnel.

Our success depends to a significant degree upon the work, expertise and technical and management skills of our senior management team, including, in particular, those of Thomas Kuhn, our Chief Executive Officer. Any temporary or permanent loss of the services of any of these key individuals would have a material adverse effect on us.

Recruiting and retaining additional qualified management and scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success, particularly as we expand in order

to acquire additional skills, such as manufacturing, quality assurance and regulatory and medical affairs. The loss of the services of our senior management team or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize drug candidates. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel.

We also experience intense competition for the hiring of scientific and clinical personnel from other companies, universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, the marketing and production of our drugs could be delayed or prevented, which could, in turn, have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.4.3. *Our employees may engage in misconduct or other improper activities, including violating applicable regulatory standards and requirements or engaging in insider trading, which could significantly harm our business.*

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to:

- comply with legal requirements or the regulations of the EMA, FDA, PMDA and other government regulators;
- provide accurate information to the EMA, FDA, PMDA and other government regulators;
- comply with fraud and abuse and other healthcare laws and regulations in Europe, the United States and abroad;
- report financial information or data accurately; or
- disclose unauthorized activities to us.

In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of, including trading on, information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. In connection with the global offering, we intend to adopt a Code of Business Conduct and Ethics, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may be ineffective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

4.4.4. *We are exposed to liability through our contractors and subcontractors.*

We rely and will continue to rely on contractors and subcontractors in every aspect of our business. Such reliance exposes us to potential claims relating to the performance and activities of such contractors and subcontractors, over which we can exert limited, if any, control. For example, contractors and subcontractors use certain regulated materials in the activities they conduct under contracts with us. If our contractors and subcontractors do not properly and safely handle such regulated materials, we may be held liable for their actions.

Additionally, although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to any accidents involving our contractors and subcontractors resulting in damage, injury or death, this insurance may not provide adequate coverage against potential liabilities. Any such liability, whether or not adequately covered by our insurance policies, could have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.4.5. *Our tax status is conditional and may be revoked.*

We qualify as an "Innovative Young Enterprise" (*Jeune Entreprise Innovante*), or JEI, as provided for in Article 44 *sexies*-0 A of the French General Tax Code (*Code Général des Impôts* or CGI).

JEI status provides certain tax and social security advantages, including a corporate tax exemption on net income earned during the first fiscal year of the grant of JEI status, followed by a 50% partial exemption on net income earned during the following fiscal year, a seven-year exemption on the building tax, the Enterprise Property Tax Contribution (*Contribution Foncière des Entreprises*) and an exemption, limited to a specific ceiling, on employer social security contributions based on the compensation of researchers, technicians, research and development project managers, legal experts assigned to industrial protection and technology agreements relating to the project and personnel responsible for pre-competitive testing. This exemption also applies to senior management who primarily participate in our research and development projects.

Our JEI status is conditional and the benefits it confers may be removed by the French tax authorities. In addition, the French tax authorities may call into question our compliance with the eligibility conditions for JEI status, or that JEI status may be terminated by a change in applicable French tax regulation.

Our JEI status is due to expire in December 2016 if it is not revoked prior to that date by the French tax authorities. The loss of our JEI status for any reason, including due to our failure to satisfy any of the above conditions, will principally result in our becoming liable to pay employer social security contributions at a higher rate, which could have a maximum financial impact of €386,000 per year (based on the number of full-time equivalent employees as of March 31, 2016), as well as a potential loss of subsidies received as a result of our JEI status (which were €167,141 and €130,611 for 2014 and 2015, respectively). This could, in turn, have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.4.6. *Our failure to maintain certain tax benefits applicable to French biopharmaceutical companies may adversely affect our results of operations.*

As a French biopharmaceutical company, we have benefited from certain tax advantages, including, for example, the Research and Development Tax Credit (*crédit impôt recherche*), or Research Tax Credit, which is a French tax credit aimed at stimulating research and development. The Research Tax Credit can be offset against French corporate income tax due and the portion in excess, if any, may be refunded. The Research Tax Credit is calculated based on our claimed amount of eligible research and development expenditures in France and represented €2.0 million and €1.9 million, for the December 31, 2014 and 2015 fiscal years. The French tax authorities, with the assistance of the

Higher Education and Research Ministry, may audit each research and development program in respect of which a Research Tax Credit benefit has been claimed and assess whether such program qualifies in its view for the Research Tax Credit benefit. The French tax authorities may challenge our eligibility for, or our calculation of, certain tax reductions or deductions in respect of our research and development activities and, should the French tax authorities be successful, our credits may be reduced, which would have a negative impact on our results of operations and future cash flows. In addition, due to our JEI status, we receive the Research Tax Credit promptly, rather than three years following the request. There can also be no assurance that our JEI status will not be challenged. Furthermore, the French Parliament may decide to eliminate, or to reduce the scope or the rate of, the Research Tax Credit benefit, either of which it could decide to do at any time. If we fail to receive future Research Tax Credit amounts or if our calculations or JEI status are challenged, our business, prospects, financial condition, cash flows or results of operations could be adversely affected.

4.4.7. *We may be unable to carry forward existing tax losses.*

For the fiscal year ended December 31, 2015, we generated a tax loss totaling €20.7 million and carried forward tax losses totaling €43.8 million resulting in total tax losses of €64.5 million as of December 31, 2015.

Applicable French law provides that, for fiscal years ending after December 31, 2012, the allocation of these losses is subject to a maximum of €1 million, plus 50% of the portion of net earnings exceeding this amount. The unused balance of the loss remains deferrable in future fiscal years, and may be deferred under the same conditions without restriction as to time.

There can be no assurance that future changes to applicable tax law and regulation will not eliminate or alter these or other provisions in a manner unfavorable to us, which could have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.4.8. *We have entered into public cash advances whose repayment may be accelerated.*

Over the past three fiscal years, we have received multiple conditional advances totaling €935,225, for innovation granted by BPI France Innovation. We have repaid €62,500 to date. If we fail to comply with the repayment schedule set in the relevant agreements, payment of all sums due could be accelerated. Such premature repayment could adversely affect our ability to finance our research and development projects. In addition, we cannot ensure that we will then have the additional financial means needed, the time or the ability to replace these financial resources with other. This could, in turn, have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

4.4.9. *We may be exposed to significant foreign exchange risk. Exchange rate fluctuations may adversely affect the foreign currency value of our ordinary shares (which may be in the form of ADSs).*

We incur some of our expenses, and may in the future derive revenues, in currencies other than the euro. As we expand into new markets and our drug candidates approach advanced clinical trials and marketability, it is likely that non-euro-denominated arrangements will increase in number and value. In particular, as we expand our operations and conduct clinical trials in the United States, we will incur expenses in U.S. dollars. As a result, we are exposed to foreign currency exchange risk as our results of operations and cash flows are subject to fluctuations in foreign currency exchange rates. We currently do not engage in hedging transactions to protect against uncertainty in future exchange rates between particular foreign currencies and the euro. Therefore, for example, an increase in the value of the euro against the U.S. dollar could have a negative impact on our revenue and earnings growth as U.S. dollar revenue and earnings, if any, are translated into euros at a reduced value. We cannot predict the impact of foreign currency fluctuations, and foreign currency

fluctuations in the future may adversely affect our financial condition, results of operations and cash flows. The ordinary shares (which may be in the form of ADSs) being sold in the global offering will be quoted in U.S. dollars on the Nasdaq Global Market, while our ordinary shares including those sold in the global offering are traded in euros on Euronext Paris. Our financial statements are prepared in euros. Therefore, fluctuations in the exchange rate between the euro and the U.S. dollar will also affect, among other matters, the value of our ordinary shares (which may be in the form of ADSs).

4.4.10. *Our internal computer systems, or those of our collaborators or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our product development programs.*

Our internal computer systems and those of our current and any future collaborators and other contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we do not believe that we have experienced any such material system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other proprietary information or other similar disruptions. For example, the loss of clinical trial data for our drug candidates from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications or other data or applications relating to our technology or drug candidates, or inappropriate disclosure of confidential or proprietary information, we could incur liabilities, our competitive position could be harmed and the further development and commercialization of our drug candidates could be delayed.

4.4.11. *We may acquire businesses or products, or form strategic alliances, in the future, and we may not realize the benefits of such acquisitions.*

At this stage, our strategy does not involve plans to acquire companies or technologies facilitating or enabling us to access to new medicines, new research projects or new geographical areas, or enabling us to express synergies with our existing operations. However, if such acquisitions were to become necessary in future, we may not be able to identify appropriate targets or make acquisitions under satisfactory conditions, in particular, satisfactory price conditions. In addition, we may be unable to obtain the financing for these acquisitions under favorable conditions, and could be led to finance these acquisitions using cash that could be allocated to other purposes in the context of existing operations. If we acquire businesses with promising markets or technologies, we may not be able to realize the benefit of acquiring such businesses if we are unable to successfully integrate them with our existing operations and company culture. We may encounter numerous difficulties in developing, manufacturing and marketing any new products resulting from a strategic alliance or acquisition that delay or prevent us from realizing their expected benefits or enhancing our business. We cannot assure you that, following any such acquisition, we will achieve the expected synergies to justify the transaction, which could have a material adverse effect on our business, financial conditions, earnings and prospects.

4.4.12. *Our equity may be diluted.*

Since our incorporation, we have issued or allocated share warrants (*bons de souscription d'actions* or BSAs), founder's share warrants (*bons de souscription de parts de créateur d'entreprise* or BSPCEs) and stock options. As of March 31, 2016, the exercise of all issued equity and equity-linked securities would allow for the issuance and subscription for 954,500 new ordinary shares (after taking into

account the 20:1 share split approved on March 28, 2014), resulting in a dilution representing 4.7% of our share capital on a fully diluted capital basis.

As part of our policy to motivate our management and employees so as to attract complementary skills, we may, in the future, undertake the issuance or allocation of shares or new equity securities, which could result in additional, potentially significant dilution for our current and future shareholders. Dilution of the equity ownership of shareholders may cause the market price of our ordinary shares (which may be in the form of ADSs) to decline.

4.5. Risks Related to our Intellectual Property

4.5.1. *Our ability to compete may decline if we are unable to or do not adequately protect our intellectual property rights or if our intellectual property rights are inadequate for our technology and drug candidates.*

Our commercial success and viability depends on our ability to obtain and maintain patent protection in the United States, Europe, Japan and other countries with respect to drug candidates owned by or licensed to us, as well as to successfully defend these rights against third-party challenges. Our strategy and future prospects are based, in particular, on our patent portfolio, including those relating to Imeglimin and PXL770. We will only be able to protect our drug candidates and their uses from unauthorized use by third parties to the extent that valid and enforceable patents, or effectively protected trade secrets, cover them. Also, intellectual property rights have limitations and do not necessarily address all potential threats to our competitive advantage. Our ability to obtain patent protection for our drug candidates is uncertain and the degree of future protection afforded by our intellectual property rights is uncertain due to a number of factors, including, but not limited to:

- we or our licensor may not have been the first to make the inventions covered by pending patent applications or issued patents;
- we or our licensor may not have been the first to file patent applications for our drug candidates or the compositions we developed or for their uses;
- others may independently develop identical, similar or alternative products or compositions and uses thereof;
- our or our licensors' disclosures in patent applications may not be sufficient to meet the statutory requirements for patentability;
- any or all of our or our licensors' pending patent applications may not result in issued patents;
- we or our licensor may not seek or obtain patent protection in countries that may eventually provide us a significant business opportunity;
- any patents issued to us or our licensor may not provide a basis for commercially viable products, may not provide any competitive advantages, or may be successfully challenged by third parties;
- our or our licensors' compositions and methods may not be patentable;
- others may design around our patent claims to produce competitive products which fall outside of the scope of our patents;
- others may identify prior art or other bases which could invalidate our or our licensors patents;
- our competitors might conduct research and development activities in the United States and other countries that provide a safe harbor from patent infringement claims for certain research and development activities, as well as in countries where we do not have patent rights, and then use the

information learned from such activities to develop competitive products for sale in our major commercial markets; or

- we may not develop additional proprietary technologies that are patentable.

Even if we have or obtain patents covering our drug candidates or compositions, we may still be barred from making, using and selling our drug candidates or technologies because of the patent rights of others. Others may have filed, and in the future may file, patent applications covering compositions or products that are similar or identical to ours. There are many issued U.S. and foreign patents relating to therapeutic drugs, and some of these relate to compounds we intend to commercialize. Numerous U.S.- and foreign-issued patents and pending patent applications owned by others exist in the type 2 diabetes field in which we are developing drug candidates. These could materially affect our ability to develop our drug candidates or sell our drugs, if approved. Because patent applications can take many years to issue, there may be currently pending applications unknown to us that may later result in issued patents that our drug candidates or compositions may infringe. These patent applications may have priority over patent applications filed by us.

Obtaining and maintaining a patent portfolio entails significant expense and resources. Part of the expense includes periodic maintenance fees, renewal fees, annuity fees, various other governmental fees on patents or applications due in several stages over the lifetime of patents or applications, as well as the cost associated with complying with numerous procedural provisions during the patent application process. We may not choose to pursue or maintain protection for particular inventions. In addition, there are situations in which failure to make certain payments or noncompliance with certain requirements in the patent process can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If we choose to forgo patent protection or allow a patent application or patent to lapse purposefully or inadvertently, our competitive position could suffer.

Legal actions to enforce our patent rights can be expensive and may involve the diversion of significant management time. In addition, these legal actions could be unsuccessful and could also result in the invalidation of our patents or a finding that they are unenforceable. We may or may not choose to pursue litigation or other actions against those that have infringed on our patents, or used them without authorization, due to the associated expense and time commitment of monitoring these activities. If we fail to protect or to enforce our intellectual property rights successfully, our competitive position could suffer, which could harm our results of operations.

4.5.2. *Biopharmaceutical patents and patent applications involve highly complex legal and factual questions, which, if determined adversely to us, could negatively impact our patent position.*

The patent positions of biopharmaceutical companies can be highly uncertain and involve complex legal and factual questions. The interpretation and breadth of claims allowed in some patents covering biopharmaceutical compositions may be uncertain and difficult to determine, and are often affected materially by the facts and circumstances that pertain to the patented compositions and the related patent claims. The standards of the U.S. Patent and Trademark Office, or USPTO, are evolving and could change in the future. Consequently, we cannot predict the issuance and scope of patents with certainty. Patents, if issued, may be challenged, invalidated or circumvented. U.S. patents and patent applications may also be subject to interference proceedings, and U.S. patents may be subject to reexamination proceedings, post-grant review and/or inter partes review in the USPTO. The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability and our patents or pending patent applications may be challenged in the courts or patent offices in the United States and abroad. There is no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found. For example, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United

States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot know with certainty whether we were the first to make the inventions claimed in our owned and licensed patents or pending patent applications, or that we were the first to file for patent protection of such inventions. If such prior art exists, it may be used to invalidate a patent, or may prevent a patent from issuing from a pending patent application. For example, such patent filings may be subject to a third-party pre-issuance submission of prior art to the USPTO or to other patent offices around the world. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights may be uncertain. Our pending and future patent applications may not result in patents being issued that protect our technology or products, in whole or in part, or may not effectively prevent others from commercializing competitive technologies and products. For example, such patent filings may be subject to a third-party preissuance submission of prior art to the USPTO to other patent offices around the world. Alternately or additionally, we may become involved in post-grant review procedures, oppositions, derivations, proceedings, reexaminations, inter partes review or interference proceedings, in the United States or elsewhere, challenging patents or patent applications in which we have rights, including patents on which we rely to protect our business. An adverse determination in any such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Foreign patents may be subject also to opposition or comparable proceedings in the corresponding foreign patent office, which could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, reexamination, post-grant review, inter partes review and opposition proceedings may be costly. Also, given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. Accordingly, rights under any issued patents may not provide us with sufficient protection against competitive products or processes.

In addition, changes in or different interpretations of patent laws in the United States and foreign countries may diminish the value of our owned and licensed patents or narrow the scope of our patent protection while patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. For example, changes in or different interpretations of patent laws in the United States and foreign countries may permit others to use our or our licensors' discoveries or to develop and commercialize our technology and products without providing any compensation to us, or may limit the number of patents or claims we can obtain. The laws of some countries may not protect intellectual property rights to the same extent as U.S. laws, and those countries may lack adequate rules and procedures for defending our intellectual property rights, or vice versa.

If we fail to obtain and maintain patent protection and trade secret protection for our drug candidates, we could lose our competitive advantage and competition we face would increase, reducing any potential revenues and adversely affecting our ability to attain or maintain profitability.

4.5.3. *If we are unable to protect the confidentiality of our trade secrets and know-how, our business and competitive position would be harmed.*

In addition to seeking patent protection for our drug candidates, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, collaborators, consultants, advisors, university and/or institutional researchers and other third parties. We also have entered or seek to enter into confidentiality and invention or patent

assignment agreements with our employees, advisors and consultants. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Our trade secrets may also be obtained by third parties by other means, such as breaches of our physical or computer security systems. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. Moreover, if any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to, or independently developed by, a competitor, our competitive position would be harmed.

4.5.4. *We will not seek to protect our intellectual property rights in all jurisdictions throughout the world and we may not be able to adequately enforce our intellectual property rights even in the jurisdictions where we seek protection.*

Filing, prosecuting and defending patents on our drug candidates in all countries and jurisdictions throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States could be less extensive than those in the United States, assuming that rights are obtained in the United States. Competitors may use our technologies in jurisdictions where we do not pursue and obtain patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our drugs and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing. Even if we pursue and obtain issued patents in particular jurisdictions, our patent claims or other intellectual property rights may not be effective or sufficient to prevent third parties from so competing.

In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the federal and state laws in the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to biopharmaceuticals or biotechnologies. This could make it difficult for us to stop the infringement of our patents, if obtained, or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries.

Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not being issued and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. In addition, changes in the law and legal decisions by courts in the United States and foreign countries may affect our ability to obtain adequate protection for our technology and the enforcement of intellectual property. Accordingly, our efforts to enforce our intellectual property

rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

4.5.5. *Patent terms may be inadequate to protect our competitive position on our drugs for an adequate amount of time.*

Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. We expect to seek extensions of patent terms in the United States and, if available, in other countries where we are prosecuting patents. In the United States, the Drug Price Competition and Patent Term Restoration Act of 1984 permits a patent term extension of up to five years beyond the normal expiration of the patent, which is limited to the approved indication (or any additional indications approved during the period of extension). However, the applicable authorities, including the FDA and the USPTO in the United States, and any equivalent regulatory authority in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request.

4.5.6. *Third parties may challenge the inventorship of our patent filings and other intellectual property, or may assert ownership or commercial rights to inventions we develop.*

Third parties may in the future make claims challenging the inventorship or ownership of our intellectual property. We or our licensor have written agreements with collaborators that provide for the ownership of intellectual property arising from collaborations. These agreements provide that we or our licensor must negotiate certain commercial rights with collaborators with respect to joint inventions or inventions made by our or our licensor's collaborators that arise from the results of the collaboration. In some instances, there may not be adequate written provisions to address clearly the resolution of intellectual property rights that may arise from collaboration. If we or our licensor cannot successfully negotiate sufficient ownership and commercial rights to the inventions that result from our use of a third-party collaborator's materials where required, or if disputes otherwise arise with respect to the intellectual property developed with the use of a collaborator's samples, we may be limited in our ability to capitalize on the market potential of these inventions. In addition, we may face claims by third parties that our agreements with employees, contractors or consultants obligating them to assign intellectual property to us are ineffective, or in conflict with prior or competing contractual obligations of assignment, which could result in ownership disputes regarding intellectual property we have developed or will develop and interfere with our ability to capture the commercial value of such inventions. Litigation may be necessary to resolve an ownership dispute, and if we are not successful, we may be precluded from using certain intellectual property, or may lose our exclusive rights in that intellectual property. Either outcome could have an adverse impact on our business.

4.5.7. *Third parties may assert that our licensors, employees or consultants or we have wrongfully used or disclosed confidential information or misappropriated trade secrets, or claim ownership of what we regard as our own intellectual property.*

We and our licensor employ individuals who were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, and no such claims against us are currently pending, we may be subject to claims that we or our licensors, employees, consultants or independent contractors have used or disclosed intellectual property, including trade secrets or other proprietary information, of a former employer or other third parties. Litigation may be

necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

4.5.8. *We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful and have a material adverse effect on the success of our business.*

Competitors may infringe our patents, trademarks, copyrights or other intellectual property. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents, in addition to counterclaims asserting that our patents are invalid or unenforceable, or both. In any patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. An adverse outcome in a litigation or proceeding involving one or more of our patents could limit our ability to assert those patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could adversely affect the market price of our ADSs or ordinary shares (which may be in the form of ADSs). Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

4.5.9. *We may be sued for infringing intellectual property rights of third parties, and if we are, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing our drug candidates.*

Our commercial success depends, in part, on our ability to develop, manufacture, market and sell our drug candidates without infringing the intellectual property and other proprietary rights of third parties. Third parties may have U.S. and non-U.S. issued patents and pending patent applications relating to compounds and methods of use for the treatment of the disease indications for which we are developing our drug candidates. If any third-party patents or patent applications are found to cover our drug candidates or their methods of use, we may not be free to manufacture or market our drug candidates as planned without obtaining a license, which may not be available on commercially reasonable terms, or at all.

There is a substantial amount of intellectual property litigation in the biopharmaceutical industry, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our drug candidates, including interference proceedings before the USPTO. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our drug candidates. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our drug candidates may be accused of infringing. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Accordingly, third parties may assert infringement claims against us based on existing or future intellectual property rights. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. The biopharmaceutical industry has produced a significant number of patents, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we were sued for patent infringement, we would need to demonstrate that our drug candidates, products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted in pursuing these proceedings, which could significantly harm our business and operating results. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.

If we are found to infringe a third party's intellectual property rights, we could be forced, including by court order, to cease developing, manufacturing or commercializing the infringing drug candidate or product in one or more jurisdictions. Alternatively, we may be required to obtain a license from such third party in order to use the infringing technology and continue developing, manufacturing or marketing the infringing drug candidate or product. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we are able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. Alternatively or additionally, it could include terms that impede or destroy our ability to compete successfully in the commercial marketplace. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. We may also be required to develop or obtain alternative technologies, review product design or, in the case of claims concerning registered trademarks, rename our drugs. A finding of infringement could prevent us from commercializing our drug candidates or force us to cease some of our business operations, which could harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

4.5.10. ***If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.***

Our registered or unregistered trademarks and trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors may adopt trademarks and trade names similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trademark

infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks. Over the long term, if we are unable to establish name recognition based on our trademarks, then we may not be able to compete effectively and our business may be adversely affected.

4.5.11. ***Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.***

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and applications are required to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction.

4.5.12. ***If we fail to comply with our obligations under our existing and any future intellectual property licenses with third parties, we could lose license rights that are important to our business.***

Our business depends, in part, on an assignment and licensing agreement entered into with Merck Serono, or the MS Agreement, under which we were transferred certain patents and granted a license in relation to certain other patents and know-how for the research, development and marketing of pharmaceutical products. Merck Serono may terminate the MS Agreement if we materially breach any of its provisions. If Merck Serono terminates the MS Agreement, our inability to use the intellectual property under the patents pursuant to the MS Agreement could adversely affect our business, prospects, financial condition, cash flows or results of operations.

We may enter into additional license agreements in the future. Our license agreements impose, and we expect that future license agreements will impose various diligence, milestone payment, royalty, insurance and other obligations on us. If we fail to comply with our obligations under these licenses, our licensors may have the right to terminate these license agreements, in which event we might not be able to market any product that is covered by these agreements, or our licensors may convert the license to a non-exclusive license, which could adversely affect the value of the drug candidate being developed under the license agreement. Termination of these license agreements or a reduction or elimination of our licensed rights may also result in our having to negotiate new or reinstated licenses with less favorable terms.

4.5.13. ***We have granted a pledge on part of our intellectual property rights.***

In July 2014, we entered into a venture loan agreement, or the Venture Loan Agreement, with Kreos Capital IV (UK) Ltd, or Kreos. We granted a pledge of certain intellectual property rights relating to patents and trademarks to Kreos for our obligations under the Venture Loan Agreement. As the Venture Loan Agreement does not provide for early redemption in the case of an event of default, we will not be exposed to an immediate liquidity risk. This pledge includes nine of our patents and patent applications (two French patents, one German patent, one United Kingdom patent, one U.S. patent, one European patent application, one U.S. patent application and two Japanese patent applications) relating to Imeglimin and one PCT application (now nationalized) relating to adenosine monophosphate-activated protein kinase, or AMPK.

If we do not repay or otherwise default under the Venture Loan Agreement, the pledged intellectual property will transfer to Kreos and we will not have continued use of such intellectual property.

If the pledged intellectual property is transferred to Kreos, our ability to license and develop our drug candidates could be impaired or delayed, which could, in turn, have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

5. INFORMATION ABOUT THE ISSUER

5.1. History and evolution of the Company

5.1.1. Name of the Company

The name of the Company is: Poxel.

5.1.2. Place of registration and registration number of the Company

The Company is regsitered with the Lyon Trade and Company Register (RCS) under the number 510 970 817.

The NAF code of the Company is 7219Z.

5.1.3. Date of incorporation and duration

The Company was incorporated on March 11th, 2009, for a term of 99 years expiring on March 11th, 2018, save in the event of early dissolution or an extension.

5.1.4. Registered Office of the Company, legal form and applicable law

The registered office of the Company is:
259/261 Avenue Jean Jaurès – Immeuble le Sunway – 69007 Lyon
Phone: 0033 4 37 37 20 10
Fax: 04 37 70 88 15
Email: investors@poxelpharma.com
Website: www.poxel.com

The Company is a public limited company with a Board of Directors.

The Company, governed by French law, is primarily subject to article L. 225-1 and following of the French commercial code.

5.1.5. History of the Company

2009

- March, incorporation of the Company, as part of a spin-off of the research and development activities of Merck Serono in the cardio metabolic field. As part of this spin-off, Merck Serono transferred a certain number of preclinical and clinical research programs to Poxel (including the drug candidate Imeglemin for which Merck Serono conducted all the preclinical prerequisites to its standards, certain phase 1 and phase 2 studies as well as the industrialization of the manufacturing process) as well as the related intellectual property rights. Poxel also hired key employees of Merck Serono taking part in the programs transferred. In order to accompany its research and development activities and regarding the economic interest of Merck Serono in Poxel's development, Merck Serono gave Poxel a non-repayable sum of €7.2 million (see sections 22.1 "Significant agreements" and 10.1.5 "Off balance sheet agreements" of this *document de référence*);
- Recruitment of the management team ;

- September, obtained a subsidy from FEDER and the Grand Lyon of an amount of €437,000 as part of the "New therapeutic approaches in the treatment of chronic infections by the hepatitis B virus (Natheb project)". Poxel contributed to this approach by providing its knowledge of the target (which is mobilized in type 2 diabetes as well as hepatitis B).

2010

- The Company opted for the status of "Innovative Young Enterprise" (*Jeune Entreprise Innovante*) (JEI) and obtained a favorable opinion after the rescript requested and obtained from the authorities;
- July, raised funds of €16 million, released in several stages (€10.8 million in 2010 and €5.2 million in 2011) from funds managed by Edmond de Rothschild Investment Partners, OMNES CAPITAL (formerly Crédit Agricole Private Equity) and Bpifrance Investissement (Formerly CDC Enterprises);
- August, launched a multicenter phase 2 clinical study in Europe in respect of the combination of Imeglimin and metformin;
- September, communicated the effectiveness of Imeglimin at the European Diabetes Congress (European Association of the Study of Diabetes - EASD)

2011

- April, launched a multicenter phase 2 clinical study in Europe on the combination of Imeglimin and sitagliptin ;
- May, publication related to Imeglimin action mechanism (Journal of Diabetes & Metabolism);
- October, positive results announced in relation to the phase 2 clinical study on the association of Imeglimin with metformin;
- October, obtained state aid of € 1.45 million, in the form of subsidies and repayable advances:
    - €950,000 repayable advance under the set-up of a new formulation of Imeglimin for the treatment of diabetes;
    - €250,000 repayable advance from OSEO/FEDER in the development and selection of a new candidate for development AMPK activator for the treatment of diabetes;
    - €250,000 OSEO/FEDER grant in the development and selection of a new development candidate AMPK activator for the treatment of diabetes.

2012

- June, communication on the effectiveness of Imeglimin in combination with metformin at the US Diabetes Congress (American Diabetes Association - ADA);
- October, signed a convertible bond issuance agreement on a pro-rata basis with historical shareholders, for a total amount of €13 million, of which €3.3 million was subscribed for in 2012 and €9.7 million was subscribed for in 2013;
- November, positive results announced in relation to the phase 2 study on the association of Imeglemin with sitagliptin.

2013

- February, appointment of Mohammed Khoso Baluch as independent director;
- March, launched the multicenter phase 2 clinical study in the United States and in Europe in respect of Imeglemin in monotherapy;
- October, favorable result s announced in relation to the phase 2 clinical study on Imeglemin demonstrating the activity of the drug candidate on insulin secretion in response to glucose.

2014

- January, finalization of the selection of patients for the phase 2b study (Imeglimin);
- April, finalization of the selection of patients for the complementary study of monotherapy (Imeglimin);
- July, capital increase subscribed by Bpifrance Participations of an amount of €5 million and concomitant conversion of all convertible bonds issued in 2012 and 2013;
- Creation of a Venture Loan with Kreos Capital IV (Expert Fund), up to a maximum of €8 million, in two tranches. The first tranche, released in July 2014, amounted to €5 million;
- December, first positive results announced in relation to the new oral antidiabetic (Imeglimin) in a phase 2b study.

2015

- January, appointment of Rich Kender as independent director;
- February, listing on Euronext Paris, Compartment C. The gross amount raised was €26.8 million. Concomitantly, the Company recognized the exercise by Merck Serono of its 1,088,531 share warrants in as many new shares for an exercise price of €4,354,000;
- March, appointment of Pascale Boissel as independent director;
- May, positive results announced in relation to the Imeglimin phase 1 study on Japanese subjects ;
- May, Poxel and ENYO Pharma enter into a first license agreement in respect of the FXR agonist program of Poxel;
- June, positive results announced in relation to the new phase 2 trial of Imeglimin;
- June, Poxel integrated the CAC Small , CAC Mid & Small and CAC All -Tradable Euronext
- July, Poxel raised €20 million as part of a private placement conducted by US investors (91%) and European investors ;
- September, relocation of the Lyon headquarters to 259/261 Avenue Jean Jaurès – Immeuble le Sunway – 69007 Lyon ;
- December, initiation of phase 2b in Japan for Imeglimin ;
- December, end of phase 2 meeting with the FDA in respect of Imeglimin;
- December, initiation of phase 1 of PXL770.

2016

- January, appointment of Pierre Legault and Janice Bourque as independent directors ;
- March, appointment of Jonae R. Barnes as Senior Vice-President, Investors Relations and Public Relations, based in Boston;
- March, U.S. approval of the patent covering the PXL770, a direct activator of AMP Kinase for the treatment of type 2 diabetes and associated diseases ;
- March, resignation of Thierry Hercend as Chairman of the Board of Directors and appointment of Pierre Legault as Chairman of the Board of Directors of the Company.

5.2. Investments

5.2.1. Principal investments made over the last two financial years

The principal investments made since 2009 relate to the acquisition of laboratory, computer and office equipment, especially following the relocation of the office of the Company in Lyon in September 2015 (refer to Note 4 of the annexure to the IFRS financial statements published on a voluntary basis, provided in section 20.1 "IFRS Accounts established for the financial year closed on December 31st, 2015" of this *document de référence*).

Principal investments during the last two financial years		
Amount in euros	**12/31/2015**	**12/31/2014**
Intangible assets	706	1 050
Capitalization of research and development costs		
Tangible assets	153 311	12 826
Hardware	*128 549*	*12 826*

5.2.2. Principal investments in progress

No significant investment has been made since January 1st, 2016.

5.2.3. Principal planned investments

The Company does not currently intend to make significant investments for the coming years, for which the management bodies of the Company would be required to make firm commitments.

However, for intangible investments, the Company has a projected commitment corresponding to the ongoing clinical studies. This short-term commitment is estimated at a total of €12 million.

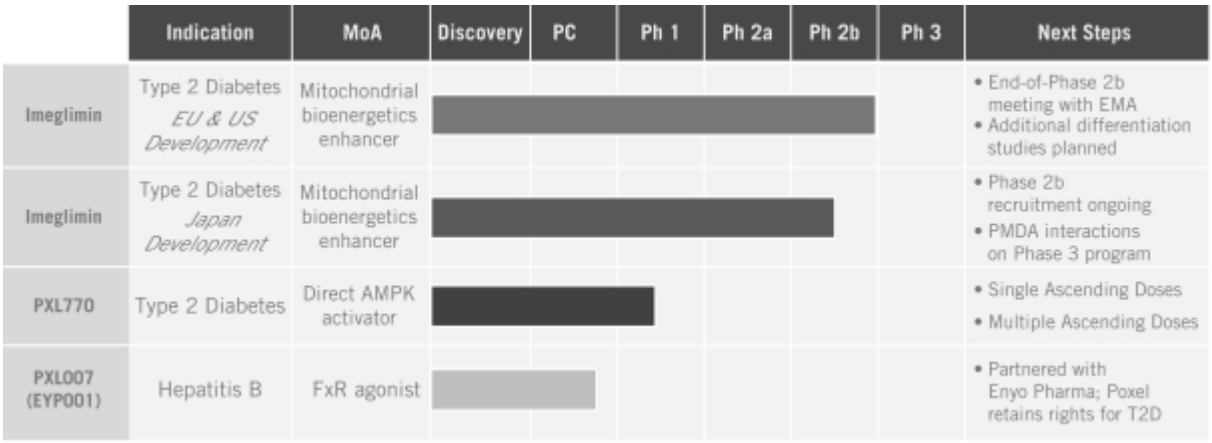
6. BUSINESS OVERVIEW

6.1. Our Company

We are a clinical-stage biopharmaceutical company focused on the development of novel treatments for type 2 diabetes and metabolic disease. Our two leading drug candidates—Imeglimin and PXL770—are intended to complement and augment existing type 2 diabetes therapies, including in patients who no longer fully respond to such therapies, with the goal of helping patients better control their type 2 diabetes and reduce potentially disabling or fatal complications. While current treatments are initially effective in facilitating blood sugar regulation or glucose homeostasis, they present a variety of safety issues and are limited in their ability to address all patients, sufficiently delay disease progression or prevent complications of type 2 diabetes, such as cardiovascular and metabolic disease. Accordingly, we are focused on addressing the unmet need for new diabetes drugs that preserve pancreatic function, reduce insulin resistance and decrease cardiovascular and metabolic disease risk factors, such as heightened blood lipid levels and excess body weight.

6.1.1. *Our Principal Drug Candidates*

The table below sets forth details relating to the current stages of development of our type 2 diabetes clinical drug candidates:



Imeglimin is a first-in-class oral drug candidate that targets two critical metabolic defects at the root of type 2 diabetes, low insulin secretion and elevated insulin resistance. The U.S. Food and Drug Administration, or FDA, uses the term "first-in-class" to refer to drugs which use a new and unique mechanism of action. We believe that our drug candidates have a unique mechanism of action and Imeglimin was granted the first "glimin" therapeutic agent status by the World Health Organization. We believe that it is the most advanced drug candidate targeting mitochondrial dysfunction. The mitochondria is the power center of the cell, and its dysfunction, which has been examined in over 200 scientific publications per year in each of the last five years is implicated in the pathophysiology of type 2 diabetes. By targeting the mitochondria, Imeglimin can simultaneously trigger metabolic effects in the liver for the treatment of diabetes, the three key organs involved in type 2 diabetes pathophysiology—the liver, muscles and pancreas. Imeglimin has been investigated in 16 completed clinical trials, which included an aggregate of approximately 850 subjects. In these trials, Imeglimin was observed to have a favorable safety and tolerability profile for a drug candidate at this stage of clinical development and was observed to have a glucose lowering effect in both monotherapy and combination therapies.

- At the American Diabetes Association convention in June 2015, we reported positive results of our Phase 2b multi-center, placebo-controlled, double-blind, randomized clinical trial for

Imeglimin, which included 382 patients. In particular, in this Phase 2b trial we observed that patients treated with Imeglimin experienced a dose-dependent and statistically significant (attaining a probability that random chance caused the result, or P-value, of < 0.05, a commonly used criterion for statistical significance) reduction in hemoglobin A1c, or A1c, versus placebo ($p < 0.001$). A1c represents the universal clinical endpoint for diabetes studies and is the basis on which all prior approved drugs for diabetes have been evaluated. We expect that A1c levels will be the primary endpoint of our Phase 3 trials. We believe that the observed significant reduction of A1c levels in our Phase 2b trial, the more favorable safety profile for a drug candidate at this stage of clinical development, as compared to existing medications and the differentiated mechanism of action position Imeglimin as a highly attractive drug candidate for type 2 diabetes. In addition, Imeglimin was also observed to demonstrate comparable A1c reduction levels in patients who no longer respond to metformin or sitagliptin, the current first and second line standards of care for type 2 diabetes, which collectively generated approximately $8 billion of sales and were prescribed to 36.4 million people in the United States, Japan, Germany, Italy, the United Kingdom, France and Spain in 2014.

● Given the successful completion of our Phase 2b clinical trial in the United States and Europe and our End-of-Phase-2 meeting with the or FDA in December 2015, we are planning to launch a Phase 3 program. We are currently evaluating various partnership structures to enable the launch of this Phase 3 program. We are also working with the European Medicines Agency, or EMA, in order to prepare a Phase 3 development program that will suit both the FDA and EMA. In parallel, we are developing Imeglimin in Asia, particularly in Japan. A Phase 2b trial involving Japanese participants is ongoing, with read-out anticipated in the second quarter of 2017. Prior to the launch of our current Phase 2b trial, we held discussions with the Japanese Pharmaceuticals and Medical Devices Agency, or PMDA, to permit initiation of the trial. We have also held preliminary discussions with the PMDA to make arrangements for the subsequent Phase 3 program, which we expect to initiate at the end of 2017. We intend to submit a New Drug Application, or NDA, in Japan and, potentially, several other Asian countries in 2019.

Our second drug candidate, PXL770, is a first-in-class oral, direct activator of adenosine monophosphate-activated protein kinase, or AMPK, an enzyme that acts as an energy sensor and regulator maintaining cellular homeostasis, or normalized glucose and lipid levels. AMPK has been termed an “exercise enzyme,” and we believe that PXL770 is currently the most advanced exercise mimetic drug candidate. In preclinical studies, PXL770 was observed to have positive effects on various metabolic parameters. These effects include an increase in glucose utilization and lipid oxidation and a reduction in insulin resistance and glucose and lipid production. As a result of these broad effects and given that AMPK is activated during physical activity. Based on the favorable toxicity profile and efficacy results for a drug candidate at this stage of clinical development observed in our preclinical studies, we initiated a Phase 1 trial of PXL770 and expect the results to be available by the end of 2016.

We also plan to initiate a Phase 2a program in 2017 to assess PXL770’s safety and efficacy with respect to cardiovascular risk factors, including A1c levels, glucose levels, lipid-related abnormalities and excess weight.

6.1.2. *Diabetes Market Overview*

According to the International Diabetes Federation, or IDF, in 2015 an estimated 415 million people between the ages of 20 and 79 were affected by diabetes globally, with more than 90% of those affected having type 2 diabetes. The IDF also estimated that as of 2015, in the United States alone, 29.3 million individuals, or 9.2% of the population, had diabetes. According to Decision Resources, over 70 million people over the age of 20 in the United States, Japan, Germany, Italy, the United Kingdom, France and Spain suffered from type 2 diabetes in 2014.

According to the IDF, diabetes-related expenditures in 2015 totalled $521 billion in North America, the Caribbean and Europe alone. Decision Resources estimates that diabetes treatments generated sales of over $35 billion in 2014 in the United States, Japan, Germany, Italy, the United Kingdom, France and Spain, and that sales in these markets are projected to approximately double by 2024. Further, according to the IDF, aggregate diabetes-related expenditures in the United States, China and Germany, the three highest spending countries, amounted to 60% of the total global expenditures on diabetes, even though these countries only accounted for 35.1% of the global diabetes population. In addition, the IDF estimates the aggregate diabetes-related expenditures in the three highest spending regions of Western Pacific, Middle East and North Africa and South and Central America amounted to $157.7 billion in 2015 and expects these expenditures to increase by 39% by 2040.

6.1.3. *Our History*

We were founded in 2009 as the diabetes spin-off from Merck Serono, as part of a strategic realignment following the acquisition of Serono by Merck. As part of this spin-off, we assumed all of the key diabetes personnel and assets from Merck Serono, which includes Imeglimin, the direct AMPK activator program which led to our discovery of PXL770, and four additional programs at the discovery or early development stage that target type 2 diabetes. Prior to 2009, Merck invested substantial amounts in the development of the programs that we assumed and had been among the leaders in diabetes drug development, initially bringing metformin to the market. In addition, several of our team members have experience from large pharmaceutical companies, including Eli Lilly, Solvay (acquired by Abbott) and Servier, and have worked to bring several products to market. In February 2015, we completed an initial public offering on Euronext Paris raising gross proceeds of €26.8 million. To date, we have relied primarily on the private and public sales of equity securities and convertible bonds, conditional advances and subsidies, and reimbursements of research tax credit claims to fund our ongoing cash needs, raising over €107 million in funding. Our ordinary shares are listed on Euronext Paris under the trading symbol, "POXEL.PA."

6.1.4. *Our Strengths*

We believe that we have the potential to become the leader in the development of novel treatments for type 2 diabetes and metabolic disease. We believe that our strengths include:

- ***First-in-class diabetes treatment with a dual mechanism.*** Our leading drug candidate, Imeglimin, is a novel, first-in-class diabetes treatment with positive Phase 2b results and, we believe, is the only oral compound with a dual mechanism that is designed to increase insulin secretion and reduce insulin resistance. Imeglimin has a unique mechanism of action that works at the level of the mitochondria, and we believe that it has the potential to slow disease progression, provide therapeutic options to patients who no longer respond to current treatments, complement existing treatments and decrease cardiovascular risk factors.

- ***Imeglimin is ready for late stage development worldwide.*** Following our End-of-Phase-2 meeting with the FDA in December 2015, we are preparing the Phase 3 program for Imeglimin in the United States and Europe, which we anticipate initiating in early 2017. In Japan, Imeglimin is currently in a Phase 2b trial, and we expect to begin the Phase 3 program in 2017, pending positive results of the ongoing trial.

- ***Imeglimin targets a large addressable market with significant unmet treatment needs.*** Type 2 diabetes is a major global epidemic, and the IDF estimates that 415 million individuals globally between the ages of 20 and 79 were affected by diabetes in 2015, with more than 90% of these individuals having type 2 diabetes. Further, the IDF estimates that by 2040, the number of people globally affected by diabetes will increase by 55% to 642 million. While current treatments are initially effective in managing glucose homeostasis, they present a variety of safety issues and are

limited in their ability to sufficiently delay disease progression or prevent complications of type 2 diabetes, such as cardiovascular and metabolic disease. Due to the unique product profile of Imeglimin, we believe that Imeglimin is well-positioned to address the large unmet needs within the type 2 diabetes market.

- ***Unencumbered opportunity and a compelling value proposition for Imeglimin.*** We hold all commercial rights for Imeglimin. Due to the significant unmet treatment needs for type 2 diabetes, we believe that there is high demand from pharmaceutical companies for innovative diabetes drugs, and we are exploring potential partnership opportunities for Imeglimin. We believe that due to its unique product profile, the strength of the clinical data produced to date and the late stage of its development, Imeglimin presents a compelling value proposition for a potential partner.

- ***PXL770 represents a novel direct AMPK activator.*** We believe that PXL770 represents a new class of exercise mimetic drug candidates and therefore represents a unique opportunity to address a target population of type 2 diabetes patients with cardiovascular risk factors. As a first-in-class oral direct activator of AMPK, PXL770 has been observed to have positive effects on various metabolic parameters. These effects include an increase in glucose utilization and lipid oxidation and a reduction in insulin resistance and glucose and lipid production observed in preclinical studies. Based on the favorable toxicity profile and efficacy results for a drug candidate at this stage of clinical development from our preclinical studies, we initiated a Phase 1 trial of PXL770 and expect the results to be available by the end of 2016.

- ***Leading diabetes clinical development expertise.*** Our management team, which mainly originated from Merck Serono, is composed of experts in type 2 diabetes and related metabolic diseases with a cumulative 125 years of experience in drug development. Key members of our team were involved in the clinical study designs and regulatory approvals of the metformin franchise, which generated peak worldwide sales of $2.7 billion in 2001, the year before generic competitors entered the U.S. market. New members have strengthened our management team, which now combines extensive experience in diabetes clinical research and development with the business and financial expertise needed for drug development. In addition, our Scientific Advisory Board is comprised of key diabetes experts and is supported by our board of directors, which includes global experts in the pharmaceutical industry.

6.2. Our Strategy

Our goal is to develop and commercialize innovative therapies for the treatment of type 2 diabetes and metabolic disease. We intend to pursue the following strategies:

- ***Advance Imeglimin to Phase 3 trials in the United States and Europe and gather further data differentiating Imeglimin from its competitors.*** As noted, Imeglimin has been observed to have a favorable safety and tolerability profile for a drug candidate at this stage of clinical development in 16 completed clinical trials, which included an aggregate of approximately 850 participants, and was observed to demonstrate a blood glucose lowering effect in both monotherapy and combination therapies. Additional preclinical studies and Phase 2 clinical trials are underway or being prepared, with the goal to further investigate Imeglimin's clinical properties and further demonstrate Imeglimin's potential to delay diabetes progression and decrease the occurrence of cardiovascular and metabolic complications in type 2 diabetes patients. We are currently evaluating various partnership structures to enable the launch of the Phase 3 program.

- ***Independently develop Imeglimin in Asia, with an initial focus on the Japanese market.*** Japan is the second-largest diabetes market after the United States and has established guidelines that we believe enable a less capital intensive regulatory path for approval of diabetes drug candidates. Upon completion of the ongoing Phase 2b trial in Japan, we expect to commence a Phase 3 program, which will include three trials currently anticipated to support NDA submission in

Japan and other Asian countries. We expect to ultimately commercialize Imeglimin in Asia with a partner.

- ***Progress the clinical development of PXL770.*** In preclinical studies, PXL770 has been observed to have positive effects on various metabolic parameters and reduce cardiovascular risk factors. Upon completion of our ongoing Phase 1 study, which is designed to assess PXL770's safety, pharmacokinetic profile and AMPK activation (*i.e.,* activating the "exercise enzyme"), we intend to launch a Phase 2 program to confirm our findings and gather additional efficacy and safety data in type 2 diabetes patients.

- ***Expand our pipeline with additional drug candidates.*** Given our expertise in type 2 diabetes and more broadly in metabolic diseases, as well as our management team's experience in drug development, we intend to develop additional compounds, which we may derive either from our existing programs, which were originated by Merck Serono, or which we may source externally through business development efforts.

6.3. Type 2 Diabetes Overview

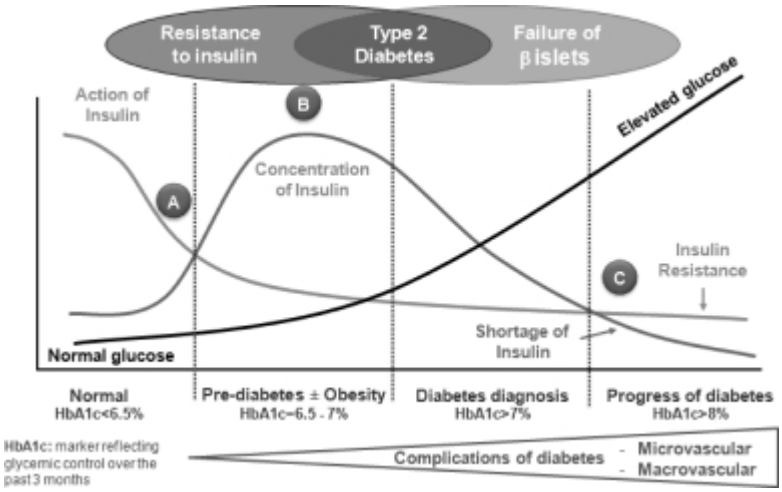
Glucose is a simple sugar used by cells to produce energy. Digestion of food serves as the primary means through which the human body receives glucose. In a fasting state, the liver produces glucose. The production of glucose by the liver and the utilization of digested glucose is managed by insulin, a peptide hormone produced by the pancreas. Insulin secreted by beta cell islets in the pancreas, stimulates cells to uptake and process glucose thereby regulating blood glucose levels.

Diabetes is a disease characterized by abnormally high levels of blood glucose and inadequate levels of insulin. There are two primary types of diabetes: type 1 and type 2. In type 1 diabetes, the pancreas produces no insulin. In type 2 diabetes, although the pancreas produces insulin, it either fails to do so at sufficient levels or the body ignores the insulin that is produced, a condition known as insulin resistance. According to the IDF, type 2 diabetes is the more prevalent form of the disease, affecting approximately 90% of all people diagnosed with diabetes.

In healthy individuals, the pancreas releases a natural spike of insulin at the start of a meal, which serves both to process the glucose produced through digestion and signal the liver to stop producing glucose while digestion is taking place. This allows healthy individuals to remain in glucose homeostasis. By contrast, in patients with type 2 diabetes, the liver does not receive a signal to stop making glucose, thereby resulting in excess blood glucose after eating, a condition known as hyperglycemia. High levels of blood glucose leads to attachment of glucose to certain proteins in the blood, interfering with such proteins' ability to perform their normal function of maintaining the integrity of the small blood vessels. Over time, these small blood vessels break down and leak, resulting in adverse and sometimes fatal events including retinopathy leading to blindness, loss of kidney function, nerve damage and loss of sensation, poor circulation in the periphery, potentially requiring amputation of the extremities, and macrovascular complications in the heart and the brain. According to the American Diabetes Association, 66% of deaths among diabetes patients are due to cardiovascular events.

Several hours after a meal, blood glucose levels in an untreated type 2 diabetes patient become sufficiently elevated that the pancreas releases an inordinately large amount of insulin. However, this occurs at a time when the digestion process is nearly complete and, accordingly, when blood glucose levels should fall. This excess release of insulin places undue demand on the pancreas. This may lead to its more rapid deterioration and eventually result in failure of beta cell islets, rendering the pancreas unable to produce insulin. This also leads to weight gain, which may further exacerbate the disease condition leading to eventual reliance on injectable insulin.

The diagram below sets forth the development and progression of type 2 diabetes:



(A) Insulin-resistance: Resistance to insulin develops among certain subjects when a chronic excess of fatty foods largely exceeds energy needs and gradually leads to obesity with the accumulation of fat in the abdomen. The increased circulation of free fatty acids, their competitive utilization as an energy source in place of glucose and their excessive storage among metabolically active organs (*e.g.,* the liver and muscles) contribute to the gradual development of insulin-resistance among insulin-dependent tissues. In turn, resistance to insulin prevents the decrease in production of glucose by the liver, which is important during periods of fasting to maintain glycemia, but normally slows down after a meal. This increase in production of glucose by the liver contributes to the increase of glycemia.

(B) Hyper-insulinism: the amount of insulin produced by the pancreas increases in high proportions so as to permit the transport of glucose to insulin-dependent tissues despite insulin-resistance. This hyperinsulinism may be prolonged for 10 to 20 years, and thus allow glycemia to remain practically normal. Hyperinsulinism is considered a pre-diabetic state.

(C) Relative insulinopenia (or shortage of insulin): the initial increase in insulin production in response to insulin-resistance associated with the accumulation of excessive concentrations of circulating fatty acids in the beta islets leads to the gradual exhaustion of the pancreas among patients – who are now classified as type 2 diabetes patients. The pancreas is no longer able to secrete the quantities of insulin needed to regulate glycemia. It is at this point that pharmacological intervention should begin.

Source: De Fronzo RA et al.Diabetes Care (1992), 15: 318-368

Although the causes of type 2 diabetes are not fully understood, risk factors for type 2 diabetes include: excess body weight; poor diet, including excess consumption of high-fat and sugary foods; physical inactivity; aging; family history; and ethnicity. Type 2 diabetes generally affects individuals over the age of 40, although it is becoming more common in younger people, including children.

6.3.1. *Role of the Mitochondria in Type 2 Diabetes*

Recent scientific advances, reflected in numerous published studies per year in each of the last five years, have highlighted the role of mitochondrial dysfunction in the pathophysiology of type 2 diabetes, associating insulin resistance with changes in mitochondrial function and its capacity to transform nutrients into energy, also known as oxidative capacity.

The mitochondria is the power center of the cell, generating energy through the production of adenosine triphosphate, or ATP, the primary unit of cellular energy, by oxidizing nutrients such as glucose and lipids. Reactive oxygen species, or ROS, are molecular compounds formed naturally during mitochondrial ATP production and play a crucial role in cell signaling and homeostasis. However, chronic exposure to high concentrations of glucose and lipids as a result of a

high calorie diet and/or a sedentary lifestyle lead to insufficient nutrient oxidation and a low ratio of ATP production to oxygen consumption, which are associated with excess ROS formation. Excess ROS formation can contribute to mitochondrial dysfunction and cause cellular damage to tissues in critical organs including the muscles, lung, heart, liver, brain and eyes. Excess ROS formation is also believed to damage the endothelial cells that coat blood vessel walls and inactivate enzymes that protect against arteriosclerosis, which can result in microvascular and macrovascular complications that are often associated with type 2 diabetes. Further, within pancreatic beta cell islets, the formation of excess ROS has been shown to lead to a decline in both cellular insulin content and secretion of insulin in response to glucose.

In addition to excess ROS formation, genetic factors, aging and reduced formation of new mitochondria in the cell contribute to mitochondrial dysfunction, as well as to insulin resistance. In turn, insulin resistance emanating from mitochondrial dysfunction may contribute to metabolic and cardiovascular abnormalities and subsequent deterioration in cardiovascular disease. Further, interventions that improve mitochondrial function have been shown to improve insulin resistance.

Mitochondrial dysfunction is also associated with increases in matrix calcium (Ca^{2+}), which together with excess ROS formation induces the mitochondrial permeability transition pore, or mPTP**,** to open. In turn, mPTP opening triggers programmed cell death, or apoptosis

Taken together, these observations suggest that mitochondrial dysfunction may be a central cause of insulin resistance and associated complications.

6.3.2. *Role of AMPK in Type 2 Diabetes*

AMPK is an enzyme that ***acts*** as an energy sensor and regulator maintaining cellular homeostasis. Activation of AMPK is associated with increased glucose utilization and lipid oxidation as well as reduced insulin resistance and glucose and lipid production. Further, studies of AMPK have demonstrated a link between AMPK activation and a lower incidence rate of metabolic diseases, such as type 2 diabetes. AMPK is naturally activated by muscular contractions associated with physical activity. As a result of these broad effects and given that AMPK is activated during physical activity, AMPK has been termed an “exercise enzyme.”

6.4. Current Therapies and their Limitations

Treatments for type 2 diabetes are intended to reestablish glucose homeostasis. Initially, patients may be placed on an exercise regime and diabetes-friendly diet that limits the intake of simple carbohydrates and high-fat foods, which are associated with increased blood glucose and lipid levels. However, exercise and dietary changes are alone generally insufficient to control patients’ glycemic levels, and type 2 diabetes patients are often prescribed metformin, an orally-administered small molecule drug, that limits glucose production in the liver, decreases intestinal absorption of glucose and improves insulin sensitivity by increasing peripheral glucose uptake and utilization. Metformin is also an indirect activator of AMPK. If and when the combination of exercise, diabetes-friendly diet and metformin as a monotherapy are insufficient to facilitate glucose homeostasis for patients, physicians may prescribe additional medications to the treatment regimen, including: (i) oral sulfonylureas, which trigger pancreatic beta cells to release more insulin; (ii) oral thiazolidinediones, which help muscle and fat tissue uptake and process insulin more effectively and reduce the amount of glucose released by the liver, while also acting as indirect activators of AMPK; (iii) oral DPP-4 inhibitors, which increase gut-derived hormone levels and insulin levels in order to reduce blood glucose levels; (iv) GLP-1 receptor agonists, injectable synthetic hormones that help lower blood glucose levels through increased glucose-dependent insulin secretion; (v) SGLT-2 inhibitors, which cause excess glucose to be removed from the body in urine; (vi) oral alpha-glucosidase inhibitors, which slow the rise in blood sugar after meals by stopping the breakdown of simple carbohydrates and other types of sugar in the digestive process; and (vii) amylin analogs, injectable forms of the

hormone amylin, which modulates A1c levels. Patients unable to maintain glucose homeostasis on these therapies may be prescribed injectable insulin. Many type 2 diabetes patients are also prescribed statins in order to reduce heart disease risk.

While current treatments are often initially effective in helping patients maintain glucose homeostasis, they present a variety of safety issues. For example, metformin can cause lactic acidosis, a dangerous buildup of acid in the blood, in patients with liver and kidney disorders and is, therefore, not a viable option for such patients, although it rarely results in hypoglycemia. By contrast, oral sulfonylureas and alpha-glucosidase inhibitors increase the risk of hypoglycemia and weight gain. Oral thiazolidinediones have been associated with fluid retention, which can aggravate congestive heart failure, as well as hepatotoxicity and increased risk of heart attack. Further, many frequently prescribed treatments, including metformin, alpha-glucosidase inhibitors, oral DPP-4 inhibitors, GLP-1 receptor agonists and amylin analogs, are also associated with nausea, vomiting, gas, diarrhea, dizziness and weakness.

Moreover, many current treatments are limited in their ability to sufficiently delay disease progression or prevent complications of type 2 diabetes. Even when existing treatments are effective in blood glucose control, they often fail to control the evolution of the disease and do not address associated co-morbidities. For example, according to Decision Resources, over half of patients become refractory to metformin within three years, representing approximately 20 million patients in the United States, Japan, France, Germany, Italy, Spain and the United Kingdom which we refer to as the G7 countries. This shortcoming is of particular importance in light of the fact that the mortality of diabetes patients is primarily linked to cardiovascular disease. Further, we believe that there are no currently-approved direct activators of AMPK. Finally, certain newer type 2 diabetes therapies are delivered in injectable form, which is associated with poorer patient compliance and increased cost.

The table below compares attributes of key current therapies.

Class	Key Drug(s)	Key Attributes	Key Toxicities/ Limitations	Drug Sales (2014)[1]
Biguanides	● metformin	● First-line therapy ● Limits glucose production ● Some cardiovascular benefit	● Lactic acidosis ● GI upset ● Contraindicated for patients with liver and kidney disorder ● Limited impact on disease progression ● 56% of metformin-treated	● **Biguanies**: over $1bn

Class	Key Drug(s)	Key Attributes	Key Toxicities/ Limitations	Drug Sales (2014)[1]
			patients become refractory within three years	
Sulfonylureas	● glyburide ● glimepiride ● glipizide	● Increased insulin secretion	● Increased risk of hypoglycemia ● Weight gain ● Contraindicated for some patients with liver and kidney disorder	● **sulfonylureas**: over $250m
Thiazolidinediones	● pioglitazone ● rosiglitazone	● Improves glucose uptake and processing by muscle and fat tissue ● Some impact on disease progression	● Weight gain, fluid retention and related CHF ● Hepatotoxicity ● Increased risk of heart attack	● **thiazolidinediones**: over $400m
DPP-4 inhibitors	● sitagliptin ● saxagliptin ● linagliptin	● Increased insulin secretion ● Some cardiovascular benefit	● GI upset ● Mild urinary and respiratory infections ● Limited impact on disease progression	● **DPP-4 inhibitors**: approx. $11bn
GLP-1 receptor agonists	● liraglutide	● Increased glucose-dependent insulin	● GI upset	● **GLP-1 receptor agonists**: over $3bn

Class	Key Drug(s)	Key Attributes	Key Toxicities/ Limitations	Drug Sales (2014)[1]
		secretion	● Pancreatitis	
	● vildagliptin	● Inhibits weight gain	● Potential increased risk of thyroid cancer	
	● exenatide	● Cardiovascular benefits		
SGLT-2 inhibitors	● empagliflozin	● Increased glucose excretion	● Urinary tract infections	● **SGLT-2 inhibitors**: over $1bn
	● canagliflozin	● Cardiovascular benefits	● Increased risk of diabetic ketoacidosis	
	● dapagliflozin			

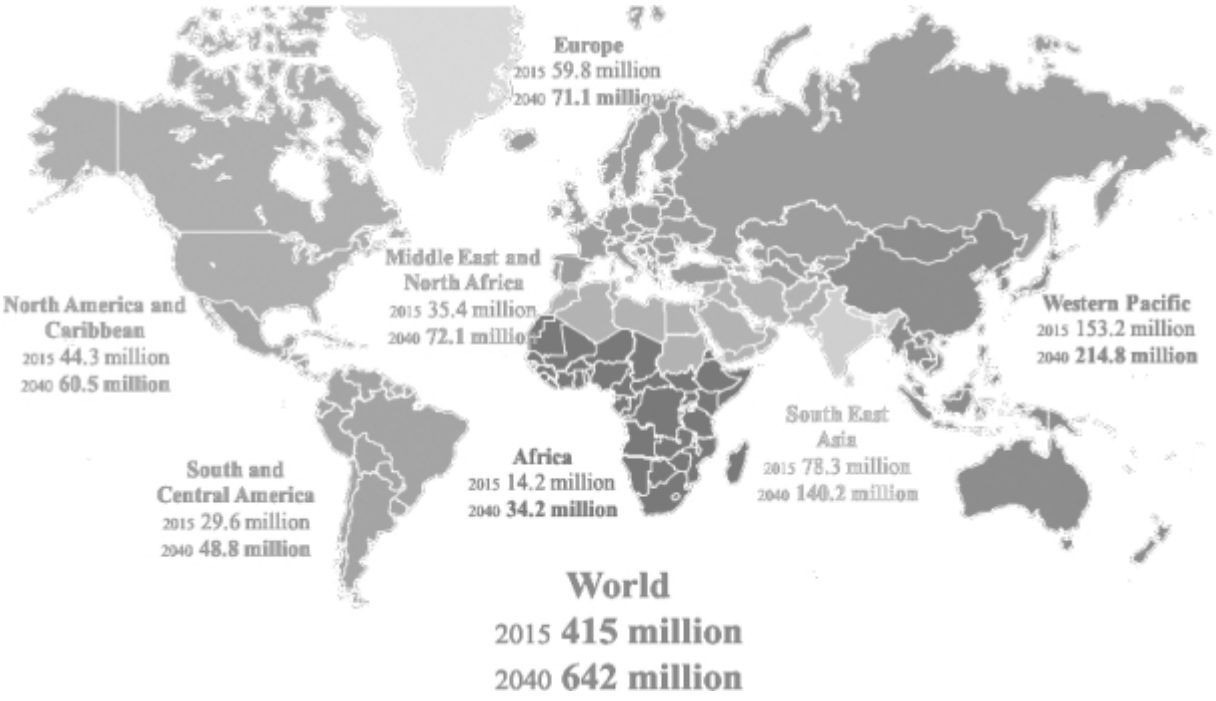
(1) Decision Resources, September 2014.

6.5. Our Market Opportunity

According to the IDF, it is estimated that globally 415 million individuals between the ages of 20 and 79 were affected by diabetes in 2015, with more than 90% these individuals having type 2 diabetes. In the United States alone, 29.3 million individuals, or 9.2% of the population, suffered from diabetes in 2015, according the IDF. Further, the IDF estimates that by 2040, the number of people globally affected by diabetes will increase by approximately 55% to 642 million.

Within certain developing regions of the world, the IDF projects diabetes prevalence to increase at even higher rates. For example, in China there were approximately 110 million patients in 2015, which the IDF estimates will increase to 151 million by 2040. In the Middle East and North Africa region, there were approximately 35 million patients with diabetes in 2015, which the IDF estimates. In southeast Asia, the IDF estimates that 140.2 million individuals will suffer from diabetes in 2040, an increase of 79% over 2015.

The diagram below depicts the estimated number of people with diabetes worldwide and per region in 2015 and 2040 (aged 20 – 79 years).



Source: IDF Report 2015

Despite the limitations of current non-insulin therapies for diabetes, Decision Resources estimates that these treatments generated sales of over $35 billion in 2014 in the United States, Japan, Germany, Italy, the United Kingdom, France and Spain and that sales in these markets are projected to grow to over $71 billion by 2024. The total economic consequences of diabetes are even larger with 2015 diabetes-related expenditures totaling $521 billion in North America, the Caribbean and Europe, according to the IDF. Further, according to the IDF, aggregate diabetes-related expenditures in the United States, China and Germany, the three highest spending countries, amounted to 60% of the total global expenditures on diabetes, even though these countries only accounted for 35.1% of the global diabetes population. According to Decision Resources, the diabetes monotherapy treatment market in the G7 countries is worth approximately $1 billion (with the current standard of care, metformin, used for the treatment of approximately 60% of type 2 diabetes patients in the G7 countries) while the new oral combination therapies market is worth approximately $13 billion (with sitagliptin accounting for a 68% market share within its class).

The U.S. diabetes market is the largest diabetes market worldwide, according to Decision Resources. The Japanese market is the second largest diabetes market worldwide, according to Decision Resources. According to IMS Health, the Japanese diabetes market grew by a compound annual growth rate of more than 18% between 2008 and 2012. Additionally, we believe that the Japanese diabetes market has pricing and reimbursement characteristics similar to the United States and has shown a rapid market uptake for new innovative products. This has been supported by a clear development path defined by the PMDA. We believe that the strength of the Japanese diabetes market has been shown in sales of sitagliptin reaching in excess of $1.4 billion in three years, according to IMS Health.

We believe that there is significant market potential for non-insulin therapies that preserve pancreatic function, reduce insulin resistance and decrease cardiovascular and metabolic disease risk factors, such as heightened blood lipid levels and excess body weight, either acting alone or in combination with existing types 2 diabetes treatments. Based on figures published by Decision Resources, we believe that the potential market opportunity in the United States and the EU is approximately $32 billion and the potential market opportunity in Japan is approximately $4 billion.

Further, given the importance of physical activity in preventing the progression of type 2 diabetes and the benefits of physical activity on cardiovascular health, we believe that there is also significant market potential for an oral AMPK activator, such as PXL770 that can act in combination with existing type 2 diabetes treatments.

6.6. Our Drug Candidates

6.6.1. *Imeglimin*

Imeglimin is a first-in-class oral drug candidate that targets the two main metabolic defects at the root of type 2 diabetes—low insulin secretion and elevated insulin resistance—by counteracting mitochondrial dysfunction. Our primary focus is on developing Imeglimin to address the unmet need for a type 2 diabetes treatment that improves pancreatic beta cell function, reduces insulin resistance and decreases cardiovascular and metabolic disease risk factors, such as heightened blood lipid levels and excess body weight.

Imeglimin was discovered at Merck Serono and has been further developed by us. Since the late 1990s, Merck Serono was interested in the role of mitochondria in the pathophysiology of diabetes, as it has been suggested that metformin could act on the mitochondria. In order to capitalize on this understanding of the role of mitochondria, Merck Serono worked with an academic team to identify new chemical structures that could restore normal functioning of the mitochondria respiratory chain, which is impaired in type 2 diabetes patients. This initial partnership formed the basis for the development of Imeglimin.

Merck Serono filed an Investigational New Drug application, or IND, for Imeglimin on October 18, 2006 with a type 2 diabetes indication. Merck Serono transferred this IND to us in 2009.

We believe that Imeglimin is the most advanced type 2 diabetes drug candidate of its class. Certain large pharmaceutical companies have similar programs and have entered into partnerships aimed at identifying products similar to Imeglimin. We believe, however, that these programs are not as advanced in clinical development as Imeglimin.

Summary of Imeglimin's mechanism of action

We believe that Imeglimin is able to regulate mitochondrial energy production by counteracting the mitochondrial dysfunction associated with the diabetes pathology and its associated microvascular and macrovascular complications.

The mitochondria is the power center of the cell generating energy through the production of ATP, the primary unit of cellular energy, by oxidizing nutrients such as glucose and lipids, and contributing to the regulation of energy balance and, therefore, improves metabolic function.

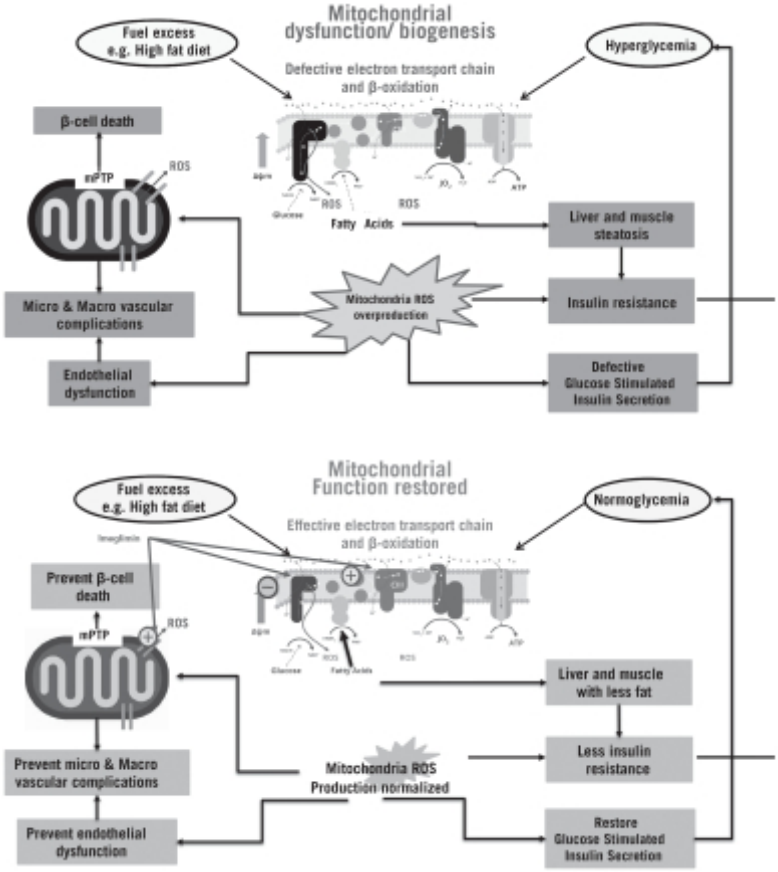
In the pathophysiology of diabetes, excess food and a sedentary lifestyle lead to a disequilibrium in the energy balance and are linked to the fact that the supply of nutrients is higher than the demand for energy. This disequilibrium causes an increase in the production of ROS from the mitochondrial respiratory chain, which further impairs the functioning of the chain, leading to insufficient insulin secretion in response to glucose and to impaired insulin sensitivity.

We believe that Imeglimin improves mitochondrial function by modulating mitochondrial respiratory chain complex activities and by decreasing ROS overproduction in this unhealthy context. Through this mitochondrial action, Imeglimin has been observed to restore the organs' sensitivity to glucose and insulin, and cause:

- an increase in glucose-dependent insulin secretion by the pancreas;
- a decrease in the excess production of glucose by the liver; and
- an increase in the uptake and use of glucose by the muscles.

Imeglimin has also been observed to prevent the mPTP from opening and to prevent cell death in the pancreas' beta cells and in human endothelial cells. Imeglimin's beneficial effect on the pancreas' beta cell mass preservation is expected to lead to delaying the disease progression. Imeglimin's effect on improving endothelial dysfunction leads us to believe that the Imeglimin may have an early vascular protective effect that may potentially delay the occurrence or decrease the progression of vascular complications in the type 2 diabetes population.

The diagrams below set forth a representation of Imeglimin's mechanism of action:



6.6.2. *Clinical trials*

To date, Imeglimin has been evaluated in 16 clinical trials and is currently being investigated in a study in Japan. Imeglimin has been administered to an aggregate of 246 non-diabetic subjects and 611 type 2 diabetes patients at dosages ranging from 100 mg to 8,000 mg per day, over a period ranging from one day to 24 weeks.

The table below sets forth summary information regarding clinical trials for Imeglimin:

Phase	Study No.	Number of Patients (1)	Treatment duration	Primary End Point	Dose	P-value (2)	Region
Phase I	EML017008-001(3)	73	Up to 9 Days	Safety / Pharmacokinetics	Up to 4,000 mg	—	Europe

Phase	Study No.	Number of Patients [1]	Treatment duration	Primary End Point	Dose	P-value [2]	Region
Phase I	EML017008-002[3]	6	Single dose	Safety / Pharmacokinetics	1,000 mg	—	Europe
Phase I	EML017008-005[3]	51	8 Days	Safety / Pharmacokinetics	1,000 mg QD / 500 mg	—	Europe
Phase I	PXL008-001	15	6 Days	Safety / Pharmacokinetics	1,500 mg	—	Europe
Phase I	PXL008-003	16	6 Days	Safety / Pharmacokinetics	1,500 mg	—	Europe
Phase I	PXL008-007	14	Single dose	Safety / Pharmacokinetics	750 mg / 1,500 mg	—	Europe
Phase I	PXL008-010	14	Single dose	Safety / Pharmacokinetics	750 mg / 1,500 mg	—	Europe
Phase I	PXL008-011	48	Single dose or 10 Days	Safety / Pharmacokinetics	500 mg / 1,000 mg / 1,500 mg / 2,000 mg QD 4,000 mg / 6,000 mg / 8,000 mg SD	—	Europe
Phase I	PXL008-012	9	Up to 7 Days	Safety / Pharmacokinetics	Up to 8,000 mg	—	Europe
Phase II	EML017008-003[3]	40	4 Weeks	Change in AUC Glucose versus Placebo	1,000 mg / 2,000 mg QD	p <0.0001 / p =0.0305	Europe
Phase II	EML017008-004[3]	62	8 Weeks	Change in AUC Glucose versus Placebo	500 mg / 1,500 mg	p =0.086 / p =0.003	Europe
Phase II	PXL008-002	78	12 Weeks	Change in A1c versus Placebo	1,500 mg	p <0.001	Europe
Phase II	PXL008-004	82	12 Weeks	Change in A1c versus Placebo	1,500 mg	p <0.001	Europe
Phase II	PXL008-006	18	7 Days	Change in AUC Insulin versus Placebo	1,500 mg	p =0.035	Europe
Phase II	PXL008-008	301	24 Weeks	Change in A1c versus Placebo	500 mg / 1,000 mg / 1,500 mg / 2,000 mg	n.s. / n.s. / p <0.001 / p =0.006	U.S. & Europe

Phase	Study No.	Number of Patients [1]	Treatment duration	Primary End Point	Dose	P-value [2]	Region
Phase II	PXL008-009	30	18 Weeks	Change in AUC Glucose versus Placebo	1,500 mg	p =0.001	Europe
Phase II	PXL008-014[4]	target 225	24 Weeks	Change in A1c versus Placebo	500 mg / 1,000 mg / 1,500 mg	/—	Japan

[1] This column indicates the number of patients treated with Imeglimin during the studies.

[2] P-value is a conventional statistical method for measuring the statistical significance of clinical results.

[3] Clinical studies were conceived and conducted by Merck Serono prior to the founding of our company in 2009 as a spin-off from Merck Serono.

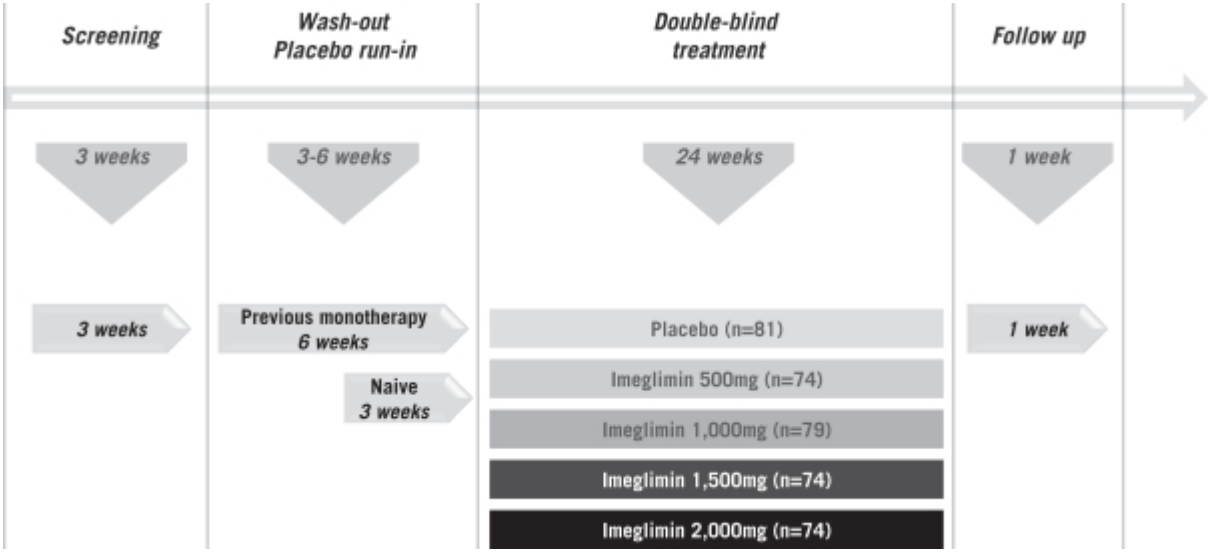
[4] This study is ongoing and is currently enrolling patients. We are targeting enrollment of up to 225 patients.

6.7. Phase 2 Trials

6.7.1. *PXL008-008*

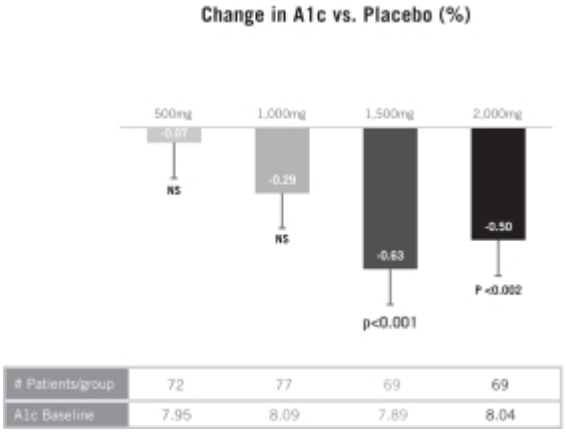
We initiated a double-blind, placebo-controlled Phase 2b dose-finding trial in March 2013. The primary endpoint of this trial was to assess the change of A1c levels versus placebo. The study across multiple sites in the United States and Europe, included 382 randomized subjects (including 301 patients administered Imeglimin and 81 administered placebo), who were either previously untreated or had previously been treated with a monotherapy. The patients were placed into five groups, with four groups treated with Imeglimin and one group treated with a placebo over 24 weeks. The previously untreated patients took a placebo during a three-week stabilization period, and the subjects who had been treated using monotherapy were asked to interrupt their treatment for a period of six weeks prior to dosing, in order to wash out any residual placebo or monotherapy before randomization. We reported the results of this study in June 2015 at the American Diabetes Association conference.

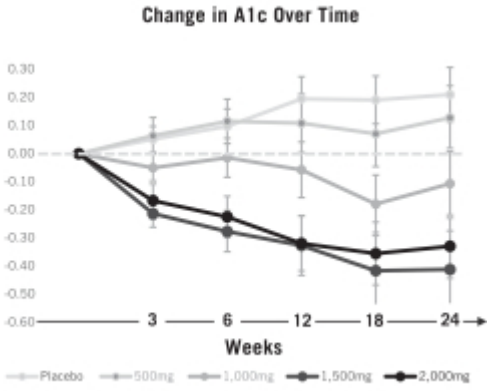
The diagram below sets forth the Phase 2b study design (PXL 008-008).



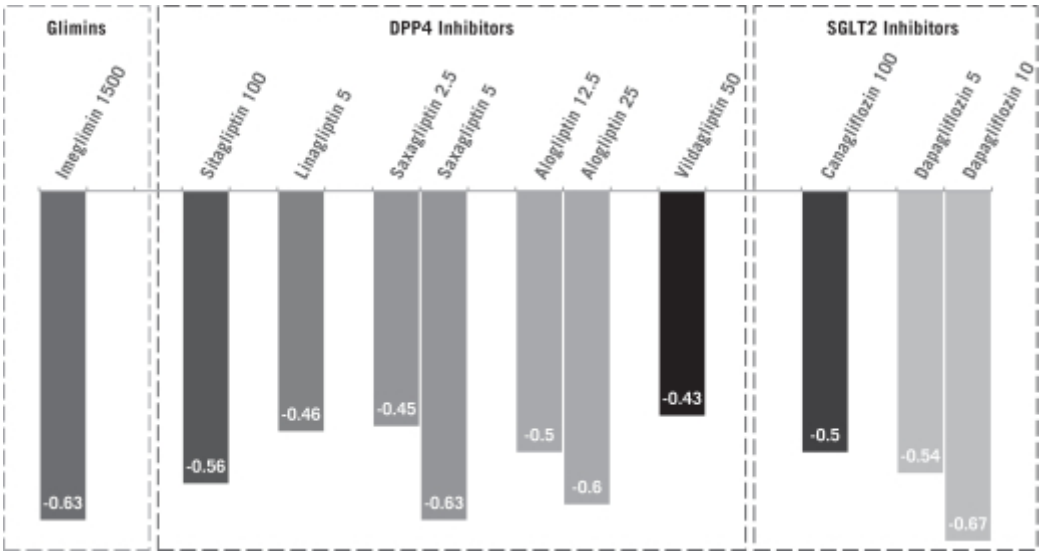
During the Phase 2b study, A1c was measured to assess the effect that each dose of Imeglimin had on controlling glycemic levels. After 24 weeks of treatment, decreases of 0.63% and 0.50% in A1c levels were observed in the groups that received the 1,500 mg dose and the 2,000 mg doses, respectively, as compared to the group that received the placebo. In this trial, we observed a moderate change in A1c levels at the lowest dose (500 mg) and that the change in A1c levels increased until a dose of 1,500 mg was reached. As anticipated, the 2,000 mg dose was observed to provide no additional benefit as compared to the 1,500 mg dose. As a result, we consider the 1,500 mg dose to be the optimal dose to achieve efficacy of Imeglimin, while preserving a comparable tolerability profile to the placebo.

The diagrams below set forth the Phase 2b monotherapy results:





The diagram below sets forth the retrospective comparison of the optimal dose identified in the Phase 2b dose-ranging studies of Imeglimin and various DPP4 and SGLT2 inhibitors.



The 0.63% glucose lowering effect observed in patients who received a 1,500 mg bid dose of Imeglimin is comparable to the historical results of studies involving oral pharmacological agents approved in the past ten years.

Imeglimin was observed to have a favorable tolerability profile for a drug candidate at this stage of clinical development at all dose levels assessed in the study and, in particular, at the optimal efficacy dose of 1,500 mg. The frequency of adverse events in patients administered Imeglimin was comparable to the frequency of such adverse events reported in the placebo group. Most of the adverse events identified were mild and were considered by the investigator to not be directly related to the treatment. The small number of adverse events considered to be related to the treatment with Imeglimin mainly related to the gastrointestinal system. Five serious adverse events comprising instances of, (i) incisional hernia; (ii) lung disorder; (iii) orchitis (inflammation of one or both testicles); (iv) sciatica (leg pain radiating along the sciatic nerve); and (v) gangrene, were reported to have occurred during the trial, but these events were considered to be unrelated to the treatment and were balanced among the groups administered Imeglimin and the placebo. In addition, there were no hypoglycemia or cardiovascular events considered to be related to the treatment in this trial.

In addition to safety and tolerability, a number of additional secondary end points were assessed, including fasting plasma glucose, the number of patients requiring rescue therapy and the number of patients reaching A1c targets below 7%.

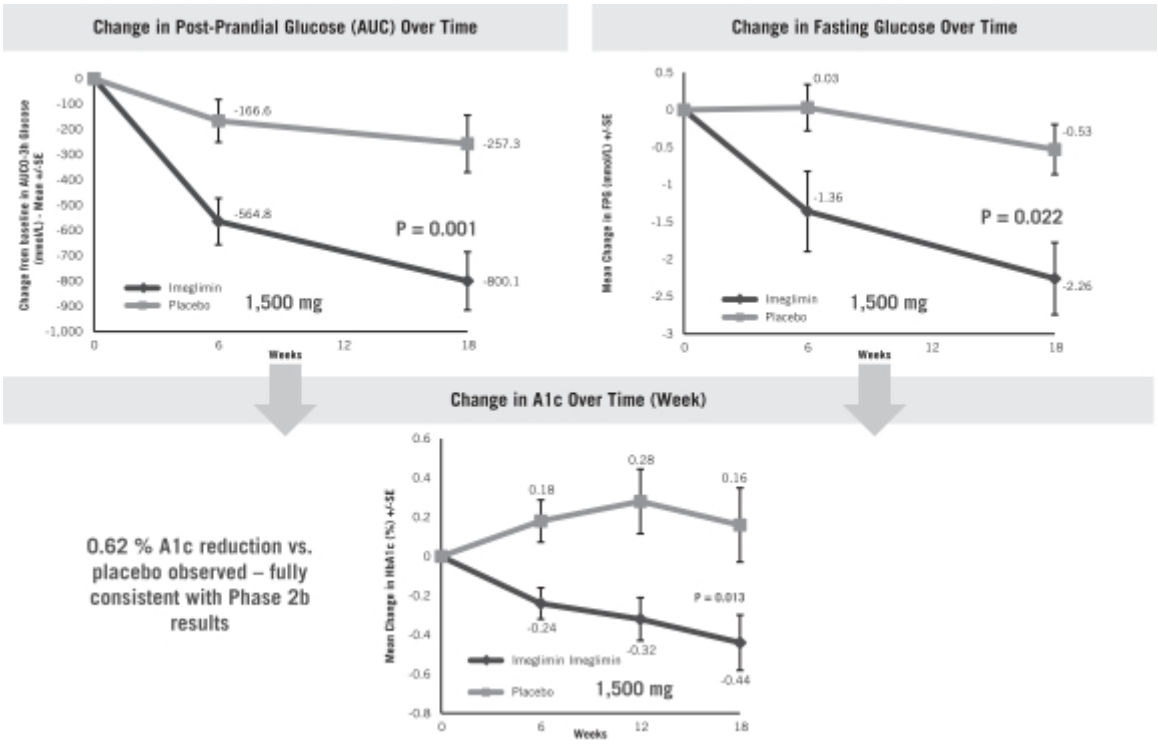
6.7.2. *PXL008-009*

In parallel to the Phase 2 dose-ranging study described above, we initiated a Phase 2b dose-ranging trial to assess the characteristics of Imeglimin over various efficacy parameters, including fasting and post-prandial glycemia (the level of blood glucose after eating), and the contribution of those two effects on the decline in A1c levels. The study included 59 randomized patients who had previously been treated with a monotherapy across multiple study sites in Europe. 30 patients were administered Imeglimin at the optimal dose of 1,500 mg and 29 patients were treated with a placebo over 18 weeks. Subjects in the study who had previously been treated with a monotherapy were asked to interrupt their treatment for a period of four weeks to wash out any residual monotherapy before participating in the study. We reported the results of this study in November 2015 at the World Congress on Insulin Resistance, Diabetes & Cardiovascular Disease.

We observed a significant improvement in patient glucose tolerance, as evidenced by a 430 mmol per liter decrease in the area under the glucose curve during the three hours after the glucose load ($p<0.001$), together with a 1.22 mmol per liter decrease in fasting plasma glucose ($p<0.022$). These

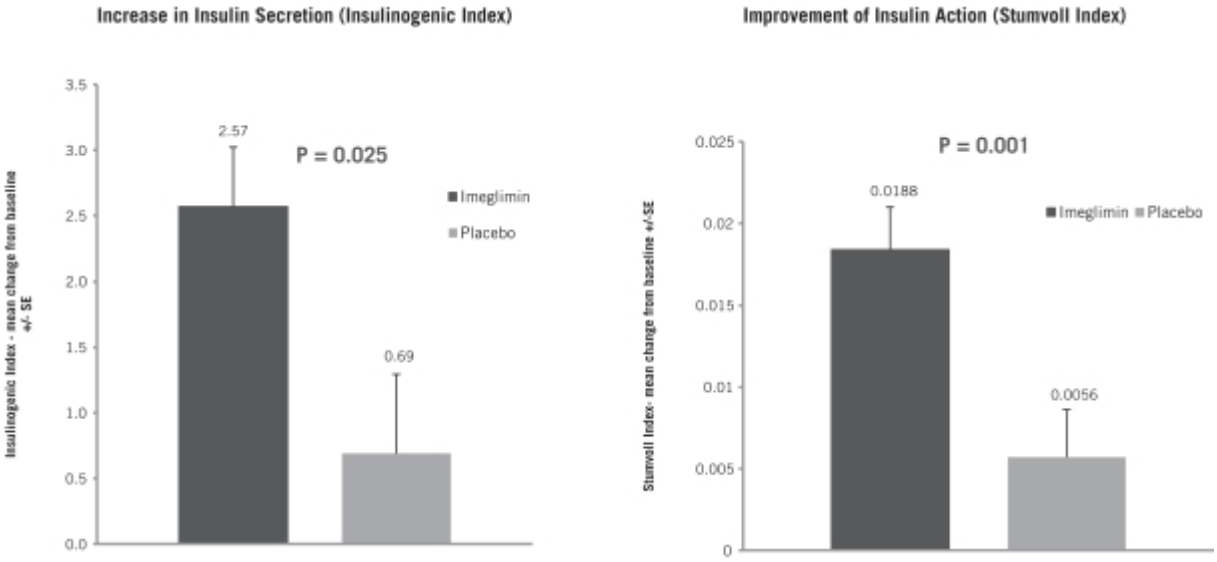
effects result in a significant decrease in A1c levels of 0.62% (p<0.013), which is consistent with the decrease observed during the Phase 2b dose ranging study for the same dose.

The diagrams below set forth the results obtained during the Phase 2 trial.



During the glucose tolerance test, the insulin and C-Peptide (a byproduct of the insulin synthesis and a universal measure of insulin secretion) secretions were increased as compared to placebo and mathematical modelisation of C-Peptide secretion increased in response to glucose. This demonstrated that the improvement in insulin secretion can be partly explained by an improvement in the glucose sensing of the beta cells in the pancreas, or and improvement in glucose sensitivity. These results supported the positive effect of Imeglimin on insulin secretion observed during another phase 2 clinical trial, using a euglycemic hyperglycemic clamp technique (PXL008-006). Similarly, mathematical modeling of the glucose, insulin or C-Peptide curves showed that Imeglimin significantly improved several surrogate markers of insulin sensitivity, including the Mastuda index or the Stumvoll index, that have been correlated to the result obtained using the reference method of the hyperinsulinemic clamp.

The results from this trial therefore support the dual mechanism of Imeglimin in type 2 diabetes patients, improving both glucose dependent insulin secretion (by improving the beta cell glucose sensitivity) and insulin sensitivity, as set forth in the diagram below.



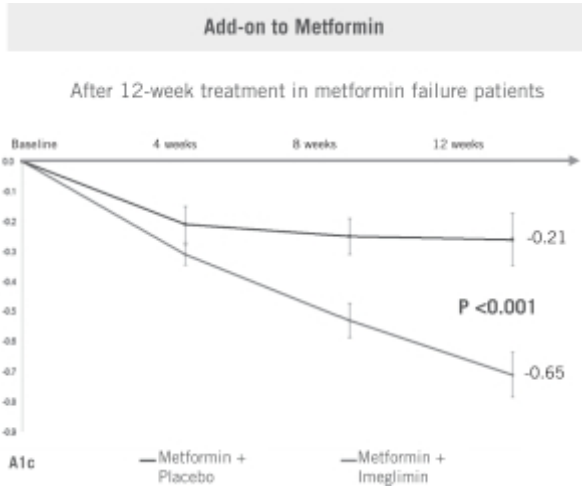
In addition, Imeglimin was observed to have a favorable tolerability profile for a drug candidate at this stage of clinical development during this trial with 27% of treated subjects presenting at least one treatment-emergent adverse event, as compared to 59% in the placebo group. The only treatment related adverse events reported in the trial were events of hyperglycemia (3% of patients treated with Imeglimin as compared to 14% of patients treated with placebo).

PXL008-002 and PXL008-004

We initiated these Phase 2 efficacy and safety studies of Imeglimin in combination with metformin and with a DPP4 inhibitor, sitagliptin, in August 2010 and July 2011, respectively. We published the results of these studies in the peer review journal, Diabetes Care, *Fouqueray et al*., 2013; 36: 565–568 and *Fouqueray et al*., 2014; 37: 1924–1930.

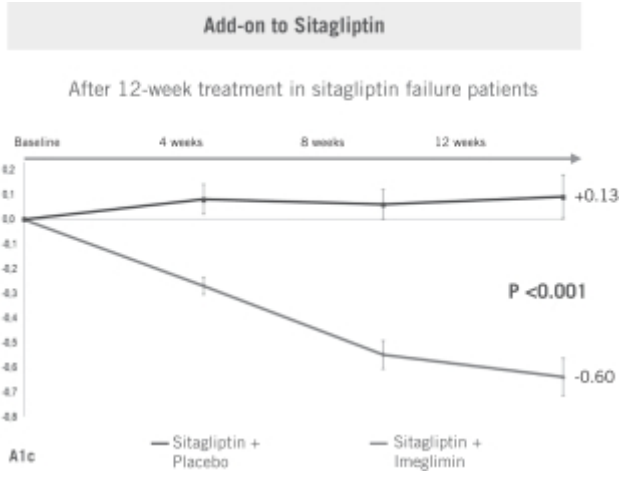
The first study (**PXL008-002**) assessed the benefit of combining metformin with Imeglimin, as compared to a placebo, in subjects for whom monotherapy by metformin alone was not sufficient to control their glycemia and assessed the safety of this combination after 12 weeks of treatment. A total of 156 type 2 diabetes patients were randomized in this study. During this study, we observed a 0.44% decrease in A1c levels (p = 0.001) after 12 weeks of treatment in the group administered metformin and Imeglimin, as compared to those administered metformin and placebo. A number of secondary end points were assessed, primarily fasting plasma glucose and the number of patients whose A1c value decreased by 0.5% or more by the end of the treatment. Overall, the incidence of adverse events was comparable in the two groups. The adverse events rate was 23.1% in the combined metformin and Imeglimin group and 19.2% in the group administered a combination of metformin and placebo.

The diagram below sets forth details on the efficacy of Imeglimin as an add-on to metformin:



The second study (**PXL008-004**) assessed the benefit of combining Imeglimin with sitagliptin, as compared to a placebo, in subjects for whom monotherapy by sitagliptin had failed and the safety of this combination. A total of 170 type 2 diabetes patients were randomized in this study. During this study, we observed a decrease of 0.72% in A1c levels ($p<0.001$) after 12 weeks of treatment in the Imeglimin group, as compared to the placebo group. A number of secondary end points were assessed, primarily fasting plasma glucose and the number of patients whose A1c value decreased by 0.5% or more by the end of the treatment. The incidence of adverse events was comparable in the two groups with an adverse event rate of 14.6% in the group administered sitagliptin and Imeglimin and 22.7% in the group administered sitagliptin in combination with placebo. We believe that the percentage of adverse events, which was slightly higher in the placebo group, can be partially explained by the occurrence of hyperglycemia linked to lower blood glucose control in patients who were given the placebo instead of Imeglimin. In the Imeglimin group, no adverse events were considered to be related to the treatment. In addition, no episodes of hypoglycemia were reported during the treatment period among those administered with Imeglimin and sitagliptin.

The diagram below sets forth details on the efficacy of Imeglimin as an add-on to sitagliptin.

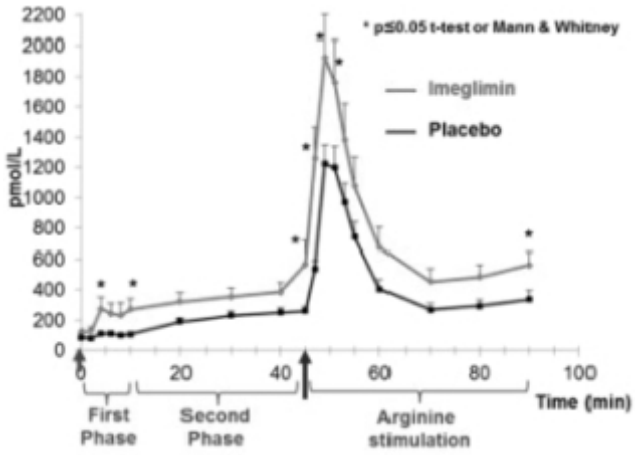


The reduction in A1c levels observed in these studies with the 1,500 mg Imeglimin dose compare favorably to the results obtained with other approved drugs, in particular DPP-4 inhibitors. The results of these studies showed greater decreases in A1c versus baseline in those administered a combination of Imeglimin and metformin or a combination of Imeglimin and sitagliptin than in those administered metformin or sitagliptin alone.

6.7.3. *PXL008-006*

We initiated a Phase 2 efficacy study of Imeglimin's effect on pancreatic beta cell function in diabetes patients in April 2012. The study took place over a seven-day period. Eighteen patients were treated with Imeglimin at the dose of 1,500 mg and 15 patients were treated with a placebo, for a total of 33 patients in the study. The primary endpoint of the study was insulin secretion as defined by total insulin response (which is reflected in the chart below as incremental area under the curve, or iAUC, measured in 0–45 min periods) and insulin secretion rate, or ISR. We observed that Imeglimin raised insulin secretory response to glucose by 112% (p=0.035), first-phase ISR by 110% (p=0.034) and second-phase ISR by 29% (p=0.031). The study's secondary endpoint of beta cell glucose sensitivity was also met. Imeglimin was not observed to affect glucagon secretion and was observed to have a favorable tolerability profile for a drug candidate at this stage of clinical development during this study.

The diagram below sets forth insulin secretion observed during the hyperglycemic clamp.



Source: Pacini et al., Diabetes, Obesity and Metabolism 2015, 17:541 545

6.7.4. *EML017008-003 and EML017008-004*

Two exploratory studies, EML017008-003 (four-week study) and EML017008-004 (eight-week study), conducted by Merck Serono, assessed the efficacy and tolerability of Imeglimin in monotherapy. In each study, subjects were treated with either Imeglimin, metformin or a placebo.

Imeglimin was observed in both studies to have an efficacy comparable to metformin on the main parameters for the assessment of type 2 diabetes. In addition, the incidence of adverse events in both studies was twice as low in subjects administered Imeglimin (between 15% and 35%), as compared to the group administered metformin (between 39% and 68%). The main adverse events that were observed in the EML017008-003 four-week study related to the digestive system (20% and 10% in subjects treated with Imeglimin, as compared to 68% in subjects treated with metformin) and the central nervous system (5% and 30% in subjects administered Imeglimin, as compared to 21% in subjects administered metformin). There were no adverse events related to the investigational drug reported in subjects in the Imeglimin 1,500 mg treatment group during the EML017008-004 eight-week study, and there were no hypoglycemic episodes reported during either study.

6.8. Phase 1 Trials

We conducted nine Phase 1 studies of Imeglimin with an aggregate of 246 subjects. Our Phase 1 studies assessed safety, tolerability and pharmacokinetics of Imeglimin in doses ranging from 100 mg to 8,000 mg per day. In these studies, we observed that Imeglimin was observed to have a good

pharmacokinetic profile with a low risk of drug interactions both alone and in combination with metformin and sitagliptin. In these studies, a favorable tolerability profile for a drug candidate at this stage of clinical development was observed, including among patients with renal impairments.

We completed a separate Phase 1 clinical study in the United Kingdom in healthy subjects of Japanese origin who had lived outside of Japan for no longer than five years. The study was intended to assess the tolerability profile and pharmacokinetics of Imeglimin in subjects of Japanses origin and to use the data obtained to compare with clinical study results in subjects of non-Japanese origin. During this study, one of six doses (500 mg, 1,000 mg, 1,500 mg, 2,000 mg, 4,000 mg and 6,000 mg) was administered to different groups of healthy male and female subjects of Japanese origin, with most subjects per group receiving Imeglimin and some subjects receiving a placebo. The safety and tolerability of Imeglimin observed in this study was comparable to that observed in studies in subjects of non-Japanese origin. All adverse events were of a mild or moderate intensity and were resolved prior to the end of the study. None of the adverse events were severe or serious. The most frequently reported adverse events were headache and nausea.

6.8.1. *Preclinical Studies*

Imeglimin's mechanism of action has been demonstrated through *in vitro* and *in vivo* studies (preclinical studies and clinical trials), which were initially designed and conducted at Merck Serono until 2007 and subsequently by us from 2009 and 2014. These studies were carried out by various academic and Clinical Research Organizations, or CROs.

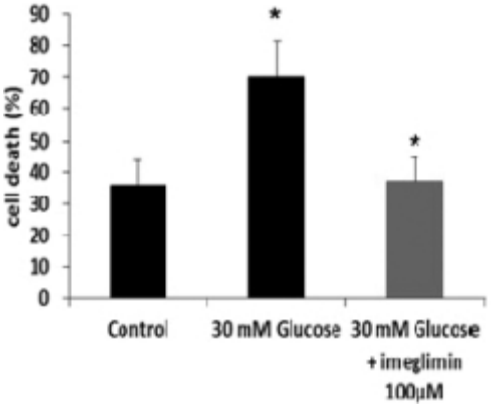
Mitochondrial function. Imeglimin was observed to have beneficial effects on mitochondrial function, as observed in a model of 16-week High Fat High Sucrose, or HFHS, diet induced diabetic mice. In this model, Imeglimin treatment was observed to significantly decrease glycemia, restore normal glucose tolerability and improve insulin sensitivity. This beneficial effect on glucose homeostasis was associated with:

- an increased fatty acid oxidation and reduced infiltration of the liver cells with fat;
- a subtle energy waste;
- a decrease in the production of ROS;
- an increased mitochondrial DNA content suggesting an effect on mitochondrial turnover and preservation; and
- a modified phospholipid composition.

Although Imeglimin has been observed to act on the mitochondria, because it does not reduce the total oxygen consumption rate, Imeglimin has not been observed to increases plasma lactate nor induce lactic acidosis in specific animal models, as demonstrated in a rat model of acute renal failure or after intra digestive administration of high doses (up to 1,000 mg/kg) in normal dogs, in contrast to metformin.

Imeglimin has also been observed to prevent hyperglycemia-induced apoptosis of human beta cell and human endothelial cells, or HMEC 1. HMEC 1 cells were incubated in several oxidative stress environments (exposure to high glucose and oxidizing agent tert-butylhydroperoxide) which led to mPTP opening, cytochrome c release and cell deathImeglimin's effect on cell death occurred without an accompanying effect on oxygen consumption rate, on lactate production and on cytosolic redox or phosphate potentials. Imeglimin was also observed to decrease ROS production, inhibiting specifically reverse electron transfer through complex I. Imeglimin appears to prevent hyperglycemia-induced cell death in HMEC-1 through inhibition of mPTP opening without inhibiting mitochondrial respiration nor affecting cellular energy status.

The diagram below sets forth the effect of Imeglimin on hyperglycemia-induced cell death:



Increased glucose-induced insulin secretion. Imeglimin's ability to increase glucose stimulated insulin secretion, or GSIS, was explored in isolated diabetic GK rat islets. Imeglimin (100µM) was observed to rapidly induce a 31% increase in NAD content ($p<0.05$), NAD being pivotal for mitochondrial functions. We characterized the origin of NAD content increase induced by Imeglimin, observing that the salvage pathway of NAD synthesis has a major role in Imeglimin action on GSIS. We therefore expect Imeglimin to increase NAD synthesis from nicotinamide, a key component of mitochondrial well-functioning, leading to increase Ca^{2+} mobilization and insulin secretion. All these results demonstrate that Imeglimin's mechanism of action leads to a potentiation of GSIS in diabetic islets that is novel and differentiated from known insulin secretagogue compounds.

Oral acute treatment with Imeglimin (200 mg/kg) on insulin secretion in response to glucose was studied in neonatal STZ rats using the hyperglycemic clamp method, the reference method to assess insulin secretion. Imeglimin was observed to increase insulin secretion versus controls at all glycemic levels, producing a 48% increase at T0 (glycemia: 10.8 mmol·L-1); a 62% increase at the first stage of hyperglycemia (glycemia: 19.5 mmol·L-1); and a 68% increase at the second stage of hyperglycemia (glycemia: 24.7 mmol·L-1). At first-stage hyperglycemia and second-stage hyperglycemia, these increases were observed to be comparatively higher than those produced by either reference products tested in study, sitagliptin (34%, and 39% respectively) or repaglinide (8%, and 37% respectively).

Increased insulin sensitivity in liver and muscle. Imeglimin's beneficial effect on insulin sensitivity was first observed in an insulin tolerance test in a HFHS diet mouse model. Imeglimin was observed to also improved impaired insulin signaling pathways both in the liver and in the muscle.

Imeglimin's effect on insulin sensitivity was also studied in a euglycemic hyperinsulinemic clamp in STZ rats. No significant changes of GPR and GUR were observed in the basal state. During the clamp, at similar levels of euglycemia and hyperinsulinemia, steady state glucose infusion rate, or (SSGIR), was increased by 209% in STZ rats after Imeglimin treatment compared to controls ($p<0.01$). Imeglimin treatment was observed to decrease hepatic GPR by 40% ($p<0.05$). GUR was increased, although not significantly, in the Imeglimin-treated group. In this model of deep insulinopenia, we observed that Imeglimin improved hepatic insulin sensitivity during the euglycemic hyperinsulinemic clamp.

Beta cell function preservation and cardiovascular risks benefits. By delaying mPTP opening, Imeglimin has been observed *in vitro* to protect mice, rats or human beta cells from apoptotic death when submitted to acute stress, such as high glucose, chemical oxidative stress or cytokine cocktail. We believe that this will translate into beneficial effect on beta cell mass preservation, as up to 60% of the beta cell mass may be lost when diabetes is diagnosed.

By delaying mPTP opening, Imeglimin has been observed *in vitro* to protect endothelial cells from apoptotic death when submitted to acute stress (high glucose or chemical oxidative stress). As

endothelial dysfunction is the first step in the vascular disease of type 2 diabetes patients, we believe that Imeglimin will have an early vascular protective effect and may potentially delay the occurrence or decrease the progression of vascular complications in this population.

Toxicology and preclinical pharmacokinetics. We have conducted all preclinical studies in support of Imeglimin, including primary pharmacology, safety pharmacology, absorption, distribution, metabolism and excretion and toxicology studies in accordance with relevant quality standards, such as Good Laboratory Practices, Good Clinical Practices, Good Manufacturing Practices and the regulatory requirements of the FDA and the EMA, as well as the standards adopted by the International Committee of Harmonization, or ICH. All studies carried out on animals have demonstrated the tolerability of Imeglimin in single doses and after repeated administration of doses with no significant signs of toxicity.

No signs of toxicity were observed on the central nervous systems, cardiac function or respiratory functions, apart from a slight decline in heart rate among three out of six dogs at a dose of Imeglimin of 500 mg/kg, during safety pharmacological studies. At this dose, the plasmatic exposure of Imeglimin in dogs is approximately 30 times greater than that observed in humans.

Oral treatment with very high doses of Imeglimin of 1,000 and 1,500 mg/kg has been shown not to affect fertility in male or female rats. Embryo-fetal toxicity studies have been carried out on rats up to a dose of 1,500 mg/kg and on rabbits up to a dose of 300 mg/kg. These studies have shown no sign of teratogenicity of Imeglimin. In addition, Imeglimin has not shown any mutagenic potential in *in vitro* and *in vivo* studies. Further, there has been no evidence of hypersensitivity of the skin or eyes in the trials.

Pharmacokinetic studies have shown that the absolute bioavailability of Imeglimin ranges from 26% to 70% in monkeys, rats and dogs. Imeglimin is weakly bound to plasma proteins and is primarily distributed in the liver, kidneys, intestinal tract and glandular tissues.

Imeglimin is primarily excreted unchanged in the urine and is not metabolized by cytochromes P450. Imeglimin is also not an inhibitor or inducer of these enzymes, which are involved in the metabolism of other drugs that might be given simultaneously with the product. The probability of drug-to-drug interactions is, therefore, low.

Imeglimin is a substrate and a weak inhibitor of the human organic cations transporters 1 and 2 expressed in the liver and kidneys, respectively. Based on the absence of clinical interaction observed between Imeglimin and metformin, we believe there to be a lower risk of drug-to-drug interaction with a substrate or an inhibitor of OCT1 and OCT2 transporters.

6.8.2. *Ongoing studies*

We are currently preparing or conducting the following clinical trials:

- **QT/QTc trial (PXL008-016)—Europe**—We are finalizing the preparation of a QT/QTc trial aiming to assess the effect of Imeglimin on the QT/QTc intervals after administration of a two single doses (1,500 mg and 6,000 mg) compared to placebo, in a study of 32 to 50 healthy volunteers. The protocol will be reviewed by a dedicated committee of the FDA. This trial is part of the clinical development of any new diabetes product.

- **Phase 2b Dose-ranging Trial (PXL008-014)—Japan**—Following on from our Phase 1 trial of Imeglimin in the context of subjects of Japanese origin, we entered into discussions with the PMDA in relation to the clinical development plan for Imeglimin. During these discussions, we agreed to complete one Phase 2b dose escalating dose-ranging trial. This trial is replicating the Phase 2b dose-ranging trial performed in the United States and Europe (PXL008-008), except that the 2,000 mg dose is not being tested, as it was not observed to result in additional efficacy versus the 1,500 mg dose. This study is a double-blind, placebo-controlled study, with the primary endpoint being the assessment of the change of A1c levels versus placebo. The study includes approximately 300

randomized patients. The patients are placed into four groups, with three groups treated with Imeglimin and one group treated with a placebo over 24 weeks. The previously untreated subjects take a placebo during a six-week stabilization period, and the subjects who have been treated using a monotherapy are asked to interrupt their treatment for a period of ten weeks to wash out any residual placebo or monotherapy before randomization. This trial is expected to be fully enrolled in the second half of 2016.

The diagram below sets forth the study design for this trial:

This trial is ongoing with read-out scheduled for the second quarter of 2017.

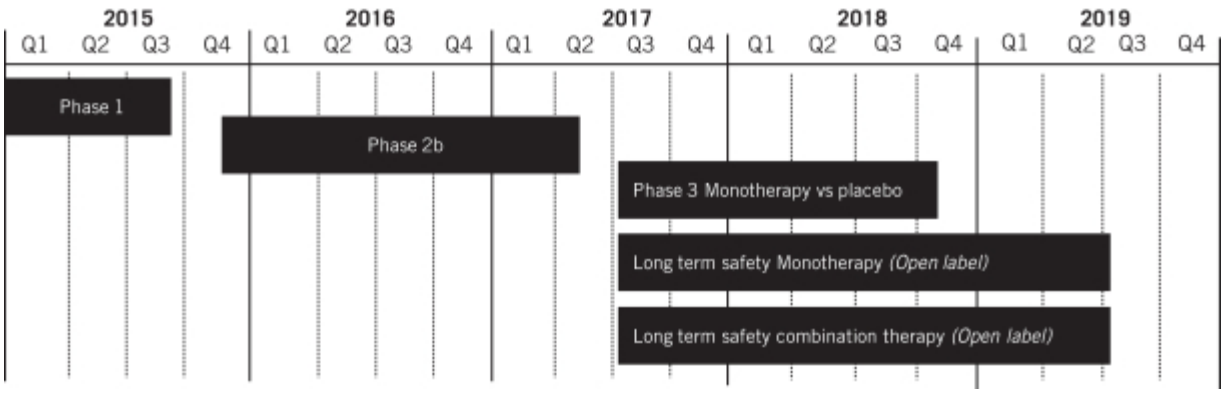
6.8.3. *Planned studies*

Phase 3 Program in Japan, South Korea, Singapore and Taiwan. Following our discussions with PMDA in 2015, we expect to conduct three Phase 3 trials that would be required to support the NDA submission in Japan, pending Phase 2b results:

- one six-month Phase 3 monotherapy trial, placebo controlled, in 300 subjects; and
- two open label safety Phase 3 trials, as a monotherapy and in combination with the standard of care, in 100 and 600 subjects, respectively, of one year duration.

Thus, we expect that a total of 1,000 patients are needed in Phase 3 clinical trials to receive marketing approval for Imeglimin in Japan. Further, we expect that interactions with PMDA will be organized in the course of the Phase 2b and Phase 3 trials to verify that data generated, as well as development studies, are adequate to support an NDA submission by 2019. A small number of patients from South Korea, Singapore and Taiwan will also be randomized in the above mentioned Phase 3 trials with the goal of allowing registration in these countries. Accordingly, we believe that we will be able to conduct our development plans for Imeglimin independently in Japan, South Korea, Singapore and Taiwan until we receive marketing approval.

The timetable below sets forth our current development strategy for Imeglimin in Japan.



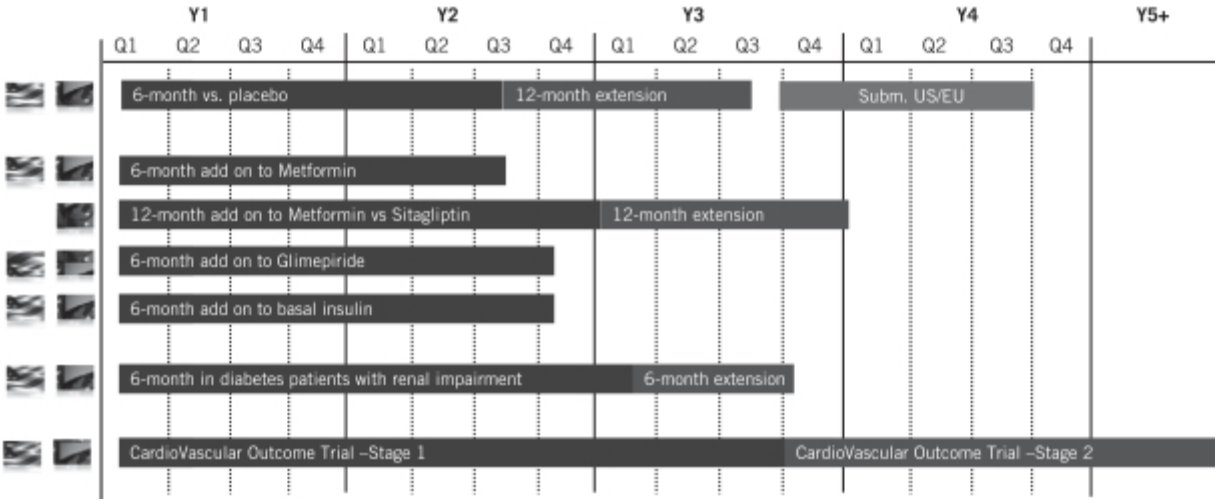
Phase 3 Program in the United States and Europe. We have discussed our proposed Phase 3 program with the FDA and expect to discuss it with the EMA in the first half of 2016. Following discussions with the FDA, we expect to conduct six placebo-controlled Phase 3 trials on an estimated 6,700 patients, as follows:

- a monotherapy trial for 24 weeks (with a 54 week-extension) in 308 subjects with type 2 diabetes;
- an add-on to the metformin combination therapy trial for 24 weeks in 308 subjects with type 2 diabetes;
- an add-on to the glimepiride trial for 24 weeks in 308 subjects with type 2 diabetes;
- an add-on insulin trial for 24 weeks in 308 subjects with type 2 diabetes;
- an add-on trial in subjects with renal impairment for 52 weeks in 383 subjects with type 2 diabetes and renal impairment; and
- a CardioVascular Outcome Trial, or CVOT, in 3,878 subjects with type 2 diabetes and with established, or at high risk of, cardiovascular disease.

We may also conduct an additional trial (an add-on to the metformin versus sitagliptin combination therapy trial for 52 weeks and with a 52 weeks extension in 900 subjects with type 2 diabetes) after consultations with the EMA.

We expect to use a 1,500 mg bid dose in the Phase 3 trials for subjects with normal renal function and adjust the dose for patients with renal impairment, subject to approval by regulatory bodies.

The timetable below sets forth our current U.S. and European Phase 3 development and regulatory approval plan for Imeglimin.



In parallel, we are expecting to conduct various further preclinical studies and clinical trials in order to further demonstrate Imeglimin's benefits discussed further below. The results of these studies will be important to demonstrate key attributes of Imeglimin versus the standard of care. We expect that these results will also be used to increase our bargaining position during future partnership negotiations with pharmaceutical companies.

- *Carcinogenicity studies*—in early 2017, we plan to conduct two-year studies in rats and mice designed to identify tumorigenic potential in animals and to assess the relevant risk in humans.

- *Reinforcement of the effects of Imeglimin on prevention of cardiovascular complications linked to type 2 diabetes*—following read-out of the results of our preclinical studies investigating the effect of Imeglimin on endothelial dysfunction, we expect to carry out a mechanistic study in healthy subjects to evaluate the effect of Imeglimin on endothelial dysfunction. This study is expected to investigate the effect of a short term treatment of Imeglimin (seven days) on smoking-induced endothelial dysfunction subjects. The primary endpoint is expected to be the blood flow measured in the forearm by plethysmography before and after smoking a cigarette, at baseline, after one dose of Imeglimin (1,500 mg) and after seven days of treatment with Imeglimin (1,500 mg). Secondary endpoints are expected to include inflammatory markers (hsCRP) and markers of oxidative stress, as previously described, with beta blockers.

- *Reinforcement of the protective effects of Imeglimin that delay the progression of pathology*—the aim of this study to compare Imeglimin to Sitagliptin as an add-on therapy to metformin. However, this study will also allow us to investigate the potential effect of Imeglimin in beta cell preservation during islet transplantation (islets have a poor survival rate during the critical period between removal and transplantation). This study is expected to randomize 900 type 2 diabetic subjects, with the primary endpoint being the change in A1c from baseline to end of treatment. 20% of the patients are expected go through a glucose tolerance test to assess the impact of Imeglimin on glucose tolerability and insulin secretion as well as surrogate markers of insulin sensitivity. This investigation will be performed at baseline and after 52 and 104 weeks of treatment and will provide information on the effect of Imeglimin on beta cell health. The results of the study on beta cell function preservation and on endothelial dysfunction improvement are expected to be reported at the 52nd annual meeting of the European Association for the Study of Diabetes in September 2016.

6.8.4. *Manufacturing and Supply*

Imeglimin is manufactured using standard raw materials over a three step process. Merck Serono originally developed and optimized the synthesis process for the manufacture of Imeglimin, based on a 500 mg dosage, on an industrial scale and in compliance with standards imposed by the Good Manufacturing Practice Regulations. A specialized subcontractor now manages this process, as well as the analytical methods of controls and batch release, and can manufacture batches of up to 800,000 tablets (with a mass of 400 kg).

Imeglimin is formulated as a coated, oblong-shaped tablet with immediate release. We have developed three different dose strengths: 250 mg; 500 mg; and 750 mg. Imeglimin is a stable active ingredient and, if kept below 25º C, has a shelf life of up to 60 months (depending on the primary packaging used). Imeglimin's long shelf life has been observed during long-term stability studies in accordance with ICH recommendations.

The manufacturing process for immediate-release tablets can allow for the manufacturing of batches of sufficient size to carry out Phase 3 studies and for a market launch.

6.8.5. *PXL770*

Origin

PXL770 represents a new class of exercise mimetic drug candidates and is an oral direct activator of AMPK, which is an enzyme that leads to an increase in glucose utilization and lipid oxidation and reduces insulin resistance and glucose and lipid production. It is currently well known that muscular contractions lead to activation of AMPK. Therefore, it is believed that a portion of the short-term beneficial effects of exercise on insulin sensitivity and the transport of glucose in skeletal muscles are mediated through the activation of AMPK. The activation of AMPK also mimics the effects of long-term exercise through the induction of genes linked to oxidative metabolism. A number of factors also confirm that AMPK, through its role as metabolic sensor, plays a key role in the coordinated

regulation of energy metabolism, food intake and tissue sensitivity to numerous metabolic and hormonal signals. These properties therefore give this enzyme a pharmacological target role from both a metabolic standpoint (diabetes, insulin resistance, obesity) and a cardiological standpoint (cardiac ischemia, complications related to diabetes)

We believe that there is an unmet need for an orally-administered product that directly activates AMPK with sufficient potency and a demonstrated safety profile and that PXL770 has the potential to meet this need in the treatment of type 2 diabetes.

PXL770 originated from a process designing new direct AMPK activators based on the development of AMPK structure-activity relationship and a screening cascade including functional cellular tests and studies on physiopathological rodent models. This research process was originally initiated at Merck Serono before its completion by Poxel. PXL770 was discovered and is currently being developed by Poxel.

As PXL770 is being developed outside of the United States, we have not filed an IND in respect of PXL770.

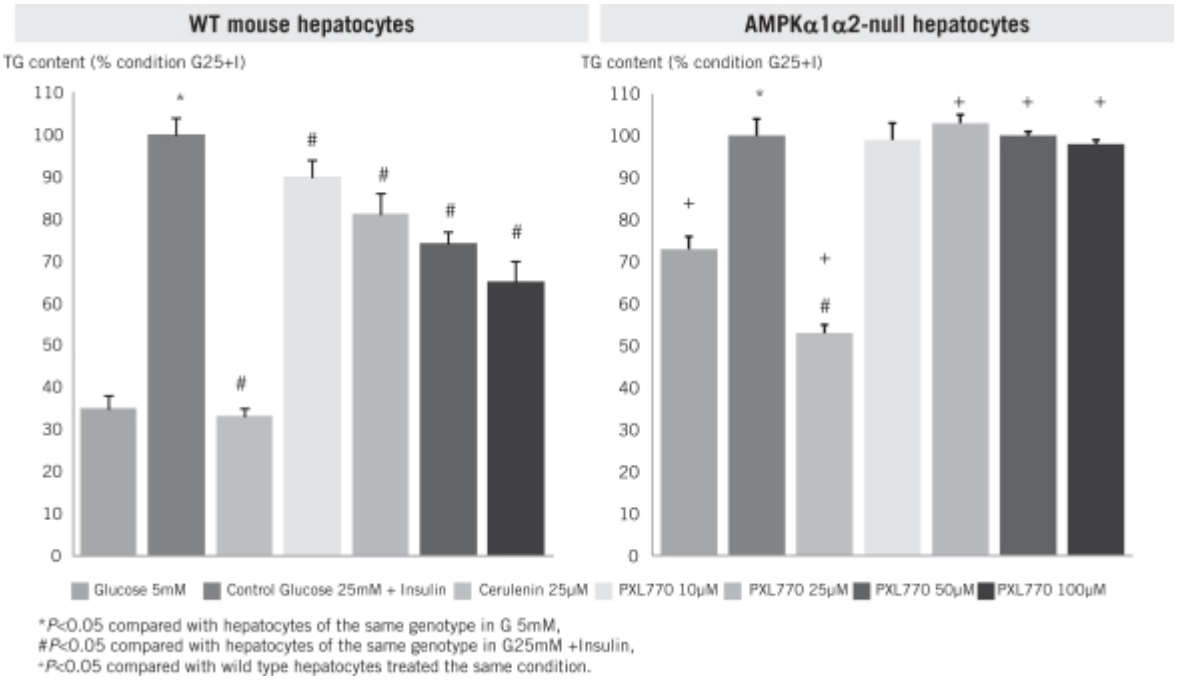
Product description

PXL770 is a direct activator of the AMPK, a protein kinase that is activated by AMP and PXL770 is an oral drug to be administered as a monotherapy or in combination with other diabetes agents.

In vitro, PXL770 activates AMPK isoforms in a dose-dependent manner allosterically and/or by protecting the enzyme from its dephosphorylations by protein phosphatases (PP2a, PP2c). As PXL770 binding involves ß1 and ß2 subunits, PXL770 should activate all 12 AMPK complexes.

In primary rat hepatocytes, PXL770 induces a concentration-related inhibition in gluconeogenesis. PXL770 increases glucose uptake in H2K muscle cells and in human myotubes independently of insulin. PXL770 also induces in primary mouse hepatocytes a concentration-related decrease in lipogenesis and this effect is abolished in hepatocytes lacking AMPK ✓1 and ✓2 catalytic subunits. The potency of PXL770 inhibitory effect on de novo lipogenesis is comparable in mouse and human hepatocytes.

The diagrams below set forth the effect of PXL770 on lipogenesis:



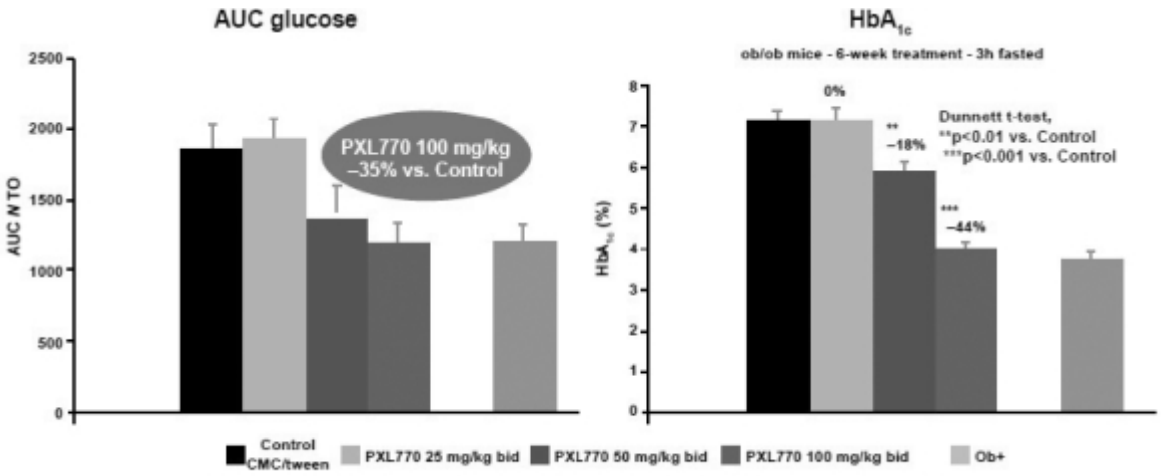
*P<0.05 compared with hepatocytes of the same genotype in G 5mM,
#P<0.05 compared with hepatocytes of the same genotype in G25mM +Insulin,
+P<0.05 compared with wild type hepatocytes treated the same condition.

PXL770, in various *in vivo* rodent models, was observed to:

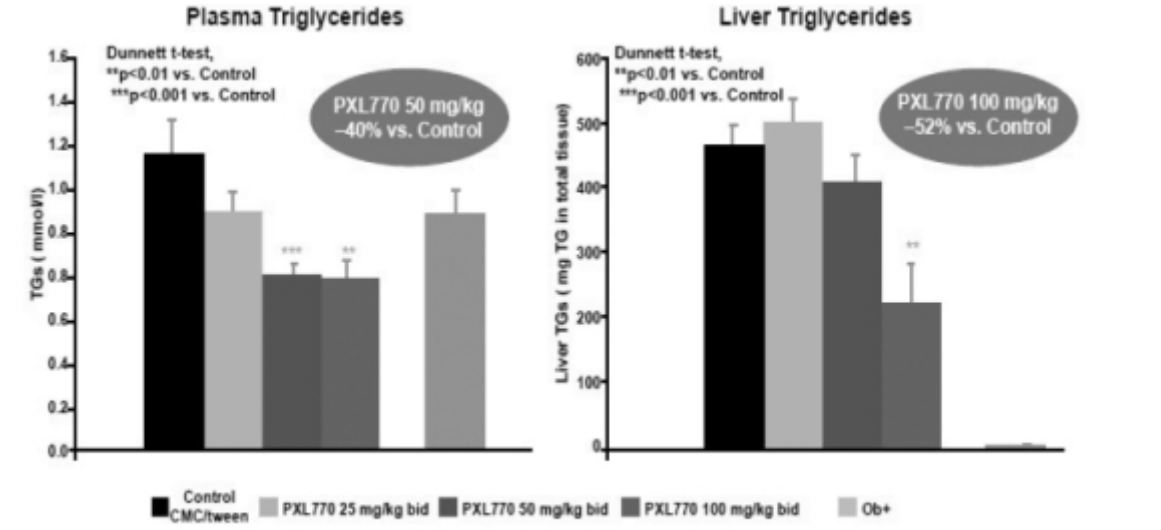
- decrease lipogenesis and to induce a shift in the metabolic profile with an increase in fat oxidation and a decrease in carbohydrate oxidation. This leads to a decrease of fat accumulation in tissues (liver) and thereby a decrease in insulin resistance;
- decrease plasma triglycerides and free fatty acids;
- increase glucose utilization independently of insulin; and
- improve obese phenotype by decreasing body weight.

We believe all these beneficial metabolic effects induced by a direct AMPK activation contribute to improving glycemic control (fasting glycemia, glucose tolerability, A1c), to reducing the three main cardiovascular risk factors (hyperlipidemia, hyperglycemia and weight) and to improving non-alcoholic fatty liver disease.

The diagrams below set forth the improvements to glycemic control (glucose tolerability and A1c) and triglycerides observed among obese, diabetic and dyslipidemic mice (ob/ob mice vs. normal non-obese ob/+ mice) after oral administration of increasing doses of PXL770:

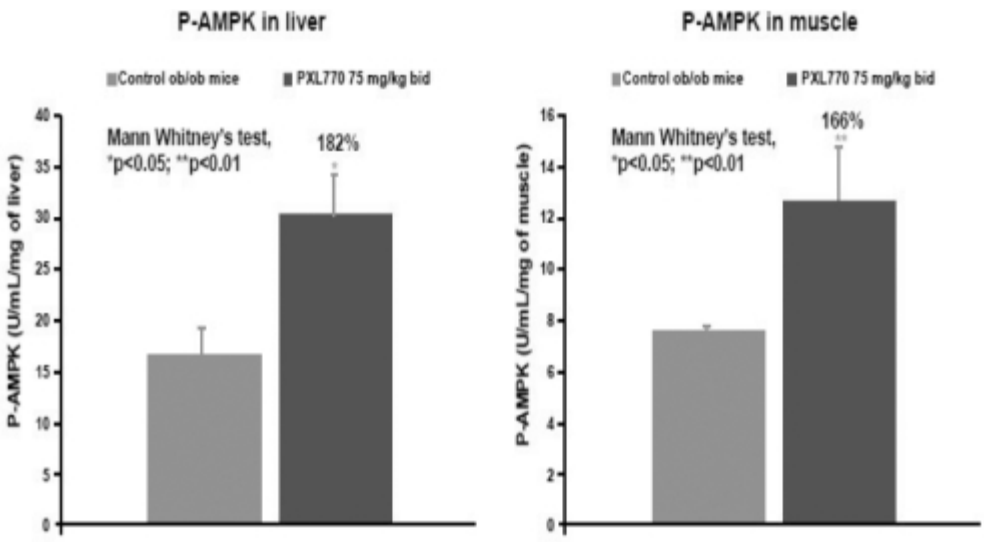


AUC, area under curve; bid , twice daily; CMC, carboxymethylcellulose; HbA_{1c}, glycated hemoglobin; ob/ob, obese; ob+, normal mouse



bid, twice daily; CMC, carboxymethylcellulose; ob/ob, obese; ob+, normal mouse; TG, triglyceride

PXL770 was observed to increase P-AMPK levels in liver and muscle tissue of ob/ob mice as set forth in the diagram below:



bid, twice daily; ob/ob, obese; P-AMPK, phosphorylated 5' adenosine monophosphate-activated protein kinase

The preclinical development program for PXL770 included 13 safety pharmacology and toxicology studies. During these studies, PXL770 was administered orally to rats and dogs over a 28-day period and was observed to have a favorable tolerability profile for a drug candidate at this stage of clinical development after both a single dose and repeated doses, with no significant signs of toxicity. Doses of 1,000 mg/kg/d for rats and between 100 mg/kg/d and 300 mg/kg/d for dogs were not observed to result in adverse events.

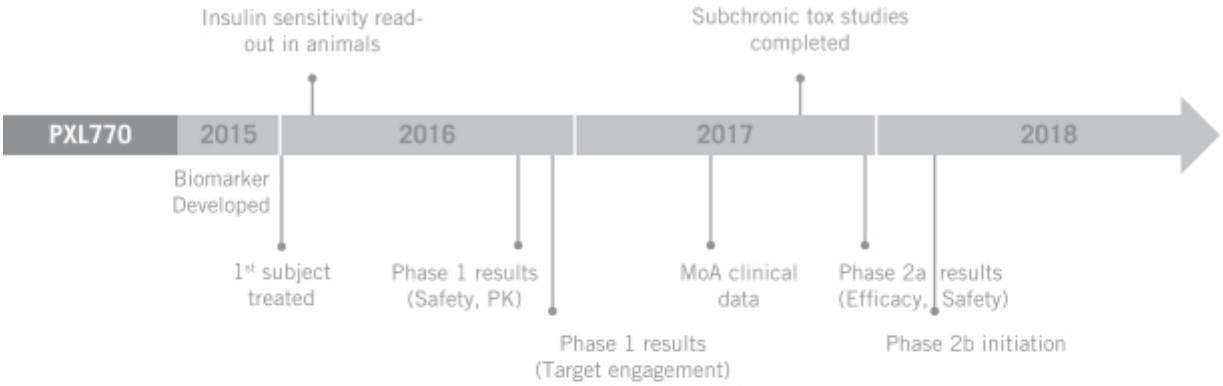
Anticipated clinical development plan

We initiated a Phase 1 dose-escalation clinical trial of PXL770 in early 2016 and expect to report preliminary results from this trial by the end of 2016. We expect to initiate a Phase 2a trial in 2017.

- The Phase 1 trial consists of assessing the pharmacokinetic, tolerability and safety profile of PXL770 in humans after dose-escalation. This trial is being conducted in two stages: the first stage will evaluate the safety, tolerability and pharmacokinetics of single ascending doses of PXL770 and the second stage will evaluate the safety, tolerability and pharmacokinetics after multiple ascending doses. The first dose administered to humans has been determined based on the efficacy and toxicology data obtained in animals and by following the recommendations issued by the EMA and FDA. We also expect to assess the efficacy of PXL770 in activating AMPK present in blood cells as well as the effect on hepatic de novo lipogenesis and on whole-body fatty acids oxidation in healthy male subjects. Data from this assessment is expected to be reported in the second half of 2017.

- The Phase 2a trial is expected to aim to demonstrate the beneficial effect of PXL770 on insulin resistance during a hyperinsulinic euglycemic clamp. This trial is intended to demonstrate the efficacy of PXL770 in the target population, the beneficial effects of PXL770 on hepatic steatosis and the tolerability of the product candidate in diabetes patients after 12 weeks of treatment. The trial is expected to be carried out on diabetes patients with insulin resistance and who are confirmed to have hepatic steatosis. These patients are expected to be treated for 12 weeks with a dose of either PXL770 or metformin and the effects of each are expected to be compared.

The timetable below sets forth our current development plan for PXL770.



Phase 1	Phase 2a
Safety / Pharmacokinetics / Target engagement and efficacy biomarkers: • Safety / Tolerability / PK after single and repeated doses • AMPK activation in blood cells • Effect of PXL770 on de novo lipid synthesis and fatty acid oxidation (MoA clinical data)	**Clinical proof of Efficacy in Diabetic Patient** • Glycemic parameters (FPG, OGTT) • Safety in target population • Other CV risks: lipids, weight, inflammation • P-AMPK biomarker in T2DM patients

We are also pursuing toxicology and metabolism studies, particularly in relation to chronic treatment. These studies are expected to initially last for three months and then 9 to 12 months and study the effects in rats and dogs.

Manufacturing and Supply

PXL770 capsules have been developed for use in Phase 1 clinical trials. The PXL770 synthesis process is in the process of being optimized as in addition to developing PXL770's clinical development, we intend to develop PXL770's pharmaceutical properties. We expect that patients will receive a single dose of PXL770 daily.

6.9. Our License Agreements

6.9.1. *Merck Serono*

On March 19, 2009, we entered into an assignment and licensing agreement with Merck Serono, as part of Merck Serono's spin-off of its research and development activities in the cardiometabolic field. The MS Agreement was amended on July 30, 2009 to include an additional patent application to the list of patents assigned to us by Merck Serono. Under the MS Agreement, Merck Serono paid us a non-refundable total amount of €7.2 million to support our research and development activities and as a reflection of Merck Serono's economic interest in our development.

In June 2010, a number of our investors participated in a round of equity financing, or the Financing Round, pursuant to which our by-laws were amended to create a new class of shares designated as Preferred A Shares, which provided investors participating in the Financing Round, with certain rights, in particular, in the event our Company was sold. The MS Agreement was subsequently amended and restated on June 22, 2010 to facilitate the Financing Round, or the Amended and Restated MS Agreement.

Under the terms of the MS Agreement, we acquired certain patents from Merck Serono. We were also granted a non-exclusive, worldwide right and license to specified patents, as well as know-how to research and develop pharmaceutical products using the patents assigned and licensed to us by

Merck Serono. Pursuant to the MS Agreement we had an option to convert the license to an exclusive, worldwide right and license in respect of 25 drug candidates, per research program, such drug candidates to be selected by us. We exercised this option on July 23, 2009. For further information in relation to our patent portfolio, see "Business—Intellectual Property."

In exchange for the rights that were granted under the MS Agreement, Merck Serono was entitled to the following compensation:

- royalties on net sales of the products covered by the patents granted or granted under license by Merck Serono at a rate equivalent to a high single digit in the higher portion of the range for Imeglimin, and at a low single digit rate in the lower part of the range for the other products;
- a percentage of the revenue from any partnership agreement relating to the drug candidates covered by the patents, granted or granted under license, sold or licensed, at a low double-digit rate near the bottom of the range. For other compounds, if we enter into a partnering agreement, we would owe a percentage of partnering revenues with respect to products covered by Merck Serono's assigned or licensed patents depending on the product and its stage of development when it is partnered.
- an amount corresponding to a percentage of sales price of our shares in the event that our Company is sold. This amount will be paid by us and not by our shareholders.

In preparation for the Company's initial public offering, on May 23, 2014, Merck agreed to waive its rights relative to the third item described above, but only in the event the initial public offering on Euronext Paris is successful, and in exchange received from the Company 1,088,531 ordinary shares representing 7.69% of the Company's share capital on a fully-diluted basis prior to the initial public offering.

The term of the Amended and Restated MS Agreement continues on a country-by-country, and product-by-product basis until the later of: (i) the final expiration date of any patent right relating to our pharmaceutical products that contain or comprise substances covered by patents assigned or licensed to us by Merck Serono in such country (the last of which expires in June 2023); or (ii) ten years from the first sale for monetary value for use or consumption by the general public of such pharmaceutical product in such country following regulatory approval for such product in such country.

6.10. Research and Development

Since our incorporation in 2009, the majority of our resources have been allocated to research and development activities. We are conducting development activities to expand the commercial potential of our drug candidates, Imeglimin and PXL770. In the final years ended December 31, 2014 and 2015, we incurred €7.0 million and €9.2 million, respectively, of research and development expenses.

6.11. Competition

We compete with all companies that have drugs on the market or are developing drug candidates for diabetes. The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change as researchers learn more about diseases and develop new technologies and treatments. Significant competitive factors in our industry include product efficacy and safety; quality and breadth of an organization's technology; skill of an organization's employees and its ability to recruit and retain key employees; timing and scope of regulatory approvals; government reimbursement rates for, and the average selling price of, products; the availability of raw materials and qualified manufacturing capacity; manufacturing costs; intellectual property and patent rights and their protection; and sales and marketing capabilities. Given the intense competition in our industry, we cannot assure you that any of the products that we

successfully develop will be clinically superior or scientifically preferable to products developed or introduced by our competitors.

Our competitors in the type 2 diabetes space are primarily large pharmaceuticals companies including, but not limited to, Merck & Co, AstraZeneca, GlaxoSmithKline, Eli Lilly, Sanofi, Novo Nordisk, Johnson & Johnson and Boehringer Ingelheim. Our competitors may also succeed in obtaining EMA, FDA or other regulatory approvals for their drug candidates more rapidly than us, which could place us at a significant competitive disadvantage or deny us marketing exclusivity rights. Market acceptance of our drug candidates will depend on a number of factors, including:

- potential advantages over existing or alternative therapies or tests;
- the actual or perceived safety of similar classes of products;
- the effectiveness of our sales, marketing, and distribution capabilities; and
- the scope of any approval provided by the FDA or foreign regulatory authorities.

While our competitors are developing new, or have on the market, type 2 diabetes therapies we believe that the unique mechanism of action of Imeglimin (*e.g.,* a mitochondrial bioenergetics enhancer) positions the drug candidate as a potential complementary therapy.

Although we believe our drug candidates possess attractive attributes, we cannot ensure that our drug candidates will achieve regulatory or market acceptance, or that we will be able to compete effectively in the biopharmaceutical drug markets. If our drug candidates fail to gain regulatory approvals and acceptance in their intended markets, we may not generate meaningful revenues or achieve profitability.

In addition, many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical studies, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through partnership arrangements with large and established companies. These companies also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

6.12. Government Regulation

The FDA and comparable regulatory authorities in state and local jurisdictions and in other countries impose substantial and burdensome requirements upon companies involved in the clinical development, manufacture, marketing and distribution of drugs, such as those we are developing. These agencies and other federal, state and local entities regulate, among other things, the research and development, testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion, distribution, post-approval monitoring and reporting, sampling and export and import of our drug candidates.

6.12.1. *U.S. Government Regulation*

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or FDCA, and its implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, local and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to a variety of administrative or judicial sanctions, such as the FDA's refusal to approve pending NDAs, withdrawal of an approval, imposition of a clinical hold,

issuance of warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

The process required by the FDA before a drug may be marketed in the United States generally involves the following:

- completion of preclinical laboratory studies, animal studies and formulation studies in compliance with the FDA's good laboratory practice, or GLP, regulations;
- submission to the FDA of an investigational new drug, or IND, application, which must become effective before human clinical trials may begin;
- approval by the IRB, at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with good clinical practice, or GCP, requirements to establish the safety and efficacy of the proposed drug product for each indication;
- submission to the FDA of an NDA;
- satisfactory completion of an FDA advisory committee review, if applicable;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with current good manufacturing practice, or cGMP, requirements and to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity; and
- FDA review and approval of the NDA.

6.12.2. *Preclinical Studies*

Preclinical studies include laboratory evaluation of product chemistry, toxicity and formulation, as well as animal studies to assess potential safety and efficacy. An IND sponsor must submit the results of the preclinical studies, together with manufacturing information, analytical data and any available clinical data or literature, among other things, to the FDA as part of an IND. Some preclinical studies may continue even after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions related to one or more proposed clinical trials and places the clinical trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, submission of an IND may not result in the FDA allowing clinical trials to commence.

6.12.3. *Clinical Trials*

Clinical trials involve the administration of the investigational new drug to human patients under the supervision of qualified investigators in accordance with GCP requirements, which include the requirement that all research patients provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an IRB at each institution participating in the clinical trial must review and approve the plan for any clinical trial before it commences at that institution. Information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health, or NIH, for public dissemination on their www.clinicaltrials.gov website.

Human clinical trials are typically conducted in three sequential phases, which may overlap or be combined:

- Phase 1 clinical trial: The drug is initially introduced into healthy human patients or patients with the target disease or condition and tested for safety, dosage tolerability, absorption, metabolism, distribution, excretion and, if possible, to gain an early indication of its effectiveness.
- Phase 2 clinical trial: The drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerability and optimal dosage.
- Phase 3 clinical trial: The drug is administered to an expanded patient population, generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to establish the overall risk-benefit profile of the product, and to provide adequate information for the labeling of the product.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and more frequently if serious adverse events occur. Each of Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, or at all. Furthermore, the FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients.

6.12.4. *Marketing Approval*

Assuming successful completion of the required clinical testing, the results of the preclinical studies and clinical trials, together with detailed information relating to the product's chemistry, manufacture, controls and proposed labeling, among other things, are submitted to the FDA as part of an NDA requesting approval to market the product for one or more indications. In most cases, the submission of an NDA is subject to a substantial application user fee. Under the Prescription Drug User Fee Act, or PDUFA, guidelines that are currently in effect, the FDA has a goal of ten months from the date of "filing" of a standard NDA for a new molecular entity to review and act on the submission. This review typically takes twelve months from the date the NDA is submitted to FDA because the FDA has approximately two months to make a "filing" decision.

In addition, under the Pediatric Research Equity Act of 2003, or PREA, as amended and reauthorized, certain NDAs or supplements to an NDA must contain data that are adequate to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements.

The FDA also may require submission of an REMS plan to ensure that the benefits of the drug outweigh its risks. The REMS plan could include medication guides, physician communication plans, assessment plans, or elements to assure safe use, such as restricted distribution methods, patient registries, or other risk minimization tools.

The FDA conducts a preliminary review of all NDAs within the first 60 days after submission, before accepting them for filing, to determine whether they are sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an NDA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA reviews an NDA to determine, among other things, whether the drug is safe and effective and whether the facility in

which it is manufactured, processed, packaged or held meets standards designed to assure the product's continued safety, quality and purity.

The FDA may refer an application for a novel drug to an advisory committee. An advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

Before approving an NDA, the FDA typically will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA may inspect one or more clinical trial sites to assure compliance with GCP requirements.

After evaluating the NDA and all related information, including the advisory committee recommendation, if any, and inspection reports regarding the manufacturing facilities and clinical trial sites, the FDA may issue an approval letter, or, in some cases, a complete response letter. A complete response letter generally contains a statement of specific conditions that must be met in order to secure final approval of the NDA and may require additional clinical or preclinical testing in order for FDA to reconsider the application. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the FDA's satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications.

Even if the FDA approves a product, it may limit the approved indications for use of the product, require that contraindications, warnings or precautions be included in the product labeling, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess a drug's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution and use restrictions or other risk management mechanisms under a REMS, which can materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes, and additional labeling claims, are subject to further testing requirements and FDA review and approval.

6.12.5. *Post-Approval Requirements*

Drugs manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion and reporting of adverse experiences with the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior FDA review and approval. There also are continuing, annual user fee requirements for any marketed products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data.

The FDA may impose a number of post-approval requirements as a condition of approval of an NDA. For example, the FDA may require post-marketing testing, including Phase 4 clinical trials, and surveillance to further assess and monitor the product's safety and effectiveness after commercialization.

In addition, drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and state agencies, and are subject to periodic unannounced inspections by the FDA and these state agencies for compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP requirements and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in mandatory revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending NDAs or supplements to approved NDAs, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

6.12.6. *Coverage and Reimbursement*

Sales of our drug candidates, if approved, will depend, in part, on the extent to which such products will be covered by third-party payors, such as government health care programs, commercial insurance and managed healthcare organizations. These third-party payors are increasingly limiting coverage or reducing reimbursements for medical products and services. In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors. Therefore, coverage and reimbursement for products can differ significantly from payor to payor. In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. Decreases in third-party reimbursement for our drug candidates or a decision by a third-party payor to not cover our drug candidates could reduce physician usage of our drug candidates, once approved, and have a material adverse effect on our sales, results of operations and financial condition.

6.12.7. *Other Healthcare* Laws

We will also be subject to healthcare regulation and enforcement by the U.S. federal government and the states and foreign governments in which we will conduct our business once our drug candidates are approved. Failure to comply with these laws, where applicable, can result in the imposition of significant civil penalties, criminal penalties, or both. The laws that may affect our ability to operate in the United States include:

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information;
- certain state laws governing the privacy and security of health information in certain circumstances, some of which are more stringent than HIPAA and many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts;
- the federal healthcare programs' Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs;
- federal false claims and civil monetary penalties laws, including the civil False Claims Act, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent; federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters; and
- the Physician Payments Sunshine Act, which requires manufacturers of drugs, devices, biologics, and medical supplies to report annually to the U.S. Department of Health and Human Services information related to payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and ownership and investment interests held by physicians and their immediate family members; and state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

In addition, many states have similar laws and regulations, such as anti-kickback and false claims laws that may be broader in scope and may apply regardless of payor, in addition to items and services reimbursed under Medicaid and other state programs. Further, certain states maintain pharmaceutical marketing, transparency, compliance and/or health information privacy and security laws. Additionally, to the extent that our product is sold in a foreign country, we may be subject to similar foreign laws.

6.12.8. *Healthcare Reform*

Current and future legislative proposals to further reform healthcare or reduce healthcare costs may result in lower reimbursement for our drugs, if and when approved. The cost containment measures that payors and providers are instituting and the effect of any healthcare reform initiative implemented in the future could significantly reduce our revenues from the sale of our drugs, if and when approved.

For example, implementation of the ACA has substantially changed healthcare financing and delivery by both governmental and private insurers, and significantly impacted the pharmaceutical industry. The ACA, among other things, established an annual, nondeductible fee on any entity that manufactures or imports certain specified branded prescription drugs and biologic agents, revised

the methodology by which rebates owed by manufacturers to the state and federal government for covered outpatient drugs under the Medicaid Drug Rebate Program are calculated, increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program, extended the Medicaid Drug Rebate program to utilization of prescriptions of individuals enrolled in Medicaid managed care organizations, and provided incentives to programs that increase the federal government's comparative effectiveness research. Since its enactment there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to it in the future.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. In August 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several government programs. This includes reductions to Medicare payments to providers of 2% per fiscal year, which went into effect in April 2013 and, due to subsequent legislative amendments, will remain in effect through 2025 unless additional Congressional action is taken. Additionally, in January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. More recently, there has been heightened governmental scrutiny recently over the manner in which manufacturers set prices for their marketed products. For example, there have been several recent Congressional inquiries and proposed bills designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products.

We expect that additional U.S. federal and state, as well as foreign, healthcare reform measures will be adopted in the future, any of which could result in reduced demand for our drugs, if and when approved, or additional pricing pressure.

6.12.9. *Pharmaceutical Approval in the European Union*

Outside the United States, our ability to market a product is contingent upon obtaining marketing authorization from the appropriate regulatory authorities. The requirements governing marketing authorization, or MA, pricing and reimbursement vary widely from country-to-country.

In the EEA (which is comprised of the 28 Member States of the European Union, plus Norway, Iceland and Liechtenstein), medicinal products can only be commercialized after obtaining an MA. There are three types of marketing authorizations:

- the Community MA, which is issued by the European Commission through the Centralized Procedure, based on the opinion of the Committee for Medicinal Products for Human Use, or CHMP, of the EMA, and which is valid throughout the entire territory of the EEA. The Centralized Procedure is mandatory for certain types of products, such as biotechnology medicinal products, orphan medicinal products, and medicinal products containing a new active substance indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, autoimmune and viral diseases. The Centralized Procedure is optional for products containing a new active substance not yet authorized in the EEA, or for products that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the European Union.

- Decentralized Procedure, or DCP, MAs are available for products not falling within the mandatory scope of the Centralized Procedure. An identical dossier is submitted to the competent authorities of each of the Member States in which the MA is sought, one of which is selected by the applicant as the RMS. The competent authority of the RMS prepares a draft assessment report, a draft summary of the product characteristics, or SPC, and a draft of the labeling and package leaflet,

which are sent to the other Member States (referred to as the Concerned Member States, or CMS, for their approval. If the CMS raise no objections, based on a potential serious risk to public health, to the assessment, SPC, labeling, or packaging proposed by the RMS, the product is subsequently granted a national MA in all of the selected Member States (*i.e.,* in the RMS and the selected CMS). Where a product has already been authorized for marketing in a Member State of the EEA, this DCP approval can be recognized in other Member States through the Mutual Recognition Procedure, or MRP.

- National Procedure MAs, which are issued by a single competent authority of the Member States of the EEA and only covers their respective territory, are also available for products not falling within the mandatory scope of the Centralized Procedure. Once a product has been authorized for marketing in a Member State of the EEA through the National Procedure, this National Procedure MA can also be recognized in other Member States through the MRP.

Under the procedures described above, before granting the MA, the EMA or the competent authority(ies) of the Member State(s) of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

The holder of a Community MA or National MA is subject to various obligations under applicable EEA regulations, such as pharmacovigilance obligations, requiring it to, among other things, report and maintain detailed records of adverse reactions, and to submit periodic safety update reports to the competent authorities. The holder must also ensure that the manufacturing and batch release of its product is in compliance with the applicable requirements. The MA holder is further obligated to ensure that the advertising and promotion of its products complies with applicable laws, which can differ from Member State to Member State of the EEA.

6.12.10. *Pharmaceutical Approval in Japan*

In Japan, applications are filed with the PMDA. An inspection is done in conjunction with a data reliability survey by a team from the Organization for Pharmaceutical Safety and Research. Afterwards, the evaluation process is passed on to the Central Pharmaceuticals Affairs Council, or CPAC, whose executive committee members issue a report to the PMDA. After further evaluation a final report is distributed to the Ministry of Health, Labor and Welfare, or MHLW, which makes the final decision on the drug's outcome. Once the MHLW has approved the application, the applicant may market and sell the drug.

6.13. Intellectual Property

As of March 21, 2016, we own 17 families of patents and patent applications covering our two main programs, Imeglimin and AMPK activators. We also hold an exclusive, worldwide license for 6 families of patents and patent applications owned by Merck Serono covering our two main programs, as well as an exclusive, worldwide license for 16 families of patents and patent applications owned by Merck Serono covering our other diabetes treatment programs. The exclusive, worldwide license for the patents and patent applications owned by Merck Serono is granted to us for the duration of the patents, subject to performance of our obligations under the MS Agreement.

Our patent portfolio as of March 21, 2016 can be summarized and separated into the following three groups:

- Imeglimin;
- AMPK activators; and
- other diabetes programs, including GLP-1 agonists, FxR agonists, glucokinase activators and 11-beta-hydroxysteroid dehydrogenase inhibitors, which are still in the research phase.

The patents and patent applications in these three groups include those covering drug products, manufacturing procedures, combination therapies and new therapeutic applications.

6.13.1. *Imeglimin*

The intellectual property portfolio for Imeglimin contains 15 families of patents and patent applications directed to various aspects of that compound, manufacturing procedures, combination therapies and methods of use for treating diabetes. As of March 21, 2016, all the 14 families of the owned patents and patent applications directed to this program are either in force or pending in a number of jurisdictions, *e.g.*, Australia, Brazil, Canada, China, Europe, India, Indonesia, Japan, Korea, Mexico, Russia, Singapore, Taiwan, the United States, and South Africa. The owned patents and patent applications have statutory expiration dates between 2023 and 2031. In addition, we are exclusively licensed to one family of patents and patent applications directed to this program, in a number of jurisdictions, *e.g.,* Argentina, Australia, Brazil, Canada, China, Europe, Hong Kong, India, Indonesia, Japan, Korea, Mexico, Russia, Singapore, South Africa and the United States. The licensed patents and patent applications are either in force or are pending and have statutory expiration dates between 2020 and 2021. Patent term adjustments or patent term extensions could result in later expiration dates for each of these patents.

6.13.2. *AMPK activators*

The intellectual property portfolio for our AMPK activators program contains eight families of patents and patent applications directed to compositions of matter for PXL770 and analogs, compositions of matter for AMPK activators having different structural features (*i.e.,* different compound classes), as well as methods of use for these novel compounds. As of March 21, 2016, we own three families of patents and patent applications directed to this program. One family of the owned patents and patent applications are directed to PXL770, comprising a number of jurisdictions, *i.e.,* Australia, Brazil, Canada, China, Eurasia, Europe, Israel, India, Japan, Korea, Mexico, South Africa and the United States. The family directed to PXL770, including the PXL770 composition of matter patent, has statutory expiration dates in 2033. The other two families we own have statutory expiration dates between 2029 and 2030. In addition, we are exclusively, only with respect to a limited number of compounds, licensed to five families of patents and patent applications directed to this program, in a number of jurisdictions, *e.g.,* Argentina, Australia, Brazil, Canada, China, Eurasia, Europe, Hong Kong, Israel, India, Indonesia, Japan, Korea, Mexico, Philippines, Russia, Singapore, South Africa and the United States. The licensed patents and patent applications have statutory expiration dates between 2026 and 2029. Patent term adjustments or patent term extensions could result in later expiration dates.

6.13.3. *Other Programs*

The intellectual property portfolio for our other programs contains patents and patent applications directed to compositions of matter for GLP-1 agonists, FxR agonists, glucokinase activators and 11-beta-hydroxysteroid dehydrogenase inhibitors, manufacturing procedures, and methods of using them for treating various diseases including diabetes. As of March 21, 2016, we are exclusively licensed to four families of patents and patent applications directed to GLP-1 agonists program, one family directed to FxR agonists program, six families directed to glucokinase activators program, and five families directed to 11-beta-hydroxysteroid dehydrogenase inhibitors program. The licensed patents and patent applications have statutory expiration dates between 2026 and 2029. Patent term adjustments or patent term extensions could result in later expiration dates.

The term of individual patents depends upon the legal term for patents in the countries in which they are obtained. In most countries, including the United States, the patent term is 20 years from the earliest filing date of a non-provisional patent application. In the United States, a patent's term may

be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the USPTO, in examining and granting a patent, or may be shortened if a patent is terminally disclaimed over another patent which has an earlier statutory expiration date. The term of a patent that covers a drug or biological product may also be eligible for patent term extension when FDA approval is granted, provided statutory and regulatory requirements are met. See "Business—Government Regulation—" for additional information on such exclusivity. In the future, if and when our drug candidates receive approval by the FDA or foreign regulatory authorities, we expect to apply for patent term extensions on issued patents covering those drugs, depending upon the length of the clinical trials for each drug and other factors. However, there can be no assurance that any of our pending patent applications will issue or that we will benefit from any patent term extension or favorable adjustment to the term of any of our patents.

As with other biotechnology and pharmaceutical companies, our ability to maintain and solidify our proprietary and intellectual property position for our drug candidates and technologies will depend on our success in obtaining effective patent claims and enforcing those claims if granted. However, our pending patent applications, and any patent applications that we may in the future file or license from third parties may not result in the issuance of patents. For example, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot know with certainty whether we were the first to make the inventions claimed in our owned and licensed patents or pending patent applications, or that we were the first to file for patent protection of such inventions. We also cannot predict the breadth of claims that may be allowed or enforced in our patents. Any issued patents that we may receive in the future may be challenged, invalidated or circumvented. For example, we cannot be certain of the priority of inventions covered by pending third-party patent applications. If third parties had filed patent applications in the United States that also claim technology or therapeutics to which we have rights, we may have to participate in interference proceedings in the USPTO to determine priority of invention, which could result in substantial costs to us, even if the eventual outcome is favorable to us, which is highly unpredictable. In addition, because of the extensive time required for clinical development and regulatory review of a drug candidate we may develop, it is possible that, before any of our drug candidates can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby limiting protection such patent would afford the respective product and any competitive advantage such patent may provide.

In addition to patents, we rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive position. We seek to protect our proprietary information, in part, by executing confidentiality agreements with our partners and scientific advisors, and non-competition, non-solicitation, confidentiality, and invention assignment agreements with our employees and consultants. We have also executed agreements requiring assignment of inventions with selected scientific advisors and partners. The confidentiality agreements we enter into are designed to protect our proprietary information and the agreements or clauses requiring assignment of inventions to us are designed to grant us ownership of technologies that are developed through our relationship with the respective counterparty. We cannot guarantee, however, that these agreements will afford us adequate protection of our intellectual property and proprietary information rights.

6.13.4. *Trademarks and Domain Names*

In addition, we own certain trademarks and domain names, including our logo and the URL for our website. Poxel® is a registered trademark of our company in France, European Union and the United States. Poxel® with our semi-figurative color logo is a registered trademark of our company in France and European Union.

6.13.5. *Pledge on Certain Intellectual Property* Rights

In July 2014, we agreed to issue up to €8.0 million in non-convertible bonds to Kreos. As consideration for the loan, we granted Kreos various security interests, including a pledge of our bank accounts and receivables and a pledge of certain of our patents and trademarks. Notably, the pledge on our intellectual property includes nine of our patents and patent applications (two French patents, one German patent, one United Kingdom patent, one U.S. patent one European patent application, one U.S. patent application and two Japanese patent applications) relating to Imeglimin and one PCT application (now nationalized) relating to AMPK.

6.14. Facilities

We lease 400 square meters of office space in Lyon, France under a lease that expires in August 2024. We also occupy additional office space in Paris under a 12-month sublease, which is automatically renewable each year until the expiration date of the main lease in June 2021.

6.15. Legal Proceedings

From time to time, we may be a party to legal, administrative or arbitration proceedings arising in the ordinary course of our business. As of the date of this prospectus, we are not a party to any material legal, administrative or arbitration proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, financial condition, results of operations or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

6.16. Employees

For more information about our employees, see “Management and Employees.”

7. ORGANIZATIONAL STRUCTURE

7.1. Legal organization chart

None, the Company does not own any subsidiary or equity interest.

7.2. Companies of the Group

None.

7.3. Cash flows of the Group

Non available.

8. PROPERTY, PLANTS AND EQUIPMENT

8.1. Immovable property and equipment

8.1.1. Rented immovable property

The registered office of the company is located in Lyon, France, under a commercial lease, to host its clinical development team.

Address	259/261 Avenue Jean Jaurès, Immeuble le Sunway, 69007 Lyon, France.
Surface area	400 square meters, 1 parking space
Duration	July 1st, 2015 – June 30th 2024 (with an option to terminate every three year period)
Annual rent	€86,075 for the office, and €1,500 for the parking space

The company also has an office under a 12 month sub-lease agreement, tacitly renewable every year.

Address	47 rue de Liège, 75008 Paris
Surface area	17 square meters
Duration	January 1st 2015 – December 31st 2015
Annual rent	€14,457

8.1.2. Other immovable property

The main capital assets owned by the Compagny are set out in the 4th note of the appendix to the accounts IFRS, in section 20.1 "IFRS accounts prepared for the year ended December 31st, 2015 of this *document de référence"*.

8.2. Environmental issues

8.2.1. Social and environmental information

The nature of the activities of the Company does not result in any significant risk to the environment.

9. OPERATING AND FINANCIAL REVIEW

The Company which did not have any subsidiaries or holdings as at December 31st 2015, established in addition to the annual accounts, in compliance with French accounting standards, annual accounts in compliance with IFRS standards, as approved by the European Union, for the financial years of 2013, 2014 and 2015. These annual accounts are published on a voluntary basis.

The reader is invited to read the following information relative to the financial situation and the results of the company, in this *document de référence* and in particular the financial state of the Company established in compliance with the IFRS standards, in section 20.1 "IFRS accounts prepared for the year ended December 31st, 2015 of this *document de référence*" and also the quarterly financial information as of March 31st, 2016 established in compliance with IFRS standards, in section 20.4 "Quarterly financial information as of March 31st 2016" of this *document de référence*.

9.1. General presentation

9.1.1. General presentation

The Company was incorporated on March 11th 2009, and has as its object the research and development of new therapeutic strategies, and new pharmaceutical specialties. Its research work is focused on the treatment of type 2 diabetes.

The activities pursued by the Company over the course of several financial years can be grouped into a unique section: development of innovative molecules and first-in-class for the treatment of type 2 diabetes.

At this stage, the Company does not make any recurrent turnover, and devotes a large part of its operating costs to research. The Company relies on low fixed costs and widely uses sub-contractors, in particular for pre-clinical and clinical trials, while protecting intellectual property rights.

Since its creation, the Company was financed by:

- increases in capital, in particular the initial public offering (IPO) of the Company in the beginning of 2015, as well as the private placement made in July 2015 by investors in the United States ;
- bond issue convertible into shares ;
- reimbursement received under the research tax credit ;
- grant given by Merck Serono when the Company was created
- Innovation and grants by Bpifrance Financement
- venture loan agreement with Kreos and
- subsidy by FEDER from Grand Lyon

The costs and delays in research and development of the Company's products together with continuing the clinical development program are in part out of the Company's control, and will continue to create significant financing needs. The company will continue to incur operational losses.

Significant revenue is not expected from the sale of the drug candidates of the Company, until the development program that is currently underway achieves success and the Company obtains authorisation to put them on the market, which would take several years and is subject to uncertainty. As a result, the Company anticipates that it will need additional funding to ensure the

development of its drug candidates, which could be obtained through a combination of capital [operations/raising], debt, partnerships or licenses, the absence of which could affect all or part of its activities (see section 4 "Risk factors" of this *document de reference* for further information).

9.1.2. Sales revenue and operating income

As the Company isn't currently in a sale period, the Company does not currently have any significant recurrent turnover. In 2015 the Company nevertheless had a turnover of €60,000 as a result of the signature of its first partnership contracts with ENYO Pharma SA. The Company did not have any turnover during the first quarter of 2016.

Pursuant to this first contract signed in May 2015, ENYO gained access to Poxel's FXR (farnesoid X receptor) agonist compounds for therapeutic indications in infectiology, while conserving its rights for POXEL for indications including cardiovascular diseases and metabolism. The Company benefited from a fee of €50,000 under this contract, which as been accounted for in its turnover. The FXR molecule belongs to Merck Serono, the Company must give back 90% of the license earnings to Merck Serono (amount of €45,000 to be paid on 12/31/2016).

In November 2015, the Company signed a second license agreement with ENYO Pharma SA to gain access to a key patent to exploit the FXR technology, which aims to develop treatment for Hepatitis B. Pursuant to this, the Company recorded income of €10,000 as at December 31st, 2015.

The Company's operating income is primarily linked to the subsidies received and the research tax credit (CIR).

The Company has benefited from CIR since its creation. The CIR is a tax credit awarded to companies that significantly invest in research and development (the eligible expenses include in particular salaries and treatments, consumables, expenses for sub-contracting with certified bodies and expenses for intellectual property). The companies must justify upon request by the tax authorities the amount of the tax credit given by the CIR and the eligibility of the activities taken into account to benefit from this measure.

The CIR is recognised as profit for the financial year concerned and recorded as a reduction of the research and development expenses in the profit and loss account, according to the IAS 20 requirements.

In 2014 and 2015 the Company benefited from two subsidies by the FEDER / Greater Lyon / Région Rhône-Alpes respectively of €1,455 and €1,000.

9.1.3. Research and development – Subcontracting

Research and development is the core activity of the Company. The costs of research and development generally increase alongside the progress of the clinical development, because of the size and the length expansion of the last stages of clinical trials and the potential demands of the regulatory bodies (FDA, EMA). The Company therefore expects a growth in its clinical trials for the future. The Company can not determine with certainty the length and the costs for future clinical trials and or the income that these projects could make (see section 4 "Risk factors" of this *document de référence* for more information).

Because of the risks and uncertainties linked to regulatory approvals, and the process of research and development, the six capital criteria established by the IAS 38 rule to activate the funds for development are not considered satisfied until the marketing authorization (AMM) is obtained. Therefore, the internal funds for development involved before obtaining this authorization (AMM), mostly expenses for the clinical trials (often sub contracted) are taken into account as costs, in the "research and development" section, if they are incurred.

The main expenses for research and development are:

- costs in sub-contracting, studies and researches for pre-clinical studies and clinical studies on Imeglimin and pre-clinical studies on PXL770
- employee expenses for the 14 members of the research and development team. These expenses include salaries and social charges together with potential share-based payments for the associates in the research and development team;
- the purchase of biological raw material, operating costs for the research and development team (premises, specific material), expenses for conferences and travel; and
- intellectual property, including expenses for patent protection.

In 2015, the Company dedicated €9,2 million to develop its two main projects, Imeglimin and PKL770 as compared to €7,0 million in 2014 (see section 6 "Overview of Business" of this *document de référence* for more information).

The Company also dedicates a sizeable part of its resources to protecting its intellectual property: filing patents or applying for patents on an international scale (see section 11 "Research and development, patents, licences, and other intellectual property rights" of this *document de référence*).

The internal structure of research and development in the Company includes 14 highly qualified people. The performance of tests and clinical studies are all subcontracted to external laboratories.

9.1.4. General and administrative expenses

The Company organized itself to minimize general and administrative expenses, in order to focus its resources on research and development. The general and administrative expenses are most commonly composed of:

- salaries of the administrative team,
- lawyer's fees and external counsel,
- travel expenses,
- share expenses.

In 2014 and 2015, the Company had non-recurrent costs due to its initial public offering, amounting to €3,140. These expenses were included in the general and administrative expenses, and also the deduction of the insurance premiums for the share directly linked to the increase in capital, on the basis of a reasonable allocation. The share accounted for as an operational charge respectively amounts to €288,000 and €558,000.

The Company expects its general and administrative expenses to increase to sustain the development of its research and development activities.

9.1.5. Financial expenses and income:

Financial income is mostly composed of interest related to cash and cash equivalent in short term deposits and in monetary funds.

Financial expenses are mostly composed of:

- in 2014 and 2015, interest on the loan with Kreos, (see note 11.5 of the appendix to the IFRS financial statements in section 20.1 "IFRS accounts prepared for the year ended December 31st, 2015 of this document de référence"
- in 2014, (see note 11.3 of the appendix to the IFRS financial statements in section 20.1 "IFRS accounts prepared for the year ended December 31st, 2015 of this document de référence"
- in 2014, (see note 11.4 of the appendix to the IFRS financial statements in section 20.1 "IFRS accounts prepared for the year ended December 31st, 2015 of this *document de référence*"
- interests calculated as repayable advances; and
- exchanges losses due to the purchase of services denominated in US dollars and in yens.

9.1.6. Main factors affecting the business

The outcome of such research and the commercial development of the results of such are long lasting, the historical results of the Company primarily reflect the expenses in research and development.

Considering the state of development of the Company, the key factors that have influence on its activity, its financial state, its development and prospects are:

- the magnitude of the programs in research and development and the compliance with the timeline;
- obtaining subsidies and benefitting from repayable advances; and
- tax incentive measures for companies that implement activities about technical and scientific researches (research tax credit and tax exemption).

9.2. Post-closing events

The principal post-closing event is the exercice by Kreos Capital IV (UK) Ltd, on February 9th 2016, 45.834 of its stock option (BSA), with an exercise price of €4 for each BSA, resulting in a capital increase of €916,68, as well as premiums amounting to €182,419.

On February 17th 2016, an employee exercised its 150 BSPCE options for amounting to 3,000 ordinary shares, with an exercise price of €3,2 resulting in a capital increase of €60 paired with premiums amounting to €9,540.

The share capital increased to €390,624.56 € divided in 19.531.228 shares with a nominal value of €0,02.

9.3. Analysis of interim financial statements as at March 31, 2016

9.3.1. Operating income and net income

Operating income

The Company had no sales profits during the first quarter of 2016. Its operating income is as follows:

TURNOVER AND OPERATIONAL INCOME (Amount in euros)	31/03/2016 Unaudited	31/03/2015 Unaudited
Turnover	0	0
Research and development		
Tax credit for research and development	1 046 457	467 206
Subsidies from FEDER/Greater Lyon/Région Rhône-Alpes	0	1 000
Other income	0	0
Total turnover and operating income	**1 046 457**	**468 206**

The Company led clinical trials outside of the European Union (in particular in the United States and to a lesser extent in Japan). These expenses can not be included in the tax credit for research and development calculation, which explains that the value of this category grew at a slower rate (+124%) between 2015 and 2016 than the value of research expenses (+242%) over the same period of time.

Operating income is linked to the research activity of the Company, and the analysis of their variation is not relevant when considering the activity of the Company. The subsidies received are not set out in section 10.1.3 “Financing by repayable advances and subsidies” of this *document de référence*.

Operating expenses

The company continued with its effort in terms of research and development during the first quarter of 2016, on the global change to Imeglimin and PXL770 projects (see section 6 “Overview of Business” of this *document de référence* for more information).

The research and development expenses in the relevant years are divided as follows:

RESEARCH AND DEVELOPMENT (Amount in euros)	31/03/2016 Unaudited	31/03/2015 Unaudited
Personnel expenses	491 540	104 086

Share-based payments	48 467	0
Sub contracting, studies, researches	4 747 880	1 212 045
Intellectual property fees	104 298	231 972
Payments to intermediaries and professional fees	142 100	51 777
Purchase of active pharmaceutical ingredients for CROs	8 262	3 552
Insurance premiums	20 138	14 461
Royalties, licenses	21 608	11 968
Rents	134	0
Depreciation of fixed assets	5 243	3 609
Expenses in Research and Developement	**5 589 671**	**1 633 471**

The increase in payments based on shares comes from share warrants decided during this quarter (see section 21.1.4 "Convertible or exchangeable securities or securities with warrants" of this *document de référence* for more information).

In the personnel expenses, the amount of benefits linked to the JEI status on March 31st 2015 and 2016, on two establishments, respectively amounts to €40,036 and €44,598, they are considered as research and development expenses up to €29,517 and €31,156 in 2014 and 2015. The CICE is not significant

Excluding the subsidies and the CIR (tax credit for research and development) received and deducted from research and development expenses, these expanses respectively amount to 68% and 91% of the operating costs on March 31st 2015 and 2016. This increase is related to the rise of the clinical trials expenses.

The general and administrative expenses in the relevant years are divided as follows:

GENERAL AND ADMINISTRATIVE EXPENSES (Amount in euros)	**31/03/2016 Unaudited**	**31/03/2015 Unaudited**
Personnel expenses	333 930	67 845
Share-based payments	416 832	52 214
Rent	9 322	4 265
Travel, and Entertainment expenses	154 568	62 614
Maintenance and repair	5 503	5 798
Postage and telecommunications expenses	8 285	5 731
Insurance premiums	6 214	6 115
Advertising, Public relations	53 649	303 557
Payments to intermediaries and professional fees	565 247	720 439
Documentation, training	159	338
Banking services and similar services	2 710	1 800
Depreciation of fixed assets	7 080	2 677
Other taxes	12 512	1 286
Others	4 569	8 407
General and administrative expenses	**1 580 579**	**1 243 086**

General and administrative expenses increased by €0.3 million (+27%) between 2015 and 2016. This increase is primarily due to the raise in personnel expenses, €0,3 million and expenses related to share-based payments (+€0.4 million), partially offset by the decrease in advertising and public relations expenses (-€0.3 million), as set out in the table above.

Financial result

FINANCIAL INCOME AND EXPENSES (Amount in euros)	**31/03/2016 Unaudited**	**31/03/2015 Unaudited**
Changes in the fair value of financial liabilities	0	52 214
Interest expense related to the Kreos liability	-163 206	-225 517
Other financial expenses	-7 692	-29 362
Financial income	86 471	40 175
(Foreign currency exchange gains (losses)	-39 313	120
Total financial income and expenses	**(123 741)**	**(162 371)**

The financial results as at March 31st 2015 and 2016 were primarily affected by the interest related to the agreement with Kreos. In 2015, it also included the change in the fair value of the debt vis-à-vis Merck Serono, which was non recurrent, the corresponding debt having expired in the process of the initial public offering of the company.

The other financial expenses are primarily a result of the undiscouting of repayable advances.

The Company's investment policy first and foremost favors the absence of risk, and to the extent possible, the guarantee of minimal performance. Income from interest was €40,000 as at March 31st 2015 (as compared to €86,000 as at March 31st 2016).

Corporate tax

Taking into account previous deficits and current income before negative quarterly tax, the Company did not have any tax expenses in the first quarter of 2015 or in the first quarter of 2016. The Company has, since March 31st 2016, a tax deficit that can be carried forward indefinitely in France, amounting to €64,526,000 before taking into account the losses of the first quarter of 2016.

Biannual results

Quarterly losses amounted as at €6,248,000 on March 31st 2016 as compared €571,000 on March 31st 2015.

9.3.2. Balance Sheet Analysis

Non-current assets

Fixed assets primarily include fixtures, office supplies, computer equipment, the decrease of the net value is due to annual depreciation.

The financial long terms assets are composed of:

- the cash of the liquidity contract (€213,000 in 2016 against €200,000 in 2015) underwritten by Oddo Corporate Finance;
- the advance provided pursuant to the agreement with Kreos; and

- the guarantees on the operating lease of the business premises.

The Company did not make any significant investment during the first quarter of 2016.

Current assets

Current assets (Amount in euros)	**31/03/2016 Unaudited**	**31/12/2015 Audited**
Customers and related accounts	11 580	11 580
Other receivables and related accounts	4 034 931	3 736 414
Cash and cash equivalents	37 347 121	42 413 402
Total current assets	**41 393 632**	**46 161 396**

The customer receivables correspond to the receivable balance in connection with ENYO Pharma SA's contract.

The increase in the other receivables is due to the increase in the research tax credit.

Equity

Equity amounted to €31,648,000 as at March 31st 2016 as compared to €38,028,000 on December 31st 2015.

This decrease was principally due to:

- the loss recorded in the first quarter of 2016 (€6,248,000); and
  the decrease in the share premium account of the costs incurred by the company during that period of €800,000 as part of the capital increase.

This decrease was offset by the increase in capital linked to the conversion of some BSA by Kreos (€183 million) and an employee (€10,000).

Non-current liabilities

The non-current liabilities are mostly composed of:

- the repayable advances received (which did not change significantly in the first quarter of 2016); and
- the Kreos debt, including non-current decrease (final maturity in April 2017).

Current liabilities

Current liabilities increased during this period by €2.3 million, mostly due to the increase of the supplier's debt (€2,1 million). This increase is a result of the second phase of clinical studies in Japan, in the beginning of 2016.

9.4. Comparison of the financial statement of the last two financial years

9.4.1. Operating income and net income

9.4.1.1. Sales benefits and operating income

The Company had income from sales of €60,000 in 2015 in connection with the signing of its first partnership contracts with ENYO Pharma SA. Its operating income for the years ended December 31st, 2014 and December 31st, 2015 are as follows:

TURNOVER AND OPERATING INCOME (Amount in euros)	**31/12/2015 Audited**	**31/12/2014 Audited**
Turnover	59 650	0
Research and development		
Tax credit research	1 918 071	1 977 120
Subsidies by FEDER/Greater Lyon/Région Rhône-Alpes	1 000	1 455
Total turnover and operating income	**1 978 721**	**1 978 575**

The Company conducted clinical studies outside of the European Union, (in particular in the United States and to a lesser extent in Japan). The tax research credit granted to the Company for the year ended 2015 was similar to the tax research credit granted to the Company for the year ended 2014 even though the volume of research expenses rose by 32% over the same period of time, as a result of the fact that expenses related to the clinical studies carried outside the European Union cannot be included in the calculation for the tax research credit,.

The operating income is linked to the research and development activity of the Company, and the assessment of its variation is not relevant in the view of the Company's activity. The subsidies received are set out in section 10.1.3 "Financing by repayable advances and subsidies".

9.4.1.2. Operating expenses by function

Expenses in research and development

In 2015, the Company devoted a large part of its efforts in research and development on Imeglimin and PXL770 projects (see section 6 "Overview of business" of this *document de référence* for more information).

Research and development expenses in the relevant years are as follows:

RESEARCH AND DEVELOPMENT (Amount in euros)	**31/12/2015 Audité**	**31/12/2014 Audité**
Personnel expenses (2)	1 115 618	998 664
Share-based payments	234 259	331 647
Sub-contracting, studies and researches (1)	6 126 711	4 785 060
Fees for intellectual property	526 586	393 494
Payments to intermediaries and professional fees	593 282	279 354
Purchase of active pharmaceutical ingredients for CROs	385 000	0
Insurance premiums	21 985	80 146
Royalties, licenses	137 298	64 325
Rents	65 514	47 948
Documentation and training	1 754	6 312
Other taxes	29 813	9 158
Research and development expenses	**9 237 820**	**6 996 109**

(1) The increase in sub-contracting expenses, studies and research is linked to the PXL770's project (1,3 M€).
(2) In the personnel charges, the amount of benefits related to the Young Innovative Enterprise (*Jeune Entreprise Innovante*) status in 2014 and 2015 amounted to €167,141 and €130,611 respectively, and is recognized as a reduction of research and development expenses for €117,784 and €86,639 for 2014 and 2015 respectively. The tax credit for competitiveness and employment (*Crédit d'Impôt pour la Compétitivité et l'Emploi*), or CICE, is immaterial for the periods presented.

Excluding subsidies received which are classified as a reduction of expenses, research and development expenses, represented 101% and 78% of gross operating expenses, respectively, for the financial years ended December 31st, 2014 and 2015. This increase is due to the significant rise in general and administrative expenses, as set out in the *document de référence*.

The increase in research and development expenses between 2014 and 2015 of €2.2 million or 32%, on a gross basis, is primarily due to studies and clinical trials for the Company's drug candidates.

General and administrative expenses

General and administrative expenses increased by €2.6 million or 138%, between 2014 and 2015. Such increase is largely attributable to an increase in payments to intermediaries and professional fees, a portion of which has been incurred as a result of the completion of our initial public offering on Euronext Paris in February 2015 (€288,000 and €558,000 in the 2014 and 2015 financial years respectively).

Personnel costs and expenses associated with share-based payments have also increased in 2015 compared to 2014 as shown in the table below:

GENERAL AND ADMINISTRATIVE EXPENSES (Amount in euros)	**31/12/2015 Audited**	**31/12/2014 Audited**
Personnel costs (2)	740 134	418 966
Share-based payments	944 931	460 886
Rent	33 249	17 620

Travel and Entertainment expenses	474 965	260 449
Maintenance and repairs	25 188	23 211
Postage and telecommunications expenses	29 319	26 467
Insurance premiums	21 529	11 503
Advertising and public relations (1)	519 852	20 672
Payments to intermediaries and professional fees (1)	1 591 910	594 535
Documentation, training	766	2 117
Banking services and similar services	10 259	6 703
Depreciation of software and property, plant and equipment	22 975	12 343
Other taxes	15 530	3 838
Other general and administrative expenses	31 246	19 137
General and administrative expenses	**4 461 852**	**1 878 447**

(1) In relation to our initial public offering completed on February 2015, we incurred various costs (e.g., professional fees for advisors, lawyers, accountants, as well as advertising and public relations costs) which represent an aggregate amount of €3,140,000 in 2014 and 2015. Such costs have been allocated to general and administrative expenses and deduction of equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided, in accordance with IAS 32 paragraphs 27 and 28. To the case in point, for costs incurred in relation to the initial public offering, we have used a basis of allocation that is rational and reasonable. Costs that are clearly associated with the issue of shares (such as share registration and other regulatory fees relating to the issuance of shares) have been considered directly attributable costs of the share issue and, therefore, have been recognized as a deduction in equity. Promotional and other direct listing expenses or allocated expenses (e.g., promotional expenses, general advertising expenses, fees paid to public relations firms to promote the image and branding of the Company) have been recognized as operating expenses. For costs that relate jointly to both components of the transaction (i.e., to obtaining a listing and to issuing shares), expenses have been allocated using an appropriate basis of allocation, considering the extent to which the costs can be considered to be incremental costs directly attributable to the equity transaction.

(2) The amount of benefits related to the Young Innovative Enterprise (*Jeune Entreprise Innovante*) status in 2014 and 2015 amounted to €167,141 and €130,611, respectively, and is recognized as a reduction of general and administrative expenses of €49,357 and €43,971 for 2014 and 2015, respectively. The tax credit for competitiveness and employment (CICE) is immaterial for the periods presented.

Operating expenses by nature

Operating expenses by nature during the relevant years are divided as follows:

OPERATING EXPENSES PAR NATURE (Amount in euros)	**31/12/2015**	**31/12/2014**
Sub-contracting, studies and research	6 126 711	4 785 060
Payments to intermediaries and professional fees	2 185 192	873 889
Personnel costs	1 855 752	1 417 629
Share-based payments	1 179 190	792 533
Travel and hospitality expenses	474 965	260 449
Intellectual property fees	526 586	393 494
Non-recurrent purchase of active pharmaceutical ingredients for CROs	385 000	0
Other operating expenses	966 277	351 501
Research and development expenses	**13 699 672**	**8 874 556**

Expenses related to sub-contracting, studies and research include sub-contracting costs involving research expenses, and preclinical and clinical development expenses delegated to third parties.

The travel and entertainment expenses correspond to expenses incurred for travel of associates participating at scientific, medical or financial conferences, or are linked to business development.

The "scientific" fees correspond to external consultant fees; who participate in research and development studies for drug candidates, together with fees paid to members of the scientific committee. The "non scientific" fees correspond to costs in legal audit, accounting and legal work.

The advertising and public relations expenses correspond to consultant fees together with the development of communication tools (in particular the website and business reports).

Personnel costs include remuneration (other than shares-based compensation) of the associates and consultants. As at December 31st 2015, the Company employed 16 associates.

9.4.1.3. Financial results

Financial income (loss) **(Amount in euros)**	**31/12/2015** **Audité**	**31/12/2014** **Audité**
Changes in the fair value of financial liabilities	124 236	(6 858 141)
Interest expense related to the Kreos liability	(856 556)	(371 376)
Other financial expenses	(52 019)	-28 677
Financial income	293 939	71 938
(Foreign currency exchange gains (losses)	(29 662)	-212
Financial income (loss)	**(520 061)**	**(7 186 467)**

In 2015, financial income was composed of:

- Interest expense related to the Kreos liability (see Note 11.5 in the appendix to the accounts IFRS, in section 20.1 "IFRS accounts prepared for the year ended December 31st, 2015 of this *document de référence")*.
- Income from cash investment

For the financial year ended December 31st, 2014, the Company's financial expense was significantly affected by the changes in the fair value of financial liabilities such as the convertible bond (€2 million) and the liability due to Merck Serono (€4,7 million).

The Company's cash investment policy favors the absence of risk on principal and, wherever possible, guaranteed minimum performance. The balance of cash and cash equivalents was €10.2 million and €42.4 million as at December 31, 2014 and 2015, respectively, thus resulting in a higher financial income due to return on investing the Company's cash surplus (€0.1 million and €0.3 million for the financial years ended December 31, 2014 and 2015, respectively).

9.4.1.4. Corporate tax

The Company does not pay any corporate tax.

As at December 31, 2015, the amount of accumulated tax loss carried forward since incorporation was €64.526 million with no expiration date. French law provides that, for financial years ending after December 31, 2012, the allocation of these losses is subject to a maximum of €1 million, plus 50% of the portion of net earnings exceeding this amount. The unused balance of the loss remains deferrable in future financial years, and may be deferred under the same conditions without restriction as to time.

The tax rate applicable to the Company is the tax rate currently in force in France, 33.33%.

Deferred tax assets are recorded as tax loss carry forward when it is probable that the Company will have future taxable income to which the unused tax losses can be offset. Applying this concept, no deferred tax asset can be accounted by the Company in its accounts beyond the deferred tax liabilities.

9.4.1.5. Loss per share

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

BASIC PER LOSS SHARE (Amount in euros)	**31/12/2015 Audited**	**31/12/2014 Audited**
Net loss for the year	(12 241 013)	(14 082 448)
Weighted average number of outstanding shares	17 918 891	9 976 856
Basic loss per share (€/share)	**(0,68)**	**(1,41)**
Diluted loss per share (€/share)	**(0,68)**	**(1,41)**

9.4.2. Balance sheet analysis

9.4.2.1. Non-current assets

NON-CURRENT ASSETS (Amount in euros)	**31/12/2015 Audited**	**31/12/2014 Audited**
Intangible assets	540	910
Fixed assets	152 748	21 335
Other financial assets	533 428	285 569
Total non-current assets	**686 715**	**307 813**

The fixed assets are mostly composed of office and computing equipment. In September 2015, the Company moved its corporate headquarters in order to expand its office lease capacity. The 2015 investments reflect the layout in the new premises.

Non-current financial assets are recorded for the deposits paid for:

- cash paid to Oddo Corporate Finance in relation to the liquidity agreement (€200.000) ;
- the advance payment in the Kreos agreement (€231,000);
- deposits paid in relation to operating leases, for the premises of our corporate headquarters, for financial years ending after December 31st 2014 and 2015.

9.4.2.2. Current asset

CURRENT ASSETS (Amount in euros)	**31/12/2015 Audited**	**31/12/2014 Audited**
Trade receivables	11 580	0
Other receivables and related accounts	3 736 414	3 264 451
Cash and cash equivalents	42 413 402	10 253 635
Total current assets	**46 161 396**	**13 518 086**

The customer receivables are related to the contracts signed with ENYO PHARMA SA.

The other receivables include:

- research tax credit awarded during the 2014 and 2015 financial years, (€1,918,000 in 2015, €1 977,000 in 2014) and for which the refund occurred (2014) or will occur (2014) during the next financial year ;
- Deductible VAT or VAT receivables ;
- Prepaid expenses (€1.2 million) including approximately €1.0 million in relation to the Phase 2b clinical trial launched in Japan in December 2015. Other prepaid expenses are primarily related to rental and insurance expenses.

Cash and cash equivalents as composed of short term bank deposits and monetary funds.

9.4.2.3. Equity

SHARE CAPITAL (Amount in euros)	**31/12/2015 Audited**	**31/12/2014 Audited**
Capital	389 648	250 163
Premiums related to share capital	81 923 707	30 366 675
Reserves – group's share	(32 044 525)	(19 081 894)
Net loss – group's share	(12 241 013)	(14 082 448)
Share capital, group's share	**38 027 817**	**(2 547 504)**
Non controlling interests		
Total share capital	**38 027 817**	**(2 547 504)**

Share capital is set at €389,648. As at December 31, 2015, it is divided into 19,482,394 fully paid up ordinary shares.

The net changes in the Company's equity during the financial years of 2014 and 2015 are mostly the result of:

- annual losses corresponding to the Company's efforts in particular in works of research and development ;
- positive variations related to fund raisings in 2014 and 2015.

9.4.2.4. Non-current liabilities

NON-CURRENT LIABILITIES (Amount in euros)	**31/12/2015 Audited**	**31/12/2014 Audited**
Employee benefit obligations	129 958	97 758
Financial liabilities	1 553 926	4 317 707
Non-current liabilities	**1 683 884**	**4 415 465**

The non-current liabilities correspond to:

- the non-current portion of the financial debt underwritten by Kreos (see note 11.5 of the appendix to the accounts IFRS, in section 20.1 "IFRS accounts prepared for the year ended December 31st, 2015 of this *document de référence"*.
- the non-current portion of the repayable advances granted by public bodies.

Since 2011, the Company has benefited from two repayable advance programs, with a maximum amount of €250,000 for the first and €950,000 for the second; with drawings done between 2011 and 2013 (see section 10.1.3 "Financing by repayable advances and subsidies" of this *document de référence*).

The employee benefit obligations are formed by provision for retirement indmenities.

9.4.2.5. Current liabilities

CURRENT LIABILITIES (Amount in euros)	**31/12/2015 Audited**	**31/12/2014 Audited**
Financial liabilities	2 397 150	8 551 302
Trade payables and related accounts	4 336 522	3 098 682
Fiscal and social liabilities	379 739	307 955
Other creditor and various liabilities	23 000	0
Current liabilities	**7 136 411**	**11 957 939**

The current liabilities are composed of:

- The current part of the financial debt underwritten by Kreos (see note 11.5 of the appendix on the IFRS financial state, detailed in section 20.1 1 "IFRS accounts prepared for the year ended December 31st, 2015" of this *document de référence*".
- The debt related to Merck Serono (see Note 11.4 of the appendix on "IFRS accounts prepared for the year ended December 31st 2015" detailed in section 20.1 and 10.1.5.2 of this *document de référence*), assessed for the 2014 closing to an amount of €7,3 million and extinct in 2015.
- The current part of the repayable advances granted by public bodies (see section 10.1.3 "Financing by repayable advances and subsidies" of this *document de référence*).
- Bank overdrafts.

10. CAPITAL RESOURCES

The reader should also refer to notes 7 , 9 and 11 of the appendix to the annual accounts established in compliance with IFRS standards and the quarterly accounts mentioned respectively in Section 20.1 "IFRS Accounts established for the year ended December 31, 2015" and 20.4 " quarterly financial Information March 31, 2016" of this *document de référence.*

10.1. Information on capital, liquid assets and financing sources

On March 31, 2016, the net cash and cash equivalents held by the Company (the sum of cash and cash equivalent assets and bank overdrafts liabilities) amounted to €37.347 million as compared to €42.413 million at 31 December 2015.

Since its creation, the Company has been funded by:

- capital increases, including the IPO of the Company in early 2015 and the private placement in July 2015 to investors in the United States;
- a bond issue convertible into shares;
- reimbursements received under the research tax credit;
- the grant provided by Merck Serono during the creation of the Company (see section 22.1 "Agreement with Merck Serono" of this *document de référence*);
- innovation support and grants from BpiFrance Financement;
- a venture loan agreement Kreos; and
- an ERDF grant from Grand Lyon.

10.1.1. Capital financing

The Company received a total of €85,789,000 (before deducting expenses related to the capital increases) through the contribution of the founders and capital increases between 2009 and 2015.

Over the past 3 years, the Company has raised over €50 million due to the following events:

Date	Gross amount raised in €	Operations
Apr-14	2,438,000	Conversion of 30 472 convertible bonds (excluding capitalized interest)
Jul-14	10,562,000	Conversion of the remainder of the convertible bonds (132,028 CB excluding capitalized interest)
Jul-14	5,000,000	Capital increase subscribed by Bpifrance Participations, by issuance of 1,250,000 shares for a subscription price of 4 € per share.
Feb-15	26,800,000	IPO of Poxel, issuance of 4,031,248 new shares for a price of €6.66 per share
Feb-15	4,354,000	Exercise by Merck Serono of its 1,088,531 share warrants
Jul-15	20,000,000	Private placement leading to the creation of 1,762,793 new shares issued for a price of €11.35 per share
Oct-15	183,000	Conversion of 45,833 share warrants by Kreos
Nov-15	183,000	Conversion of 45,833 share warrants by Kreos
Feb-16	183,000	Conversion of 45,833 share warrants by Kreos
Feb-16	10,000	Conversion of 150 founder share warrants by an employee
As at March 31, 2016	**85,789,000**	

10.1.2. Debt financing

10.1.2.1. Convertible bonds

The General Meeting of October 31st, 2012 issued to certain funds managed by historical shareholders a bond convertible into shares amounting €13 million, made up of 162,500 convertible bonds (OC) with a nominal value of €80, divided into 3 tranches.

The annual interest rate was set at 5%, capitalized until maturity of the bonds and with the possibility of capitalization, upon the conversion of the bonds. The conversion date was originally set as January 31, 2014, but it has been extended to March 31st, 2014. The General Meeting of March 28th, 2014 further extended the conversion deadline to June 30th, 2014 freezing the interest on April 30th, 2014 if the conversion was realized before May 31st, 2014 or, otherwise, on May 31st, 2014. The conversion of these bonds gave the right to subscribe for shares at a price of four (€4) per share (after taking into account the division of the nominal share value per 20, which was made following the General Meeting of March 28th,2014).

- In May 2014, 30,472 convertible bonds which, after taking into account capitalized interest and the division of the nominal share value per 20, resulted in the creation of 645,722 new shares;

- In July 2014, for the balance of the convertible bonds (or 132,028 bonds) which, after taking into account capitalized interest and the division of the nominal share value per 20, resulted in the creation of 2,812,634 new shares. In the financial statements on June 30th, 2014 presented in accordance with IFRS standards, the debt related to the convertible bonds is recorded at fair value, with changes recorded in the financial income (see section 9.4.1.3 "financial income" of this *document de référence*).

The following table shows changes in fair value between 2014 and 2015:

	TOTAL BOND
As at December 31, 2013	**24,059,574**
(+) Payment received	—
(-)Repayment	—
(-) Change in fair value	2,049,160
(+/-) Conversion	(26,108,735)
As at December 31, 2014	**—**

See note 11.3 to the IFRS financial statements presented in Section 20.1 "IFRS Accounts established for the financial year ended December 31, 2015" of this *document de référence* for more information on convertible bonds.

10.1.2.2. Overdraft facility

The Company benefits from a €1.7 million overdraft facility provided a pledged term deposit account of the same amount

10.1.2.3. Non-mandatory convertible loan for the benefit of Kreos Capital IV (UK) Limited

On July 25, 2014, the Company entered into a venture loan agreement (the "Venture Loan Agreement") intended to allow the Company to benefit from financing in the form of non-convertible bonds representing a loan for a maximum amount of €8 million for which Kreos Capital IV (UK) Limited, or Kreos, agreed to subscribe in two tranches as follows:

- €5 million ("Tranche A") subscribed as of July 25, 2014, repayable over 33 months (no repayment of capital for the first 9 months); and
- €3 million ("Tranche B"), in one or several drawdowns, subject to the condition that the Company obtains additional financing of at least €12 million (in capital, by the issue of convertible bonds, a subordinated shareholders loan or a license agreement with a pharmaceutical company) by March 31, 2015 and repayable over 36 months. It has not been drawn down by the Company.

The bonds have a fixed 11.25% coupon and include various fees to be paid by the Company.

Under the Venture Loan Agreement, the Compaany must also issue to Kreos Capital IV (Expert Fund) Limited, the subsidiary of Kreos, a maximum of 220,000 shares warrants for class A preferred shares, 137,000 of which were issued at the time Tranche A was released and a maximum 82,500 of which should have been issued at the time Tranche B was released in its entirety (see note 4 of the section 21.1.4.1 "Warrants plan" of this *document de référence* for a more detailed description of the of the procedures for exercising these share warrants.

Finally, to guarantee all of the undertakings of the Company relating to the Venture Loan Agreement, the Company grantd various security over its intellectual property and its cash: pledge of bank accounts, pledge of debts and pledge of some intellectual property rights (see sections 11.2.4 "Patents subject to a pledge" and 11.4 "Other intellectual property elements" for details on this pledge).

As at March 31st, 2016, the balance of the debt was €2,620,000 repayable within less than a year.

	LIABILITY TO KREOS
As at December 31, 2013	**—**
(+) Payment received	4,855,000
(+) Effect of unwinding the discount	137,001
(-) Repayment	—
(-) Equity component	(632,334)
As at December 31, 2014	**4,359,666**
(+) Payment received	—
(+) Effect of unwinding the discount	362,401
(-) Repayment	(1,576,010)
(-) Equity component	—
As at December 31, 2015	**3,146,057**
(+) Payment received	—
(+) Effect of unwinding the discount	77,155
(-) Repayment	(603,675)
(-) Equity component	—
As at March 31, 2016	**2,619,537**

10.1.3. Financing by repayable advances and subsidies

Repayable advance:

Since 2011, the Company has benefited from two repayable advance programs, with a maximum amount of €250,000 for the first (PXL770) and €950,000 (Imeglimin – New Formulation) for the second, with more significant drawings in 2012 and 2013.

The table below sets forth movements relating to those two advances between 2014 and 2016 and sets out their precise breakdown per product concerned:

	OSÉO/FEDER PXL770	OSÉO INNOVATION IMEGLIMIN (NEW FORMULATION)	TOTAL
As at December 31, 2013	**202,234**	**546,317**	**748,551**
(+) Increase	—	—	—
(-) Decrease	(22,500)	—	(22,500)
Financial expenses	7,682	20,995	28,677
Other movements	—	—	—
As at December 31, 2014	**187,416**	**567,312**	**754,728**
(+) Increase	—	—	—
(-) Decrease	(35,000)	—	(35,000)
Subsidies	—	—	—
Financial expenses	7,577	44,441	52,019
Other movements	—	—	—
As at December 31, 2015	**159,993**	**611,754**	**771,746**
(+) Increase	—	—	—
(-) Decrease	(12,500)	—	(12,500)
Subsidies	—	—	—
Financial expenses	1,938	5,713	7,650
Other movements	—	—	—
As at March 31, 2016	**149,430**	**617,466**	**766,897**

The repayment schedules for these advances is described in note 11.2 to the financial statements established according to IFRS standards mentioned in section 20.1 "IFRS financial statements established for the financial year ended December 31st,2015" of *document de référence*. Based on the balance as at March 31st, 2016, it is summarized as follows:

	CONDITIONAL ADVANCES		
	PXL770	IMEGLIMIN (NEW FORMULATION)	TOTAL
As at March 31, 2016	**149,430**	**617,466**	**766,897**
Portion less than 1 year	58,749	46,991	105,741
From 1 year to 5 years	90,681	570,475	661,156
Portion above 5 years	—	—	—

Subsidies

The Company received:

- ERDF and Grand Lyon non-repayable innovation support grant, two grants of a maximum amount of €218,000 each, or a total of €437,000 as part of "new therapeutic approaches in the treatment of infections caused by hepatitis B virus (Natheb project)" program, of which €218,000 has been recognized as income; Poxel contributed to this approach by providing its knowledge of the target which is mobilized in type 2 diabetes as well as in hepatitis B.

- non-repayable OSEO innovation support grant as part of the "development and selection of a new AMPK activator drug for the treatment of diabetes" program.

The table below summarizes the cash flows generated by these grants:

Subsidy	Amount received or to be received (unaudited)
FEDER/Grand Lyon subsidy (NATHEB project)	€281,000 total received between 2011 and 2016
OSEO subsidy (PXL770)	€233,000 received in 2012

10.1.4. Financing by research tax credit

(amounts in euros)	
Opening balance sheet receivable as of January 1, 2014	**2,913,064**
Subsidy recognized as a reduction of "Research and development" expenses	1,977,120
Payment received	(2,913,064)
Closing balance sheet receivable as of December 31, 2014	**1,977,120**

(amounts in euros)	
Opening balance sheet receivable as of January 1, 2015	**1,977,120**
Subsidy recognized as a reduction of "Research and development" expenses	1,918,071
Payment received	(1,977,120)
Closing balance sheet receivable as of December 31, 2015	**1,918,071**

(amounts in euros)	
Opening balance sheet receivable as of January 1, 2016	**1,918,071**
Subsidy recognized as a reduction of "Research and development" expenses	1,046,457
Payment received	—
Closing balance sheet receivable as of March 31, 2016	**2,964,528**

The Company has benefited from the *CIR* (research tax credit) since its incorporation. Those amounts represent a *CIR* debt at the close of each financial year.

Since 2008, the calculation of the *CIR* is based on a rate of 30% of the eligible expenses of the year. Where it cannotbe imputed to the tax payable, the *CIR* is refunded by the tax authorities during the fourth financial year following the period to which it relates. Since 2010, small and medium-sized enterprises can get immediate refund. Thus, the Company obtained the refund of the 2013 and 2014 *CIR* in 2014 and 2015 and will request the refund of 2015 *CIR* in 2016.

Since 2009, the cumulative amount of *CIR* is €16.6 M (excluding 2016 *CIR*, which amounted €1,046,000 as at March 31st, 2016).

10.1.5. Off-balance-sheet commitments

10.1.5.1. Property rentals

In 2015, as part of its activities, the Company relocated its registered office and entered into a real estate lease in Lyon, taking the form of a commercial lease, effective from July 1st, 2015. For a term of nine full and consecutive years, or until June 30th, 2024, the Company retains the right to provide notice under the lease every three years. On January 1st, 2013, the Company also entered into a sub-lease for an office in Paris, for a 12 year term (renewable annually).

As at December 31st, 2015, the amount of the future rents and expenses relating to the lease of the registered office and the sub-lease of the Paris office until next triennial period is €493,000 (see note 22.2 to the IFRS financial statements presented in section 20.1 " IFRS financial statements established for the financial year closed on December 31st, 2015" of this *document de référence*).

10.1.5.2. Obligations under the Merck Serono agreement (the "MS Agreement")

Commitment in respect of the agreement with Merck Serono

In accordance with the MS Agreement signed with Merck Serono on March 19, 2009 and since amended, Merck Serono transferred certain patents and granted the Company a license for other patents and know-how for the research, development and marketing of pharmaceutical products. This license is exclusive and covers a list of 25 molecules by program, each by the Company's selection.

In order to support its research and development activities and, given Merck Serono's economic interest in the development of Poxel at its inception, Merck Serono provided Poxel with a non-repayable sum of €7.2 million.

In exchange for the rights that were granted under the MS Agreement, Merck Serono was entitled to the following compensation:

- royalties on net sales of the products covered by the patents granted or granted under license by Merck Serono at a rate equivalent to a high single digit in the higher portion of the range for Imeglimin, and at a low single digit rate in the lower part of the range for the other products;

- a percentage of the revenue from any partnership agreement relating to the drug candidates covered by the patents, granted or granted under license, sold or licensed, at a low double-digit rate near the bottom of the range.

In case of sale of the Company, Poxel agreed to pay Merck Serono an amount corresponding to a

percentage of the sale price of the shares of Poxel at a rate in a declining figure based on said sale prices.

This commitment is valued in the financial statements presented in accordance with IFRS as at December 31, 2014 and 2015 (see Note 11.4 to the IFRS financial statements presented in Section 20.1 "IFRS Accounts established for the financial year closed on December 31, 2015" of this *document de référence*).

However, under the amendment to the MS Agreement signed on May 23, 2014 and in anticipation of the IPO of the Company, the parties agreed, in return for the surrender by Merck Serono of its rights in case of sale of the Company, the latter will receive (i) 1,088,531 warrants of shares entitling him, as part of the IPO, to subscribe for 1,088,531 common shares at a price of €4 per share representing 7.69% of the share capital of the Company on a fully diluted basis prior to the public offering and (ii) a claim against the Company for the release of the shares issued by exercise of the MS share warrants. This commitment is valued in the financial statements presented in accordance with IFRS standards on December 31st, 2014 (see note 11.4 of the notes to the IFRS financial statements presented in Section 20.1 "Accounts prepared under IFRS for the financial year closed on December 31, 2015" of this *document de référence*).

The debt towards Merck Serono was extinguished with the completion of the IPO of the Company. Indeed, as of February 6th, 2015, the Company recognized the exercise by Merck Serono of its 1,088,531 BSA MS in as many new ordinary shares. This price was paid by offsetting the debt recognized in the accounts of the Company. The difference between the debt valued at fair value and the exercise price of the warrants is registered in equity.

10.1.5.3. Obligations under the Kreos agreement

Finally, to guarantee all the obligations taken by the Company under the Venture Loan Agreement, the Company granted various security over its intellectual property and its cash: pledge of bank accounts, pledge of receivables and pledge of certain intellectual property rights.

10.1.5.4. Obligations under other agreements

Other commitments related to research and collaboration arrangements

In the ordinary course of business, the Company regularly uses the services of subcontractors and enters into research and collaboration arrangements with various contract research organizations, or CROs, who conduct clinical trials and studies in relation to the drug candidates, primarily Imeglimin and to a lesser extent, PXL770. The cost of services performed by CROs is recognized as an operating expense. Under these arrangements, no reciprocal commitment binds the Company and its subcontractors. There is no other commitment related to research and development agreements that the Company has entered into.

10.2. Cash flows

Cash flows (Amounts in euros)	**31/12/2015**	**31/12/2014**	**31/03/2016**	**31/03/2015**
Cash flows from operating activities before change in working capital requirements	(10 520 376)	(6 060 434)	(5 670 063)	(2 346 073)
(-)Changes in working capital requirements	(459 110)	28 915	1 893 909	(446 704)
Cash flows from operating activities	**(10 061 267)**	**(6 089 349)**	**(7 563 972)**	**(1 899 368)**

Cash flows from / (used in) investing activities	**96 887**	**(225 097)**	**24 257**	**37 046**
Cash flows from / (used in) financing activities	**42 124 146**	**8 597 460**	**(1 314 384)**	**25 335 085**
Increase (decrease) in cash and cash equivalents	**32 159 766**	**2 283 014**	**(8 854 099)**	**23 472 763**
Cash and cash equivalents as of the opening date	10 253 635	7 970 622	42 413 402	10 253 635
Cash and cash equivalents as of the closing date	42 413 402	10 253 635	37 347 121	32 832 988

The annual change in cash during the financial years presented is mainly a result of:

- operational losses related to research expenditures;
- level of investment flows, interest received on investments, partially offset by the acquisition property as part of the relocation of the headquarters.
- financing activities (capital increases, issuance of convertible bond) .

10.2.1. Cash flows used in operating activities

Our cash flows used in operating activities for the financial years ended December 31, 2014 and 2015 amounted to €6.1 million and €10.1 million respectively, an increase of 66%. This increase is primarily a result of our increased efforts in research and development activities.

Our cash flows used in operating activities for the three-month period ended March 31, 2015 and 2016 amounted to €2.8 million and €3.8 million, respectively, an increase of 35%. This increase is primarily a result of our increased efforts in research and development activities as a result of the ongoing Phase 2b trials in Japan.

10.2.2. Cash Flows Used in Investing Activities

The Company engaged subcontractors for the performance of many operations related to research, and internalized the management and project management only. Therefore, the model chosen does not require much investment. In 2015, investment flows:

- correspond to the interest received on cash investments (€288,000);
- partially offset by the acquisition of property (fittings, €143,000) and the security deposit (€48,000) as part of the relocation of the headquarters.

The consumption of cash from tangible and intangible investments for the financial years ended December 31st, 2014 and December 31st, 2015 amounted respectively to -€225,000 and +€97,000. It amounted +€24,000 on March 31st, 2016.

10.2.3. Cash flows from financing activities

The details on the cash flows from financing activities are set out below.

(amounts in euros)	31/12/2015 Audited	31/12/2014 Audited	31/03/2016 UnAudited	31/03/2015 Unudited
Share capital increase, including premium, net of expenses	44 361 476	3 969 334	(607 533)	25 708 572
Subscription of share warrants (BSA)	85 425	30 001	-	25 500
Expenses related to the project of IPO	(250 000)	-	-	(250 000)
Interest paid	(461 745)	(235 237)	(90 675)	(141 487)
Repayment of loans and conditional advances	(1 611 010)	(22 500)	(616 176)	(7 500)
Issuance of bonds		4 855 000		
Cash flows from financing activities	**42 124 146**	**8 596 598**	**(1 314 384)**	**25 335 085**

The increase of cash in 2015 is primarily due to operations on capital, described in section 18.3 "Recent operations on the capital of the Company" of this *document de référence*.

The Company considers that the net amounts raised, combined with existing cash, should allow it to finance its short term activities, knowing that the Company anticipates its need for additional funds for future development. Present and future financing needs of the Company depend on a number of factors, including:

- the progress of clinical studies for its drug candidates;
- the potential number of new drug candidates that could be identified;
- costs related to the protection of intellectual property;
- the time and cost required to obtain the necessary regulatory approvals for drug candidates;
- the anticipation of the organization of marketing and sales activities for current or future drug candidates, if any; and
- the amount of income that could be generated, directly or indirectly, by a possible partnership of one or more drug candidates of the Company.

For more information about the associated risks, see section 4 "Risk Factors" of this *document de référence* for more details.)

10.3. Borrowing requirements and funding structure

Information related to the financing of the activities of the Company are contained in section 10.1 "Information on capital, liquidity and capital resources" of this *document de référence.*

10.4. Possible restrictions in the use of the capital

None

10.5. Sources of financing expected for future investments

The Company intends to realize a short or mid-term capital increase. This should allow it to continue to keep on financing its future activities.

If market conditions do not permit such a realization, the Company will seek alternative financing sources.

No decision has been formalized as of this date.

11.RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

11.1. Research and development

Research and development (R & D) activities are at the center of the Company's activities. Since its incorporation in 2009, the majority of the Company's resources have been devoted to R & D activities allowing the Company to have two drug candidates innovative in development, Imeglimin and PXL770, first representatives of their respective therapeutic class, Glimins and AMPK activators.

To be successful in its R & D activities, the Company relies on several key factors:

- A team primarily made of researchers and developers, who all have a significant experience in the pharmaceutical industry. Each member of this team is encouraged to develop and innovate within the Company, so that they may contribute positively to the development of the Company. This concerns not only the inventions of new drug candidates, but also any improvement to an existing product (by a new formulation for example), a method of synthesis of this product, or to a clinical study design. Every innovation discovered within the Company belongs to it, in return for fair remuneration of inventors.
- A business-oriented R & D strategy: from the beginning of the elaboration of the strategy, a qualitative market analysis is performed to confirm that the innovation, which will be the result of the strategy, will meet an unmet need of that market and present an interesting profitability profile (industrial scale-up studies with Merck Serono before the spin-off). Of course this has been implemented at the initiation of the two Imeglimin programs and direct AMPK activators within the Company, and this analysis is regularly updated to ensure that innovation continues to meet the market need.
- Qualified and experienced subcontractors: once the R & D strategy is developed, a requirements specification is developed to enable the R & D strategy's implementation by one or more subcontractors (Contract Research Organization, Academic, Centre Hospital-Universitaires). Several subcontractors who have recognized expertise in the concerned field are contacted and a selection is made based on previously defined objective criteria (integrating quality aspects, successful experience, cost and timing). If necessary, several meetings with the subcontractor, audits can also be made to ensure the realization of the concerned activity meets the requirement specifications.
- Reliance on scientific counsel made up of recognized experts, to analyze the results obtained and discuss R & D next steps.

The Company has established three committees of experts:

i. A Scientific Committee composed of 6 members , diabetologists and opinion leaders recognized in the United States and Europe, who are involved in the analysis of the clinical results obtained since the origin of the Company and make recommendations on future studies to achieve. These members are:

   - Professor Harold Lebovitz: Harold is currently professor of medicine at SUNY Health Science Center in Brooklyn (USA) , where he also previously served as chief of the Division of Endocrinology and Director of the Clinical Research Center

- Professor Michaela Diamant Michaela is currently an Associate Professor of Endocrinology and scientific director of the Diabetes Center, University Medical Center (VUMC) in Amsterdam, Netherlands.

- Professor Michael Roden: Michael is an endocrinologist, Professor of Medicine and Director of the Metabolic Diseases Department Heinrich Heine in Düsseldorf, Germany. He is also scientific director of the German Diabetes Centre (DDZ) , and director of the Karl Landsteiner Institute for Endocrinology and Metabolism , in Vienna, Austria.

- Professor Silvio Inzucchi: Silvio is currently professor of medicine at Yale University of Medicine in New Haven (USA), where he serves as Director of Clinical Endocrinology of the section, and attending physician at Yale-New Haven Hospital, where he is director of the diabetes Centre.

- Professor Guntram Schernthaner: Guntram serves as head of the Department of Medicine at the Rudolfstiftung hospital in Vienna, Austria.

- Professor Clifford Bailey: Clifford is professor and director of the research on diabetes at Aston University in Birmingham (England).

ii. A committee of clinical experts 'Japan' that will eventually be composed of at least 6 members, diabetologists and opinion leaders recognized in Japan, who make recommendations on product development strategy in Japan and will take part in the analysis of clinical results of studies conducted in Japan. When Korean patients will also be recruited in the trials conducted by the Company, diabetologists and Korean opinion leaders will be included in the Scientific Committee. As at the date of this *document de référence*, this committee has two members, who aim at strengthening it with new experts:

- Professor Kasuga: Masato is currently President of the National Center for Global Health and Medicine, based in Tokyo, Japan.

- Professor Ueki: Kohjiro is currently Professor at the University of Tokyo, Japan, in the diabetology department.

iii. A committee of experts "new formulation" 4 members, experts in pharmaceutical development, participating in the development of a new innovative formulation of Imeglimin. These members are:

- Professor Alain Dufour: Associate Professor of Biopharmaceutics and Biodynamic Pharmacokinetics at René Descartes University Faculty of Pharmacy Paris 5 and former coordinator of galenic development at Sanofi ;

- Jean- René Kichel: former head of pharmaceutical development of Aventis ;

- Luc Grislain: head of pharmaceutical development and industrial manufacturing of health products for Bertin Pharma ; and

- Xavier Salancon: former head of pharmaceutical development of Fournier Pharma.

Finally, ad hoc experts are frequently mobilized for the development of the products of the Company:

- Expert in bio-energy: Professor Eric Fontaine;
- Expert in toxicology: Professor Gerd Bode;
- Regulatory Expert: Mark Cerpial; and
- Quality expert: Claire Castello - Bridoux.

11.2. Patents and patents applications

11.2.1. General presentation

Intellectual property is a major issue for Poxel as it helps to protect and promote the discoveries made by the Company and thus to place Poxel as major actor in the treatment of type 2 diabetes among all pharmaceutical groups.

Poxel owns 17 patent families, which concern its two main programs, Imeglimin and AMPK activators, whose most advanced drug candidate is PXL770. In addition, the Company has a license on 23 families of patents owned by Merck Serono (including 22 still in force) concerning both the two main programs of Poxel, but also other programs for the treatment of diabetes. The license on the patents held by Merck Serono is granted to the Company for the duration of patents, subject to the execution by the Company of its contractual obligations.

Poxel's patent portfolio can be separated into three groups:

- patents to protect Imeglimin ;
- patents relating to AMPK activators ;
- patents to protect Poxel's other programs: GLP- 1 agonists , FXR agonists , Glucokinase activators and inhibitors of 11 -beta- Hydroxysteroid Dehydrogenase Type 1. These programs are still in the research phase.

Among these three groups, several subgroups exist: products patents, synthesis process patents, association patents and new therapeutic applications patents.

The patents portfolio of Poxel includes patents that the Company owns, license patents held by Poxel, as well as jointly owned patents.

The company holds several patents alone or jointly or has been leased by Merck Serono the right to use patents in order to conduct its activities. Details of such patents are available on public data bases.

11.3. COLLABORATION, RESEARCH, SERVICES AND LICENSE AGREEMENTS GRANTED BY THE COMPANY OR CONCEDED TO IT

See section 22.1 "Agreement with Merck Serono" of this document de reference for a detailed description of the agreement enterd into with Merck Serono.

11.4. Other elements of the intelectual property

The Company holds the following Poxel word marks:

- Mark n°3718962 registered in France;
- Mark n° 3964725 registered in the United States;
- International mark n°1036175, designating Switzerland and Japan.

The logo and the attached slogan of Poxel are protected in France under the figurative mark n°3719440:

Poxel has the URL of its website: www.poxelpharma.com.

Moreover, Poxel also has the following domain names:

poxel.com	imeglimin.be	Imeglimin.be
	imeglimin.biz	Imeglimin.biz
	imeglimin.eu	Imeglimin.eu
	imeglimin.fr	Imeglimin.fr
	imeglimin.info	Imeglimin.info
	imeglimin.net	Imeglimin.net
	imeglimin.org	Imeglimin.org

The marks n°3718962 registered in France, n°3964725 registered in the United States and the figurative mark n°3719440 (logo and attached slogan of Poxel) are subject to a pledge as a guarantee of the amounts due under the Venture Loan Agreement entered into with Kreos (see section 22.2 « Venture Loan with Kreos Capital IV (UK) Limited » of this *document de référence* for a detailed description of the said agreement).

12. TREND INFORMATION

12.1. Principal trends since the close of the last financial year

During 2016 first months, the following information were provided by the company:

12.1.1. Press release of January 5, 2016: the Company presents the half-year report of liquidity contract entered into with ODDO Corporate Finance

Under the liquidity contract granted by Poxel to ODDO Corporate Finance, on December 31st, 2015, the following assets appeared on the liquidity account:

- Number of shares: 6,351 securities
- Cash balance of the liquidity account: €200,172.66

During the last biannual review, the following assets appeared on the liquidity account:

- Number of shares: 12,116 securities
- Cash balance of the liquidity account: €126,570.97

During the implementation of this agreement, the following assets appeared on the liquidity account:

- Number of shares: 0 securities
- Cash balance of the liquidity account: €250,000

12.1.2. Press release of January 28, 2016: the Company announces its cash position and its turnover in 2015

POXEL today announced its cash position and its turnover for the fiscal year 2015.

As of December 31st, 2015, the cash and cash equivalents amounted to €42.4 million* compared to €10.3 million on December 31st, 2014.

As expected, Poxel did not generate significant revenues in 2015.

These figures are consistent with the Company's expectations and its growth strategy, which remains focused on the clinical development of its diabetes drug candidates Imeglimin and PXL770.

*unaudited

12.1.3. Press release of February 1, 2016: the Company announces the appointment of Jacques Bourque and Pierre Legault to the Board of Directors

Poxel today announced the addition of Janice Bourque, Managing Director of Hercules Technology Growth Capital, and Pierre Legault, President and CEO of Nephrogenex Inc, to its Board of Directors.

Both appointments were approved by Poxel's shareholders at the Annual Shareholder Meeting held in Paris last Friday, January 29, 2016.

"We welcome both Janice and Pierre as North American biotechnology industry leaders who will help us expand our strategic vision for Poxel's corporate development," said Thomas Kuhn, CEO of Poxel. "Poxel benefits from an outstanding network of scientific, financial and pharmaceutical experts across the EU, Japan and US who support us in moving our type 2 diabetes product candidates towards commercialization."

Janice Bourque has been Managing Director, Life Sciences at Hercules Technology Growth Capital, a technology and life science specialty finance company, since 2010. During this time she helped early and expansion stage biotechnology companies to secure financings with investments ranging from $10 million to $60 million per company. Prior to this, she was a consultant at Commons Capital where she advised and provided strategic corporate investor fundraising. From 2005 to 2009 she was the Senior Vice President and Group Head-Life Sciences at Comerica Bank in Dallas, Texas. Janice was also President and CEO of the Massachusetts Biotechnology Council, the oldest biotechnology trade association in the world, where she was instrumental in its growth since 1992. She currently serves as Board member and Audit Committee Chair at The Village Bank and is an Emeritus member of the Leadership Council for MIT Koch Institute for Integrative Cancer Research. Janice graduated from the University of New Hampshire with an MBA in Finance and Accounting.

Pierre Legault joins Poxel with over 35 years of experience working in the pharmaceutical and biotechnology industry. Since 2012, he has been the Executive Chairman and later became President and CEO of NephroGenex, a North Carolina-based biotechnology company focused on diabetic nephropathy and acute kidney injury. He was responsible for the company's successful IPO to the Nasdaq in 2014 as well as the inititation of a Phase 3 development program. From 2010 to 2012, he was President and CEO of Prosidion Ltd, which specialized in the treatment of diabetes and obesity. In 2009/2010, he was Executive Vice President, Chief Financial Officer and Treasurer of OSI Pharmaceuticals. From 2006 to 2007, Pierre was President of Eckerd Pharmacies. Between 1989 and 2005 he held various roles at legacy companies of Sanofi-Aventis, leading up to the position as Worldwide President Dermatology/Dermick which he held from 2003 to 2005. Pierre studied International Finance, Business & Commerce and earned an MBA in Marketing from McGill University in Montreal, Canada. Additionally, he completed the Executive Masters Program for InfoTechnology & Services at Havard Business School and he is a CPA.

12.1.4. Press release of March 4, 2016: the Company announced its invitation to the 28th annual conference of the ROTH bank

POXEL today announced that the Company will make a presentation at the 28th Annual ROTH Conference to be held on March 13 - 16, 2016 at the Ritz Carlton Hotel, Dana Point, California.

The Company's management will present on Tuesday, March 15, 2016 at 12:00 p.m. PT / 3:00 p.m. EST/ 9:00 p.m. CET.

The simultaneous live webcast, including a slide presentation, can be accessed by logging onto http://wsw.com/webcast/roth30/register.aspx?conf=roth30&page=poxel.pa&url=http://wsw.com/webca st/roth30/poxel.pa/index.aspx or on the Poxel website at www.poxel.com.

A replay of the webcast will be available on Poxel's website shortly after the conclusion of the call and will be archived there for 30 days following the call.

12.1.5. Press release of March 9, 2016: the Company reaffirms its eligibility for the PEA – PME for 2016-2017

POXEL réaffirme aujourd'hui son éligibilité au dispositif PEA-PME pour les 12 mois à venir, conformément au Décret n°2014-283 du 4 mars 2014 pris pour l'application de l'article 70 de la loi n° 2013-1278 du 29 décembre 2013 de finances pour 2014, fixant les critères d'éligibilité des entreprises au PEA-PME.

Les investisseurs peuvent continuer à intégrer les actions de POXEL au sein des comptes PEA-PME, dispositif dédié à l'investissement dans les petites et moyennes valeurs, bénéficiant des mêmes avantages fiscaux que le PEA classique.

12.1.6. Press release of March 14, 2016: the Company announces the appointment of Jonae R. Barnes as Senior Vice President, Investor Relations and Public Relations, based in Boston

POXEL today announced that Jonae R. Barnes has joined the Company as Senior Vice President, Investor Relations and Public Relations. Ms. Barnes will be based in the Boston area, a leading area in drug development and innovation.

"We are delighted to welcome Jonae to Poxel in a senior leadership role as we continue to advance the Company and build our US presence," said Thomas Kuhn, CEO of Poxel. "Jonae has a strong track record of raising the visibility and helping to build successful pharmaceutical and biotechnology companies in the US, and has a long history of working with the financial community. Jonae will be teaming up with Noah Beerman to help build our footprint in the US and will work closely with the leadership team headquartered in France."

"Poxel is at an inflection point as the Company continues to advance its lead drug candidate Imeglimin, for the treatment of type 2 diabetes, into late-stage trials and move forward with its Phase 1 program for PXL770, another first-in-class drug candidate," commented Ms. Barnes. "I am excited to work with the experienced team at Poxel as the Company approaches multiple key data readouts anticipated over the next 12 to18 months."

Ms. Barnes has 20 years of experience in the pharmaceutical and biotechnology industry. Her experience in strategic investor and corporate communications spans the full life cycle of drug development and commercialization. She began her career at Sepracor (now Sunovion Pharmaceuticals; acquired by Dainippon Sumitomo Pharma Co. for approximately $3 billion in 2009), a specialty pharmaceutical company, where she held a series of progressively responsible management and executive roles over a 14-year period and most recently served as Senior Vice President, Investor Relations, Corporate Communications and Internal Communications. Ms. Barnes has also served in senior leadership roles at Agenus, an immuno-oncology company and Vision Medicines, an ophthalmology-focused company. In addition to her corporate appointments, Jonae has advised privately held and publicly traded biotech companies through her investor relations consulting practice in the therapeutic areas of respiratory disorders, infectious diseases, IBS, diabetes and oncology. Jonae holds a bachelor's degree in political science from Suffolk University and master's degrees in financial economics and multinational commerce from Boston University.

12.1.7. Press release of March 29, 2016: the Company announces the US certification of the patent covering PXL770, a direct activator of AMP Kinase for the treatment of type 2 diabetes and related diseases

Poxel today announced that the U.S. Patent and Trademark Office (USPTO) has granted the patent (US patent number US- 9,284,329) filed by Poxel covering direct AMPK activators. This patent includes Poxel's second lead product candidate PXL770 for the treatment of type 2 diabetes as well as other indications. PXL770 is a first-in-class product candidate and is currently in a Phase 1 trial.

AMPK, or adenosine monophosphate-activated protein kinase, is a well established sensor and regulator of cellular energy homeostasis and plays an important role in liver metabolism, which is implicated in type 2 diabetes. Poxel presented promising preclinical results for PXL770 at the World Congress on Insulin Resistance, Diabetes and Cardiovascular Diseases in Los Angeles in November 2015, in which an improvement in glycemic control and lipid profile was observed. A Phase 1 trial is underway with the aim of evaluating safety, pharmacokinetics, target engagement and efficacy biomarkers. Preliminary results from this study are expected to be available in the second half of 2016.

"This addition to our IP portfolio is an important step forward for our second lead product candidate, PXL770, and further strengthens our position with respect to type 2 diabetes," said Thomas Kuhn, CEO of Poxel. "We believe that AMPK activation is an important mechanism for the treatment of metabolic disorders, such as type 2 diabetes, and we are focused on advancing our PXL770 program to benefit patients."

The patent includes 10 claims covering the new AMPK activating compounds, the compositions containing them as well as the potential indications, and is valid through 2033. With the addition of this new patent, Poxel has broadened its overall patent portfolio to include 39 patent families worldwide.

12.1.8. Press release of April 1, 2016: the Company announces its 2015 annual results and presents its latest perspectives

Poxel today announced the results for its fiscal year ended December 31, 2015 and provided a corporate update. As of year-end, the cash and cash equivalents amounted to €42.4 million.

"We achieved significant clinical, regulatory, financial and corporate milestones during 2015, including additional mechanistic and Phase 2 efficacy and safety data for Imeglimin, which were presented to key regulatory authorities in anticipation of launching our Phase 3 programs. We also broadened our clinical portfolio in type 2 diabetes by advancing our direct AMPK activator, PXL770, into a Phase 1 study," said Thomas Kuhn, CEO of Poxel. "Additionally, we have continued to build a strong management team and board of directors, and strengthened our balance sheet by completing two major financing events. We look forward to 2016 as we continue to advance the Company and the development of our two first-in-class drug candidates."

Highlights 2015:

Imeglimin

- Over the course of 2015, Imeglimin, Poxel's lead drug candidate successfully completed several Phase 2 and Phase 2b clinical trials, further supporting Imeglimin's favorable safety profile and providing additional efficacy data. The results of these trials were presented at major medical meetings, supporting the competitive profile of this novel first-in-class oral drug candidate for the treatment of type 2 diabetes. These results were also presented to key regulatory authorities, including the United States Food and Drug Administration (FDA) and the Japanese Pharmaceuticals and Medical Devices Agency (PMDA), providing the Company with additional visibility into the design of Phase 3 programs to support future regulatory submissions in the US and Japan.
- The clinical data as well as additional preclinical data presented in 2015 further demonstrated Imeglimin's dual mechanism-of-action, increasing insulin secretion in response to glucose and improving insulin action.
    - During clinical trials, Imeglimin was observed to restore the mitochondria respiratory chain dysfunction resulting in the improvement of insulin and glucose sensing in the target tissue.
    - During a Phase 2b trial a statistically significant reduction was observed in glycated hemoglobin levels, indicating a promising risk/benefit ratio.

- The Company achieved several important milestones in developing Imeglimin for the Asian market.
    - During a Phase 1 trial in Japanese subjects, Imeglimin was observed to be safe and well-tolerated with a pharmacokinetic profile that was comparable to results shown in Caucasians, enabling the potential for accelerated development of Imeglimin in Asia.
    - Poxel initiated a Phase 2b trial, which is being supported by a Japanese Scientific Advisory Board, helping to guide the ongoing regulatory interactions and clinical development plans.

PXL770

- Poxel made significant progress with its direct AMPK activator drug candidate, PXL770, during 2015. PXL770 directly activates AMPK, an enzyme that acts as an energy sensor and regulator, maintains cellular homeostasis, and therefore has the potential to play an important role in the management of diabetes. In November 2015, Poxel presented the first preclinical data for PXL770 at the World Congress on Insulin Resistance, Diabetes and Cardiovascular Diseases in Los Angeles.
    - In an obese type 2 diabetes mouse model, PXL770 was observed to improve glucose tolerance and normalized plasma and liver triglycerides.
    - The data showed that increased AMPK activity could be measured in both liver and muscle, further demonstrating target engagement in vivo.
    - Together, the results elucidate PXL770's mechanism-of-action and demonstrate its potential as a novel oral agent for the treatment of type 2 diabetic patients with added benefits on lipid abnormalities.
- In early 2016, the Company initiated a Phase 1 study in healthy volunteers. The single ascending dose trial will enroll healthy male subjects who will receive placebo or one of the eight planned dose levels of PXL770. The study is on track and over a third of the subjects have been enrolled.
- Most recently, Poxel announced that the U.S. Patent and Trademark Office (USPTO) has granted the patent (US patent number US-9,284,329) filed by Poxel covering direct AMPK

activators. This patent includes Poxel's second lead product candidate PXL770 for the treatment of type 2 diabetes as well as other indications.

Corporate

- Poxel raised €26.8 million through its IPO on the Euronext Paris in February 2015.
- The Company raised an additional €20 million through a successful international private placement in July 2015, which included predominantly healthcare-focused investors based in the United States and Europe.
- Poxel signed a licensing agreement with ENYO Pharma, a biopharmaceutical company focused on developing treatments for acute and chronic viral infections. Under the terms of the agreement, ENYO will have access to Poxel's FXR (farnesoid X receptor) agonist compounds for infectious disease with therapeutic indications such as hepatitis B, while Poxel retains rights for other indications including cardiovascular and metabolic diseases.
- The Company further strengthened its management team through the appointment of Noah D. Beerman as Executive Vice President, Business Development and President of Poxel's US Operations and Dr. Yohjiro Itoh to lead clinical and regulatory operations in Asia. The Company also welcomed Jonae R. Barnes as Senior Vice President, Investor Relations and Public Relations, based in the US.
- The Company expanded its Board of Directors by appointing four new independent Board members welcoming Richard Kender (US), Pascale Boissel (France), Janice Bourque (US) and Pierre Legault (US). Levée de 26,8 M€ lors d'une introduction en

Financial Statements for the 2015 Financial Year (IFRS standards)

Poxel's revenues for 2015 were €59 thousand (2014: no revenues). Poxel devotes the bulk of its resources to research and development (R&D). The corresponding R&D costs presented below are net of the R&D Tax Credit (CIR) that resulted in income of €1.9 million in 2015. The variance from 2014 to 2015 is mainly driven by the increased R&D costs for PXL770 (approximately €1.3 million), as well as clinical activities in respect to Imeglimin, particularly in Japan.

The increase in general and administrative (G&A) costs mainly resulted from non-recurrent costs directly related to the Euronext IPO and increased personnel costs related to the Company's ongoing R&D programs, particularly in Japan and in the US.

In 2015, financial charges were mainly driven by interest expenses linked to the, whereas 2014 was impacted by the fair value of Merck Serono debt. This Merck Serono debt has now been offset against a dedicated share capital increase at the IPO in February 2015. The net result for the financial period ending December 31, 2015 showed a net loss of €12.2 million, as expected, compared to a net loss of €14.1 million in the previous year. On December 31, 2015, the cash and cash equivalents amounted to €42.4 million (compared to €10.3 million on December 31, 2014).

Condensed Income Statement (consolidated)
In thousand €

	31 Dec 2015	31 Dec 2014
Turnover	**59**	**-**
Net research and development expenses	(7 319)	(5 017)
General and administrative expenses	(4 462)	(1 878)
Operating loss	**(11 721)**	**(6 895)**
Financial expenses	(909)	(7 258)
Financial income	388	72
Net loss	**(12 242)**	**(14 081)**

Number of shares and voting rights as of December 31, 2015:

Month	Date	Total number of shares outstanding	Total of theoretical voting rights (1)	Total of exercisable voting rights (2)
December	12/31/2015	19,482,394	19,482,394	19,476,043

(1) The total number of theoretical voting rights (or "gross" voting rights) is used as the basis for calculating the crossing of shareholding thresholds. In accordance with Article 223-11 of the AMF General Regulation, this number is calculated on the basis of all shares to which voting rights are attached, including shares whose voting rights have been suspended.

(2) The total number of exercisable voting rights (or "net" voting rights) is calculated without taking into account the shares with suspended voting rights, in this case, shares held by the Company in the context of a liquidity contract agreement with ODDO.

12.1.9. Press release of April 18, 2016: the Company announces the appointment of Pierre Legault as Chairman of the Board of Directors

Poxel today announced that Pierre Legault has been appointed the new Chairman of the Board of Directors. Mr. Legault joined Poxel's Board of Directors in February 2016 and will succeed Dr. Thierry Hercend, who will continue to support Poxel as a member of its Board.

"We are delighted to welcome Pierre as our new Chairman of the Board. His diverse experience and expertise will be instrumental as we seek to advance to late-stage development with our lead drug candidate Imeglimin in type 2 diabetes, and further expand our strategic vision for the Company," said Thomas Kuhn, CEO of Poxel. "I would also like to thank Thierry for his support and numerous contributions over the last seven years, serving as Chairman since Poxel's inception in 2009. Thierry has been a tremendous leader of our Board and we are very pleased that he will remain as a member of the Board during the Company's next phase. With the recent addition of new Board members, it was the right time to pass the torch over to Pierre."

"I am pleased to become Chairman of the Board during an exciting and transformational time. The management team and Board of Directors are dedicated to developing novel, first-in-class therapies

for patients. I am looking forward to working closely with Poxel's management and Board as we continue to advance the company," said Mr. Legault.

"Poxel has transitioned from early-stage research to later-stage development. Over the past year, the recent additions to the management team and Board are designed to strengthen and broaden the industry experience as the Company advances to its next phase. We are delighted to have attracted such talented and seasoned professionals," said Dr. Hercend.

Mr. Legault has over 35 years of experience working in the pharmaceutical and biotechnology industry. He is a member of the Board of Tobira Therapeutics (Chairman of audit committee), Iroko Pharmaceuticals and NephroGenex. Over the cause of his career, Mr. Legault served as chief executive officer, president and chief financial officer of several public companies including Eckerd Pharmacies, NephroGenex, OSI Pharmaceuticals and Rite Aid and held several senior positions with Sanofi-Aventis and predecessor companies. Mr. Legault studied International Finance, Business & Commerce and earned an MBA in Marketing from McGill University in Montreal, Canada. Additionally, he completed the Executive Masters Program for InfoTechnology & Services at Havard Business School and he is a CPA.

12.1.10. Press release of May 4, 2016: the Company announces it is considering an IPO in the US

Poxel today announced that it plans to conduct a registered initial public offering in the United States.

The timing, number of securities and price of the proposed offering have not yet been determined.

This announcement is being made pursuant to and in accordance with Rule 135 under the Securities Act of 1933. As required by Rule 135, this press release does not constitute an offer to sell or the solicitation of an offer to buy securities, and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

12.1.11. Press release of May 5, 2016: the Company announces its cash position for the first quarter of 2016

Poxel today announced its cash position for the first quarter 2016.

As of March 31, 2016, unaudited cash and cash equivalents were €37.3 million, as compared to €32.8 million as of March 31, 2015.

As expected, Poxel did not generate significant revenues in either the first quarter of 2016 or 2015. These figures are consistent with the Company's expectations and its growth strategy, which remains focused on the clinical development of its diabetes drug candidates Imeglimin and PXL770.

12.1.12. Press release of May 17, 2016: the Company announces that it will present preclinical data on Imeglimin during the 76th Congress of the American Diabetes Association (ADA)

Poxel today announced that two abstracts have been accepted for poster presentations, which include a moderated poster discussion session, at the American Diabetes Association's 76th Scientific Sessions, held June 10 – 14 in New Orleans, Louisiana.

Poster Information

Abstract #1197-P
Title: "Imeglimin Improves Insulin Sensitivity in an Adult STZ Rat Model"
Session Name: 12-E Clinical Therapeutics/New Technology–Oral Agents
Date, Time & Location: Sunday, June 12, 2016, 12:00 PM - 2:00 PM, the Poster Hall

Abstract #1081-P
Title: "Imeglimin Increases Insulin Secretion in Response to Glucose as a Unique Mechanism of Action Depending on NAD Synthesis"
Session Name: 12-E Clinical Therapeutics/New Technology–Oral Agents
Date, Time & Location: Sunday, June 12, 2016, 12:00 PM - 2:00 PM, the Poster Hall.
In addition, this poster has also been selected to be showcased in the moderated poster discussion session "The Oral Agent Pipeline – Which Will Be the Next New Class of Therapies?" on Monday, June 13, 2016 1:00 PM - 2:00 PM.

Poxel will announce the results through a press release right after the data presentations.

12.2. Known trends, uncertainties, engagement requests and events reasonably likely to affect the prospects of the Company

None

13. PROFIT FORECASTS OR ESTIMATES

The Company does not communicate any profit forecast or estimates.

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

14.1. General information on founders, management and directors

Until 23 June 2010, the Company was incorporated as a French limited liability company (*société par actions simplifiée).*

At the shareholders' meeting on June 23, 2010, it was resolved to convert the Company to a French *société anonyme* with a board of directors and for the Company to adopt new rules of governance.

A descriptive summary of the main provisions of the bylaws of the Company and the internal rules of the Board of Directors and specialized Committees are set out respectively in Sections 21.2 "Incorporation act and bylaws" and 16.3 "Specialized Committees " of this *document de référence.*

14.1.1. Executive Officers and Directors

At the date of this *document de référence*, the Board of Directors of the Company is composed as set foth in the table below:

NAME	AGE	POSITION(S)
Executive Officers		
Thomas Kuhn, Pharm.D.	42	Chief Executive Officer and Director
Eric Massou	45	Chief Financial Officer
Sébastien Bolze, Ph.D., Pharm.D.	43	Executive Vice President, Early Development and Pharmacometrics
Pascale Fouqueray, Ph.D.	53	Executive Vice President, Clinical Development and Regulatory Affairs
Pascale Malgouyres	54	Executive Vice President, Commercialization Development and Corporate Communication
Noah Beerman	54	Executive Vice President, Business Development and President, U.S. Operations
Non-Employee Directors		
Pierre Legault [(1)(2)]	55	Director and chairman of the Board
Thierry Hercend, Ph.D. [(2)]	63	Director
Mohammed Khoso Baluch [(2)]	58	Director and chairman of the Remuneration Committee
Pascale Boissel [(1)]	49	Director and chairman of the Audit Committee
Richard Kender	60	Director and chairman of the Business Development Committee
Janice Bourque [(1)]	59	Director
Olivier Martinez, Ph.D., [(1)(3)]	45	Director
Bruno Montanari, Pharm.D. [(1)(4)]	42	Director
Raphaël Wisniewski [(2)(5)]	45	Director

(1) Member of the Audit Committee.
(2) Member of the Remuneration Committee.
(3) As a representative of Bpifrance Investissement, the legal entity that holds this Board seat.
(4) As a representative of Omnes Capital, the legal entity that holds this Board seat.
(5) As a representative of Edmond de Rothschild Investment Partners, the legal entity that holds this Board seat.

Directors are appointed for a renewable period of 3 years. The Chairman is appointed for the duration of his directorship.

The business address of the Chairman of the Board of Directors and the CEO is the registered office of the Company.

The business address of the other Directors are:

- Mr. Thierry Hercend: 13, rue Lobineau - 75006 Paris;
- Edmond de Rothschild Investment Partners: 47, rue du Faubourg Saint-Honoré – 75008 Paris;
- OMNES CAPITAL (formerly Crédit Agricole Private Equity): 37-41, rue du Rocher – 75008 Paris;
- Bpifrance Investissement (anciennement CDC Entreprises): 6-8 boulevard Haussmann – 75009 Paris;
- Mr. Mohammed Khoso Baluch: Gemslaan 6 Overijse 3090, Belgium;
- Ms Pascale Boissel: 19 rue La Boétie -Paris (75008);
- Mr. Rich Kender: 951 Kimball Avenue Westfield, NJ 07090 USA;
- Ms Janice Bourque: Hercules Technology Growth Capital 31 St. James Avenue, Suite 790 Boston, MA 02116 (USA).

The expertise and experience in the management of these people results from the different employees and management functions they perform and have previously performed (see section 14.1.4 of this *document de référence*).

There are no family ties between the people listed above.

Over the last 5 years, none of these people:

- has been convicted of fraud;
- has been associated in his capacity as officer or director in a bankruptcy, receivership or liquidation;
- has been subject to a prohibition to manage ; or
- has been subject to incriminations or official public sanctions from statutory or regulatory authorities.

14.1.2. Other current corporate offices

At the date of this *document de référence*, the other current corporate positions held by the members of the Board of directors are:

Names	**Companies**	**Nature of the mandate or the duties**
Pierre Legault	NephroGenex Iroko Pharmaceuticals Tobira Pharmaceuticals Stone Management Inc.	CEO and Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors CEO
Thomas Kuhn	None	

Names	**Companies**	**Nature of the mandate or the duties**
Thierry Hercend	Oncoethix Edmond de Rothschild Investment Partners	Member of the Board of Directors Venture Partner
Edmond de Rothschild Investment Partners Représentant permanent Raphaël Wisniewski	Genticel Cellnovo Group SA/ Cellnovo Ltd Axonics Inc Axonincs Europe SAS Chase Pharmaceuticals Inc ReViral Ltd Edmond de Rothschild Investment Partners	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors CEO Member of the Board of Directors Partner
OMNES CAPITAL Représentant permanent Bruno Montanari	Eye Tech Care SA Gecko Biomedical SAS iTeos Therapeutics SA Novate Medical Ltd. Themis Bioscience GmbH Xention Ltd. Xention Pharma Ltd. Complix NV Enterome SA BioGeneration Ventures BV OMNES CAPITAL	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Supervisory Board Member of the Board of Directors Member of the Board of Directors Censor of the Board of Directors Censor of the Board of Directors Member of the Advisory committee Partner
Bpifrance Investissement Représentant permanent Olivier Martinez	Genticel Fab Pharma Innate Pharma Cerenis Therapeutics Alizé Pharma Adocia Bpifrance Participations	Member of the Supervisory Board Member of the Excecutive Committee Censor of the Supervisory Board Censor of the Board of Directors Member of the Board of Directors Member of the Board of Directors Investment Manager for the following funds: Innobio and Bioam for BPIFrance Investissements
Mohammed Khoso Baluch	None	
Richard Kender	Seres Therapeutics Abide Therapeutics	Member of the Board of Directors Member of the Board of Directors

Names	Companies	Nature of the mandate or the duties
	INC Research	Member of the Board of Directors
Pascale Boissel	Bioaster French Technology Institute Association	Deputy CEO – Head of Finance and Administration Treasurer
Janice Bourque	Hercules Capital The Village Bank Springboard Enterprises TBS Technologies LLC Koch Institute for Integrative Cancer Research, MIT Forsyth Institute Crystal Lake Conservancy Hyde Community Center 173 Lincoln St Condo Association Commodore Builders	Managing Director, Life Sciences Member of the Board of Directors Member of the Life Science Committee Member of the Advisory committee Member of the Leadership Counsel Member of the Leadership Counsel Co-Chairman Member of the Leadership Counsel Trustee Member of the Board of Directors

14.1.3. Other corporate offices held during the last 5 financial years but having come to an end

At the date of this *document de référence*, the other current corporate offices held by the members of the Board of directors during the last five financial years but having come to an end are:

Names	Companies	Nature of the mandate or the duties
Pierre Legault	Prosidion Ltd OSI Pharmaceuticals, Inc. Forest Laboratories NPS Pharmaceuticals Regado Biosciences Oreo Real Estate Semprae	CEO and Chairman of the Board of Directors Vice president, Chief Financial Officer & Treasurer Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors
Thomas Kuhn	None	

Names	**Companies**	**Nature of the mandate or the duties**
Thierry Hercend	Cytomics	Member of the Supervisory Board
	U3	Member of the Board of Directors
	Genticel	Chairman of the Supervisory Board
	Complix	Member of the Board of Directors
	Inotrem	Chairman of the Board of Directors
	Gamamabs	Chairman of the Board of Directors
Raphaël Wisniewski as representative of Edmond de Rothschild Investment Partners	Novagali	Member of the Supervisory Board
	Biospace Lab	Member of the Board of Directors
	MDX Health	Member of the Board of Directors
	Pamgene	Member of the Board of Directors
	Pangenetics	Member of the Board of Directors
	Vessix Vascular	Member of the Board of Directors
	Vessix Vascular Europe	President
	EOS imaging	Member of the Board of Directors
	Implanet	Member of the Board of Directors
Personally	Regado Biosciences Inc.	Member of the Board of Directors
	Cellnovo Ltd	Member of the Board of Directors
	Edmond de Rothschild Investment Partners	Member of the Management Board
Bruno Montanari en tant que représentant d'OMNES CAPITAL	EOS Imaging S.A.	Director then censor
Personally:	Cytheris S.A.	Member of the Supervisory Board
	Ario Pharma Ltd. (ex. Provesica Ltd.)	Censor
	Amakem	Member of the Board of Directors
	Medisse BV	Observer
	Ophthakem NV	Member of the Board of Directors
	Opsona Therapeutics Ltd.	Observer
Olivier Martinez as representative of Bpifrance Investissement	Cerenis Therapeutics	Member of the Board of Directors
Personally	Cytheris	Chairman of the Supervisory Board

Names	Companies	Nature of the mandate or the duties
Mohammed Khoso Baluch	Vedim Pharma S.A. (Espagne)	Manager
	UCB Pharma S.A. (Espagne)	Manager
	UCB Inc. (Etats-Unis)	Member of the Board of Directors, Senior vice President and President of the European region
	UCB Pharma Ab (Suède)	Chairman of the Board of Directors
	UCB A.E (Grèce)	Chairman of the Board of Directors
	UCB Pharma A.S (Norvège)	Chairman of the Board of Directors
	UCB Pharma Sp. z.o.o. (Pologne)	Chairman of the Management Committee
	UCB Pharma Ltd	Member of the Board of Directors
	UCB	Vice president and president of the EMEA UCB region
Richard Kender	Merck & Co., Inc.	Senior Vice-President
Pascale Boissel	Ipsogen	Chief Financial Officer
Janice Bourque	None	

14.1.4. Biographies of the Directors

Pierre Legault
Chairman of the Board of Directors

Pierre Legault has served as a member of our board of directors since January 2016 and became chairman on March 31, 2016. He has over 35 years of experience working in the pharmaceutical and biotechnology industry. Since 2012, he has served as the Executive chairman and, since 2013, has served as the chairman and Chief Executive Officer of NephroGenex, a biotechnology company. From 2010 to 2012, he served as the chairman and Chief Executive Officer of Prosidion Ltd., which specialized in the treatment of diabetes and obesity. From 2009 to 2010, he served as the Executive Vice President, Chief Financial Officer and Treasurer of OSI Pharmaceuticals. From 2006 to 2007, Mr. Legault served as the President of Eckerd Pharmacies. Between 1989 and 2005, he held various roles, such as chairman and Chief Financial Officer, at legacy companies of Sanofi-Aventis. Mr. Legault holds an M.B.A. in Marketing from McGill University and a Bachelor from HEC (France) and is also a C.P.A.

Thomas KUHN
Chief Executive, Director

Thomas Kuhn, Pharm.D., has served as our Chief Executive Officer and a member of our board of directors since 2010. Mr. Kuhn began his career with Merck KGaA in 2000 where he held various positions in clinical development, largely in the area of diabetes and was responsible for forging partnerships with Japanese pharmaceutical companies. Between 2004 and 2007, Mr. Kuhn directed Merck's global research and development projects with two products in Phase 2 clinical trials and life cycle management projects including for Glucophage®, the current reference in diabetes treatment. Following Merck's acquisition of Serono in 2007, he was involved in refining Merck Serono's strategy where he led the project to transfer the diabetes assets to Poxel S.A.

Mr. Kuhn holds a pharmacy degree from the University of Lyon I (France) and an M.B.A. from Ashridge Business School (United Kingdom).

Thierry HERCEND
Director

Thierry Hercend, Ph.D., has served as a member of our board of directors since 2010. Dr. Hercend has over 30 years of experience in both academia and the pharmaceutical industry, in various therapeutic areas including oncology and inflammatory diseases. Since 2006, he has held the position of venture partner at Edmond de Rothschild Investment Partners. From 2002 to 2005, Dr. Hercend was vice president in charge of the oncology therapeutic area at Aventis. From 1998 to 2002, he was Vice President of Research, Europe at Vertex Pharmaceuticals. Previously, Dr. Hercend was Head of Research and Development for the Laboratory of Plasma Fractionation and Biotechnology (LFB) and held various executive research and development positions with Roussel-Uclaf.

Prior to joining the pharmaceutical industry, Dr. Hercend was Head of the Hemato-Immunology Unit of the Gustave Roussy Cancer Institute, Villejuif, France, Director of Inserm Unit U333 with a focus on tumor immunology and Professor of Immunology at the Medical Faculty of Paris XI University.

He has authored more than 120 publications in oncology, autoimmune diseases and transplantation.

Raphaël WISNIEWSKI
Permanent representative of Edmond de Rothschild Investment Partners, Director

Raphaël Wisniewski has served as a member of our board of directors since 2010. He has been at Edmond de Rothschild Investment Partners since 2001 and is a partner in the life sciences venture team. He currently serves on the board of directors of several European and U.S. life sciences companies on behalf of Edmond de Rothschild Investment Partners. Prior to joining Edmond de Rothschild Investment Partners in 2001, Mr. Wisniewski spent several years in London working for the hospital group General Healthcare Group and in the corporate finance practices of Salomon Smith Barney and Goldman Sachs.

Mr. Wisniewski holds a Master in Economics from the Institut d'Etudes Politiques de Paris and a Master in Management from HEC (Paris).

Bruno MONTANARI
Permanent representative of OMNES CAPITAL, (formely Crédit Agricole Private Equity)
Director

Bruno Montanari, Pharm.D., has served as a member of our board of directors since 2010. Since 2010, he has worked on the Omnes Capital venture capital team. From 2004 to 2009, Mr. Montanari served as a Principal at Atlas Venture and, from 2002 to 2003, as an Investment Director at CDP Capital Technology Ventures. Dr. Montanari began his career in 1999 in London with Deutsche Bank and later Merrill Lynch as a member of the Investment Banking teams covering the European pharmaceutical and biotech sectors.

Mr. Montanari holds a Pharm.D. from Paris V and a Master from HEC (Paris).

Olivier MARTINEZ
Permanent representative of Bpifrance Investissement, (formely CDC Entreprises)
Director

Olivier Martinez, Ph.D., has served as a member of our board of directors since 2010. He has served as a Senior Investment Director in the Life Sciences Division of Bpifrance since 2013. From 2010 to 2013, Dr. Martinez served as an Investment Director within CDC Entreprises. From 2000 to 2010, he served as a Partner at Bioam Gestion.

Prior to joining Bioam Gestion, Dr. Martinez spent two years working on healthcare projects in the Life Science Group of Gemini Consulting. From 1992 to 1997, he pursued his doctoral studies in cell biology at the Pasteur and Curie Institutes in Paris.

Dr. Martinez is an alumnus of the Ecole Normale Supérieure and he holds a Ph.D. in cell biology from the University of Paris XI and an M.B.A. from the Collège des Ingénieurs.

Mohammed KHOSO BALUCH
Independant director

Mohammed Khoso Baluch has served as a member of our board of directors since 2012. He recently retired from UCB, Inc., a global biopharmaceutical company, having served since 2008. His most recent position was Senior Vice President and President, Europe, Middle East and Afria region. From 1984 to 2008, Mr. Baluch worked for Eli Lilly & Co. for 24 years, holding international positions spanning Europe, the Middle East and the United States in general management, business development, market access and product leadership. From 2002 to 2008, Mr. Baluch served as Vice President of U.S. Diabetes and Family Health Business during his tenure at Eli Lilly. Mr. Baluch previously served as a member of the board of the Juvenile Diabetes Research Foundation, Indiana Chapter, the American Diabetes Association National Industry Advisory Board and the World Federation of Advertisers Executive Committee. Mr. Baluch holds a B.S. from City University London and an M.B.A. from Cranfield University.

Rich Kender

Independant director

Rich Kender has served as a member of our board of directors since 2015. Mr. Kender joined Merck & Co., Inc. in 1978, and served as Merck's Vice President of Corporate Development from 1996 to 2000. In 2000, he was promoted to Sr. Vice President and his responsibilities were expanded to include Corporate Licensing and Worldwide Business Development, where he managed Merck's Mergers and Acquisitions, Licensing, Financial Evaluation and Analysis and Global Competitive Intelligence. Mr. Kender retired from Merck in September 2013. Mr. Kender currently serves on the board of directors and audit committees of Seres Therapeutics and INC Research, and on the board of directors of Abide Therapeutics. He holds a B.S. in Accounting from Villanova University and an M.B.A. from Fairleigh Dickinson University.

Pascale Boissel

Independant director

Pascale Boissel has served as a member of our board of directors since 2015. She is the Deputy-Chief Executive Officer and Head of Finance and Administration of BIOASTER, a French technology research institute, a position she has held since 2012. From 2009 to 2012, Ms. Boissel served as the Chief Financial Officer of Ipsogen, a molecular diagnostic company. She holds an M.B.A. from HEC (Paris) and is also a French C.P.A.

Janice Bourque

Independant director

Janice Bourque has served as a member of our board of directors since January 2016. She has served as the Managing Director, Life Sciences of Hercules Technology Growth Capital, a technology and life science specialty finance company, since 2010. From 2009 to 2010, Ms. Bourque served as a consultant to Commons Capital, where she advised and provided strategic corporate investor fundraising. From 2005 to 2009, she served as the Senior Vice President and Group Head-Life Sciences at Comerica Bank in Boston, Massachusetts. Ms. Bourque also held the position of President and Chief Executive Officer of the Massachusetts Biotechnology Council, the oldest biotechnology trade association in the world, where she was instrumental in its growth from 1992-2004. Ms. Bourque currently serves on the board of directors and audit committee of The Village Bank. Ms. Bourque holds an M.B.A. in Finance and Accounting from the University of New Hampshire.

14.2. Conflicts of interest at the administrative bodies and executive management level

The Chairman, the Chief Executive and the majoriy of Directors are shareholders, directly or inderctly, of the Company, and/or holders of secuirities granting access to capital (see sections 15.3 "Shares warrants and founder shares warrants" and 18 "principal shareholders" of this *document de référence*).

There are related parties agreements described in section 16.2 "service agreements between Directors and the Company" and 19.3 "Special report of the Statutory Auditors on the regulated agreements" of this *document de référence*.

As far as the Company is aware and subject to personal interests presented in section 16.2 "Service agreement between Directors and the Company" of this *document de référence*, there is no existing or potential conflict of interest between the duties in respect of the Company, and the private interests and/or other duties of the members of the administration, management and executive management bodies, as referred to in section 14.1 "General information relating to founders, executives and directors" in this *document de référence.*

As far as the Company is aware, there is no other deal or agreement entered into with shareholders, clients, suppliers or others pursuant to which one of the Directors or one of the Executives of the Company has been appointed, or providing a restriction applicable to the persons referred to in section 14.1 "general information related to founders, executives and Directors" of this *document de référence* concerning the disposal of their interest in the capital of the Company.

15. REMUNERATION AND BENEFITS

15.1. Compensation of directors and officers

The information is established by reference to the corporate governance Code for small and midcaps as it was published on December 2009 by Middlenext and validated as a reference code by the AMF *(Autorité des Marchés Finaciers).*

The tables under the "AMF Position – Recommendation n°2009-16" of April 13th, 2015 are presented below.

The following table sets out the compensation and benefits of the Directors for the financial years 2014 and 2015. The change of the Chairman of the Board of Directors having happened on March 31st, 2016, the elements related to the compensation of Mr Legault are not mentioned in this *document de référence*, neither are those relating to the compensation of Mrs Bourque, appointed as independent director by the general meeting of the shareholders on January 29th, 2016.

Tables 1: Tables summarizing the compensation and the share warrants (BSA) and the founder share warrants (BSPCE) granted to each executive director.

	YEAR ENDED DECEMBER 31,	
	2014	**2015**
	(€)	**(€)**
Thierry Hercend[(1)]		
Fees owed over the fiscal year	50,000	50,000
Value of multi-year variable compensation allocated during the fiscal year	—	—
Value of options allocated over the fiscal year	170,886	—
Value of bonus stock allocated	—	—
Total	**220,886**	**50,000**
Thomas Kuhn		
Compensation owed over the fiscal year	147,356	160,933
Value of multi-year variable compensation allocated during the fiscal year	—	—
Value of options allocated over the fiscal year	—	—
Value of bonus stock allocated	—	—
Total	**147,356**	**160,933**

Tables 2: Table summarizing the compensation of each executive director

The following tables show the compensation due to executive directors in respect of the financial years ended December 31st, 2014 and 2015 and the remuneration received by these people during these financial years.

	2014		2015	
	Amounts owed (1)	**Amount paid (2)**	**Amounts owed (1)**	**Amount paid (2)**
	€	**€**	**€**	**€**
Mr. Thomas Kuhn, CEO				
Fixed compensation	121,992	121,992	131,752	131,752
Variable compensation (4)	20,165	19,102	24,032	24,108
Contributions in-kind (5)	5,199	5,199	5,149	5,149
Exceptionnal compensation				
Attendance fees				
Total	**147,356**	**146,293**	**160,933**	**161,009**
Mr. Thierrey Hercend, Chairman of the Board of Directors				
Fixed compensation (3)	121,992	121,992	131,752	131,752
Variable compensation	20,165	19,102	24,032	24,108
Contributions in-kind	5,199	5,199	5,149	5,149
Exceptionnal compensation				
Attendance fees				
Total	**147,356**	**146,293**	**160,933**	**161,009**

(1) In respect of the financial year

(2) During the financial year

(3) The compensation of Mr. Hercend in respect of its consulting agreement amounted €12,500 excluding VAT per quarter in 2014 and 2015 (see sections 16.2.2 “consulting agreement with Thierry Hercend, Director and Chairman of the Board of Directors” and 19.3 “Special Report of the Statutory Auditors on the regulated conventions” of this *document de référence).*

(4) The remuneration of Mr. Kuhn is provided under his management agreement (see sections 16.2.1 "Management agreement with Thomas Kuhn, Director and CEO," 19.2 "significant agreements entered into with related parties" and 19.3 "Special Report of the Statutory Auditors on regulated conventions" of this *document de référence*)
Mr. Kuhn’s bonus (variable compensation) is based on a specific objectives plan (quantitative criteria and qualitative criteria), of which 85% corresponds to goals common to all employees and 15% to personal goals. These goals are mostly based on the timeliness of the completion of some clinical trials and the obtaining dilutive and non-dilutive financings.

(5) Benefits in kind correspond to the benefit of use of a vehicle.

Table 3: Table of attendance fees and other compensations received by non-executive directors

	AMOUNTS PAID DURING YEAR ENDED DECEMBER 31,	
	2014 (1)	2015 (1)
	(€)	(€)
Raphael Wisniewski, a representative designated by Edmond de Rothschild Investment Partners		
Attendance fees	—	—
Other	—	—
Bruno Montanari, a representative designated by Omnes Capital		
Attendance fees	—	—
Other	—	—
Olivier Martinez, a representative designated by Bpifrance Investissement		
Attendance fees	—	—
Other	—	—
Mohammed Khoso Baluch		
Attendance fees	22,500	25,000
Other	65,066	—
Pascale Boissel		
Attendance fees	—	30,000
Other	—	95,198
Richard Kender		
Attendance fees	—	39,000
Other	—	146,955

(1) The General Meeting of April 15th, 2014 decided to grant an allocation of attendance fees. The same day, the Board of Directors decided to grant to Muhammad Khoso Baluch attendances fees amounting to €22,500 in respect of the 2014 financial year, subject to his active participation in the Business Development Committee.

The General Meeting of January 8th, 2015 has decided to grant an allocation of attendance fees. The same day, the Board of Directors decided to grant to Rich Kender attendance fees amounting to €52,000 in respect of financial year 2015 as well as Mohammed Khoso Baluch, amounting €7,500 per quarter until the general meeting of 2016, subject to his active participation in the Business Development Committee.

On March 5th, 2015 the Board of Directors decided the grant of attendance fees to Pascale Boissel, amounting 7,500€ per quarter until the general meeting of 2016, subject to her active participation in the Audit Committee.

On April 29th, 2015 the Board of Directors decided the grant of attendance fees to Mohammed Khoso Baluch, amounting €40,000 from July 1st, 2015 in respect of financial year 2015 as Chairman of the Remuneration Committee and member of the Business Development Committee.

The amounts due by the Company pursuant to "Other compensations" to Mohammed Khoso Baluch, for the financial year 2014 are related to a services agreement between the Company and Mr. Baluch described in section 19.2 "Significant agreements entered into with related parties". This agreement was terminated upon appointment of Mohammed Khoso Baluch as Director of the Company.

The amounts due by the Company pursuant to "Other compensations" to Pascale Boissel and Rich Kender for the financial year 2015 are related to the valuation of share warrants which were granted to them during the financial year and which are described in section 21.1.4.1 "share warrants plan".

Mohammed Khoso Baluch, Pascale Boissel and Rich Kender will receive only attendance fees for financial year 2016.

Table 4: Share warrants (BSA) or founder shares warrants (BSPCE) granted to each executive director by the Company or any company of its Group during the financial years closed on December 31st, 2014 and 2015.

EXECUTIVE DIRECTOR	ALLOCATION DATE	TYPE OF WARRANT	VALUE OF WARRANTS ACCORDING TO BLACK & SCHOLES METHOD	NUMBER OF WARRANTS ALLOCATED	SUBSCRIPTION PRICE PER SHARE	EXPIRATION DATE
Thierry Hercend.....	Mar-12-2014	BSA	€91.14	1,875	€80.00	Oct-31-2022
Total.....				**7,375**		

Table 5: Share warrants (BSA) or founder shares warrants (BSPCE) exercised by each corporate director during the financial years ended on December 31st, 2014 and 2015

None

Table 6: Shares granted for free to each executive director during the financial years ended on December 31st, 2014 and 2015

None

Table 7: Shares granted for free that became available to each executive director during the financial years ended on December 31st, 2014 and 2015

None

Table 8: History of the allocations of share warrants (BSA) or founder shares warrants (BSPCE) granted to executive directors.

See tables in sections 21.1.4.1 "Share warrants plan" and 21.1.4.2 "BSPCE plan" of this *document de référence.*

Table 9: Share warrants (BSA) and founders share warrants (BSPCE) allocated to the first 10 non corporate officers recipient employees and warrants exercised by them.

	2015		2014	
	BSA ** €	**BSPCE €**	**BSA €**	**BSPCE * €**
Date of the Board of Directors	May-07-15			March-12-15
Weighted average price	9,62			64,00
Number of warrants granted during each of those financial years to the ten employees of the Group receiving the largest number of rights thus granted as of December 31, 2015	240 000	0	0	5 000
Number of warrants exercised during each of those financial years by the ten employees of the Group receiving the largest number of rights thus granted as of December 31, 2015	0	0	0	0

** Before taking in account the division of the nominal value of the share*

*** Concerns two non-employed foreign collaborators, within the meaning of French labor law*

150 BSPCE 31 10 2012 have been exercised by an employee during 2016 first quarter.

Table 10: Previous allotments of free shares.

None.

Table 11

The following table provides details about the conditions of compensation and other benefits granted to executive directors.

Executive officers	Employment contract		Supplementary pension plan		Compensation or benefits due or likely to be due on termination or change of function		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Thierry Hercend, Chairman of the Board of Directors and Director		X		X		X		X
	Date of start of term: General Meeting of March 28, 2014 (renewal) Date of end of term: General Meeting approving the financial statements on December 31, 2016							
Mr. Thomas Kuhn, CEO and Director		X		X		X		X
	Date of start of term: General Meeting of March 28, 2014 (renewal) Date of end of term: General Meeting approving the financial statements on December 31, 2016							

15.2. Provisioned or recorded amounts by the Company for the purpose of pension and retirement payments, and other benefits for directors and officers.

The Company did not take into account amounts for the purpose of pensions and retirements payments, nor any other benefits for corporate officers.

The company did not grant hiring nor severance bonus to any corporate officer.

15.3. Share warrants and founders share warrants

Director	Stock warrants to directors	stock warrants october 31, 2012	stock warrants july 25, 2014	stock warrants june 16, 2015	number of shares remaining
Thierry Hercend *Chairman of the Board*	4 500	2 875			147 500
Mohammed Khoso Baluch *Independent Director*		2 125			42 500
Richard Kender *Independent Director*			42 500		42 500
Pascale Boissel *Independent Director*				42 500	42 500
TOTAL	**4 500**	**5 000**	**42 500**	**42 500**	**275 000**

Note: see sections 21.1.4.1 "Share Warrants Plan" and 21.1.4.2 "BSPCE Plan" of this document de référence for details of the terms and conditions to exercise the different categories of BSA and BSPCE.

The number of shares, that may be issued at the result of its rights, is presented after division of the nominal value of the share by 20, decided on March 2014 by the General Assembly.

15.4. Elements of the compensation and benefits due or likely to be due owing to or after the termination of the duties of directors of the Company

None

15.5. Loans and guarantees granted to executives

None

16. OPERATION OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

16.1. Management of the Company

The Company is a public limited company with Board of Directors.

By a decision dated 23 June 2010, the Board separated the functions of Chairman and CEO. Since then, the Board of Directors has been chaired by Thierry Hercend. At a meeting of the Company's Board of Directors on 31 March 2016, Mr. Hercend resigned as Chairman of the Board and remains a director of the Company. Board members appointed Mr. Pierre Legault as the new Chairman of the Board as of that date.

Thomas Kuhn represents the Company vis-a-vis third parties in his capacity as Managing Director.

Details regarding the composition of the Board and of the expiration of terms for members of the Board are contained in section 14.1.1 "Composition of the Board of Directors" of this *document de référence*. During the year ended 31 December 2015, Rich and Kender Pascale Boissel were appointed as independent directors of the Company. Furthermore, at the General Meeting of 29 January 2016, Janice Bourque was appointed independent director of the Company.

During the year ended 31 December 2015, the Board of Directors of the Company met 16 times. The average of the Directors attendance rate is 92.19%.

16.2. Services agreements between directors and the Company

The Company is connected to certain executive directors pursuant to the following agreements (see also section 19 “Significant agreement entered into with related parties”).

16.2.1. Management agreement with Thomas Kuhn, Director and CEO

This agreement, previously authorized by the meeting of the Board of Directors on March 28, 2014, was entered into on March 28, 2014. It sets out the conditions for Thomas Kuhn in his capacity as CEO of Poxel by providing notably:

- limitations of powers;
- conditions related to the termination of duties, including by setting forth a 4 month advance notice that may be lifted by the Board of Directors in return for remuneration; and
- conditions of his remuneration decided by the Board of Directors on the recommendations of the Remunerations Committee.

The agreement was entered into for the term of office of Thomas Kuhn as CEO, without prejudice to the right of revocation vested in the Board. Therefore, the Board will not decide on the renewal of this agreement as long as the term of office of Thomas Kuhn continues.

Thomas Kuhn received benefits of €161,009 in respect of 2015.

16.2.2. Consulting agreement with Thierry Hercend, Director and Chairman of the Board of Directors until March 31, 2016

This agreement, authorized at a meeting of the Board of Directors on July 5, 2010 was entered into on July 1, 2010 and amended by amendment n°1 dated February 20, 2013. It sets out the conditions under which Thierry Hercend provides, upon a request by the Company, consulting on preclinical and clinical development strategy and business development activities, with the objective of promoting

the growth of the Company. Thierry Hercend abstained from voting in the deliberations of the Board of Directors having approved this agreement.

This agreement was entered into for an initial term of twelve months tacitly renewable for identical periods.

The services of Thierry Hercend are remunerated on the basis of a quarterly fixed lump sum of €12,500.

The amendment n°1 concluded on February 20, 2013, for a period of ten months and eleven days ending on December 31, 2013 provided that Thierry Hercend was to advise the Company on the definition and implementation of its financing strategy, for a period of 8 days covered by the said amendment. In consideration for these services, Thierry Hercend was paid a lump sum.

16.3. Specialized Committees

At its meeting of September 24, 2010 the Board of Directors decided to establish two specialized Committees in order to assist the Board of Directors in its work. The role and operating procedures of these Committees were clarified by Board of Directors on March 12, 2014 and are contained in its internal regulations adopted on March 12, 2014. Furthermore, the Board of Directors on April 15, 2014 decided to establish a third specialized Committee, the Business Development Committee.

16.3.1. Audit Committee

16.3.1.1. Objectives – Powers

The Audit Committee monitors issues relating to the preparation and the control of accounting and financial information and is responsible for making recommendations to the Board of Directors in its permanent mission of control of the management of the Company as required by law and the bylaws of the Company. It also issues recommendations in relation to the Statutory Auditors proposed for appointment by the general meeting or the body exercising a similar function.

Without prejudice to the powers of the Board of Directors, the Audit Committee is responsible for:

- the preparation of financial information;
- the effectiveness of internal control and risk management systems;
- the proper legal oversight of the preparation of the annual financial statements and consolidated financial statements by the statutory auditors; and
- the independence of the statutory auditors.

The objective of the Audit Committee is less about going into the details of the accounts and more about monitoring of the process for their preparation and assessing the validity of the methods chosen for processing significant operations.

In this context, the Audit Committee may examine the annual financial statements of the Company in the form that they are presented to the Board of Directors, hear the opinions of the Statutory Auditors and the finance director and receive communications in relation to their analysis, work and their conclusions. The Audit Committee also reviews the press releases presenting the financial information.

Audit Committee members have the same rights of information as those of Directors and may use external experts at the expense of the Company, having informed the Chairman of the Board of Directors or the Audit Committee, and must render any expert reports to the Board of Directors.

16.3.1.2. Composition – Remuneration

The Audit Committee is composed of at least two members. The members of the Audit Committee are appointed by the Board of Directors from members of the Board of Directors or third parties, excluding corporate directors. Members of the Audit Committee are appointed for a fixed period of time, which may not exceed the duration of their terms of office as Director and may be revoked by the Board of Directors. Appointments are renewable without limitation.

The Audit Committee may invite any person, internal or external to the Company, to take part in its meetings and its works.

Members of the Audit Committee must have finance or accounting skills.

The Chairman of the Audit Committee must be appointed by the Board of Directors.

Members of the Audit Committee receive no compensation other than attendance fees. Their duties on the Audit Committee may be taken into account in determining the allocation of such attendance fees.

As at the day of registration of this document, the members of the audit Committee are:

- Mrs Pascale Boissel (Chairman of the Audit Committee);
- Mr. Pierre Legault ;
- Mrs Janice Bourque ;
- Bpifrance Investissement, represented by Mr. Olivier Martinez ; and
- Omnes Capital, represented by Mr. Bruno Montanari.

Bpifrance Investissement and Omnes Capital were appointed during the meeting of the Board of Directors on September 24, 2010 and confirmed in their duties by the meeting of the Board of Directors on March 12, 2014.

The Audit Committee met three times during the 2015 financial year.

16.3.1.3. Operating procedures

The Audit Committee meets when the Chairman of the Audit Committee or of the Board of Directors considers it useful and in any case, at least twice per year, particularly before the publication of the financial statements. The Committee may be convened by any means 24 hours before the meeting by the Chairman of the Audit Committee or of the Board of Directors or any individual to whom one of them shall have delegated the necessary authority.

Meetings are chaired by the Chairman of the Audit Committee and, if absent, by another member designated by the Audit Committee.

One member of the Audit Committee may be represented by another Audit Committee member.

The Chairman of the Audit Committee regularly reports to the Board of Directors on the Audit Committee's work and immediately reports any difficulty encountered.

The Audit Committee's recommendations are adopted by simple majority; in the event of a split vote, the Chairman of the Audit Committee has a casting vote

Upon completion of each meeting, if the members deem it necessary, meeting minutes may be prepared. Minutes are signed by the Chairman of the meeting and at least one Audit Committee.

16.3.2. Remuneration Committee

16.3.2.1. Objectives – Powers

The Remuneration Committee makes recommendations to the Board of Directors in relation to the appointment of, and compensation for, corporate directors and senior managers, operational and functional management and internal profit sharing. In particular, the Remuneration Committee:

a) provides to the Board of Directors with recommendations in relation to gender balance on the Board of Directors, compensation, the retirement and social security system, retirement benefits, benefits in kind, pecuniary rights of management and corporate directors, allocation of BSPCE, bonus shares, stock warrants, stock options to employees, management, consultants or other partners, and where applicable with one of the Company's subsidiaries, in accordance with applicable law;

b) defines the methods used to set the variable portion of the compensation of the executive directors, and ensures that these methods are applied;

c) proposes a general policy for awarding BSPCE, free or performance shares, share warrants and determines the frequency for each category of beneficiaries;

d) reviews the procedures for dividing attendance fees among Board members;

e) expresses its opinion to the General management about the compensations of the main senior executives; and

f) discusses each independent director's qualifications upon his or her appointment and during the exercise of his or her term of office, as applicable.

Remuneration committee members have the same information rights as those of the directors.

16.3.2.2. Composition – Compensation

The Remuneration Committee is composed of at least two members. The Chairman of the Remuneration Committee and the Committee's members are appointed by the Board of Directors from members of the Board of Directors or third parties. Members are appointed for a fixed period of time, which may not exceed, their term of office and may be revoked by the Board of Directors. Their appointments are renewable without limitation. Corporate directors may also be appointed, however, individual corporate directors may not take part in deliberations concerning themselves.

The Remuneration Committee may invite any person internal or external to the Company, to attend its meetings and participate in its work.

The Committee Chairman is appointed by the Board of Directors.

If they are also directors, Remuneration Committee members shall not receive any compensation other than attendance fees. Their duties on the Remuneration Committee may be taken into consideration in determining the allocation of such attendance fees. If they are not directors, Remuneration Committee members may receive such compensation as may be approved by the Board of Directors.

As at the date of registration of this *document de référence*, the members of the Remuneration Committee are:

- Edmond de Rothschild Investment Partner, represented by Mr. Raphael Wisniewski;

- Bpifrance Investissement, represented by Mr. Olivier Martinez;
- Mr. Thierry Hercend; and
- Mr. Pierre Legault.

The Remuneration Committee met four times during the year ended December 31, 2015.

16.3.2.3. Operating procedures

The Remuneration Committee meets when the Chairman of the Committee or of the Board of Directors considers it useful and in any case, at least twice per year, particularly before the publication of the financial statements. The Committee may be convened by any means 24 hours before the meeting by the Chairman of the Remuneration Committee or of the Board of Directors or any individual to whom one of them shall have delegated the necessary authority.

Meetings are chaired by the Chairman of the Remuneration Committee and, if absent, by another member designated by the Remuneration Committee.

One member of the Remuneration Committee may be represented by another Remuneration Committee member.

The Chairman of the Remuneration Committee regularly reports to the Board of Directors on the Committee's work and immediately reports any difficulty encountered.

The Remuneration Committee's recommendations are adopted by simple majority; in the event of a split vote, the Chairman of the Remuneration Committee has a casting vote

Upon completion of each meeting, if the members deem it necessary, meeting minutes may be prepared. Minutes are signed by the meeting chairman and at least one Remuneration Committee.

16.3.3. Business Development Committee

16.3.3.1. –Objectives – Powers

The Business Development Committee prepares recommendations for the board of directors regarding customer development. In particular,

a) it makes recommendations concerning the major focuses of business development for the board of directors,
b) assists the Chief Executive Officer in implementing this policy,
c) analyzes the competitive environment, target markets and development opportunities, both in France and abroad and
d) analyzes our operations and prepares recommendations for their optimization.

16.3.3.2. Composition – compensation

The Business Development Committee is composed of at least two members. The Business Development Committee Chairman and members are appointed by the Board of Directors from members of the Board of Directors or third parties. They are appointed for a fixed period of time, which may not exceed, the term as director, and may be revoked by the Board of Directors. Corporate directors may also be appointed.

The Business Development Committee may invite any individual to participate in its meetings and works.

The Chairman of the Business Development Committee is appointed by the Board of directors.

If they are also directors, Business Development Committee members shall not receive any compensation other than attendance fees. Their duties on the Business Development Committee may be taken into consideration in determining the allocation of such attendance fees. If they are not directors, Business Development Committee members may receive such compensation as may be approved by the Board of Directors.

As at the date of registration of this *document de référence*, the members of this Business Development Committee are:

- Thomas Kuhn, Chief Executing Officer
- Thierry Hercend, Chairman of the Board of Directors
- Khoso Baluch, Independent Director
- Richard Kender, Independent Director

The Business Development Committee met ten times during the 2015 financial year.

16.3.3.3. Operating procedures

The Business Development Committee meets when the Chairman of the Business Development Committee or of the Board of Directors deems useful and at least four times per year. The Business Development Committee may be convened by any means 24 hours before the meeting, by the Chairman of the Business Development Committee or of the board of directors, or any individual to whom one of them shall have delegated the authority necessary for the convocation.

Meetings are chaired by the Business Development Committee chairman and, if absent, by another member designated by the Committee to chair the meeting.

One member of the Business Development Committee may be represented by another Business Development Committee member.

The Chairman of the Business Development Committee reports regularly to the board of directors on the Business Development Committee's work and shall immediately report any difficulty encountered.

The Business Development Committee's recommendations are adopted by simple majority and, in the event of a split vote, the Chairman of the Business Development Committee has the casting vote.

Upon completion of each meeting, if the members deem it necessary, meeting minutes may be prepared. These shall be signed by the Chairman of the meeting and at least one Business Development Committee member.

16.4. Non-voting board members

The Company has two non-voting board members:

- Thibaut Roulon, appointed on March 28th, 2014 for a three-year term
- Bpifrance Participations, appointed on July 25th, 2014 for a three-year term

In accordance with the Company's by-laws, the Company has an advisory board composed of a maximum of five non-voting board members, who may be appointed or dismissed at an ordinary shareholders' meeting, for a duration of three years. Their term of appointment ends at the end of the shareholders' meeting called to approve the financial statements from the previous financial year and held during the year in which the term expires.

Non-voting board members may be removed by a decision of the ordinary general meeting.

Non-voting board members are called to attend all of the meetings of the Board of Directors in the same way as directors and participate in the meetings of the Board of Directors in an advisory, non-voting, capacity. They have the same right to information as Directors.

They take part to meetings of the Board of Directors of the Company, with an advisory capacity, not a voting right.

16.5. Statement related to corporate governance

For the sake of transparency and public information, the Company conducted an overall reflection on corporate governance practices, particularly in view of the shares to trading on the Euronext market of Paris.

In particular, we refer to the Code of Corporate Governance for small and medium-sized firms as published in December 2009 by Middlenext and approved as the reference code by the AMF, as the principles contained in the Code are applicable to the organization, the size, the means and the shareholder structure of the Company. Particularly for the drafting of the report of the Chairman of the Board, provided by article 227-37 of the French commercial code.

The items listed below are part of a descriptive approach of the work already carried out by the Company. The Board of Directors consists of ten members, including the Chief Executive Officer. The composition of the Board of Directors is set out in section 14.1.1 "Membership of the board of director" of the *document de référence*"

The Company currently has five independent directors, as defined by the Middlenext Code of Corporate Governance, including Mohammed Khoso Baluch, Pascale Boissel, Janice Bourque, Richard Kender and Pierre Legault. These directors are considered independent because they:

- are not employed by nor an executive director of the Company, and have not been so in the past three years,
- are not important clients, suppliers, or bankers of the Company and do not represent a large part of the activity of the Company;
- are not reference shareholders of the Company,
- do not have any family connections to any executive director or reference shareholders of the Company;
- have not been an auditor of the Company in the last three years.

The Company considers that Mr. Pierre Legault fulfils the requirements to be an independent director, within the meaning of the Companies' Governance Code of Middlenext despite the fact that he is currently Chairman of the Board of Directors.

The internal regulations of the Board of Directors set out the principles guiding the composition of the Board. This document was adopted by the Board of Directors on March 12, 2014.

The internal regulations of the Board of Directors together with the specialized Committee it describes, meet the legislative and regulatory provisions, in the respect of the *Code the commerce* and of the Companies' Governance Code' of Middlenext.

The Board of Directors has established three Committees to assist the Board of Directors in its work: the Audit Committee, the Remuneration Committee and the Business Development Committee, each of which is described in section 16.3 "Specialized Committee" of this *document de référence*.

The Company already engaged or will engage shortly a reflection process on:

- the necessity to continue to comply with the rules regarding the composition of the Board of Directors, and to apply the principal of equal representation between men and women; and
- the improvement of the internal control procedures that were implemented for the work of the Board of Directors.

The following chart summarizes the position of the Company on each of the recommendations set out in the Companies' Governance Code of Middlenext:

Recommandations of the Middlenext Code	Adopted	Will be adopted as appropriate	Will not be adopted as appropriate
Executive power			
R2 Definition and transparency of the executives and corporate officers	X		
R3 Severance pay (Note 1)		X	
R4 Supplementary pension plans (Note 2)		X	
R5 Stock-options and free shares (Note 3)		X	
Spervisory power			
R6 Implementation of an internal regulation (Note 4)	X		
R7 Ethics of Board Members	X		
R8 Composition of Board members , presence of independent members	X		
R9 Choice of Directors	X		
R10 Terms of office of Board members	X		

R11 Information of the Board members	X
R12 Establishment of committees	X
R13 Board and committees meetings	X
R14 Remuneration of Directors	X
R15 Establishment of an evaluation of work of the Board (Note 5)	X

Note 1: No director of the Company currently has any severance pay. If such a compensation were to be implemented, the R3 recommendation would be followed.

Note 2: Even if currently no additional pension plans are implemented, the R4 recommendation aiming for a better transparency for shareholders would be followed if it was the case, if the Company were to implement such regimes.

Notes 3: The R5 recommendation will be adopted together with the allocation of stock-options or free shares to the directors of the Company (not scheduled at the moment).

Note 4: As at the date of the financial report, the Company did not make public its bylaws that the Board of Directors created, but is considering publishing these on the Company's website.

Note 5: As at the date of this document, the Board of Directors of the Company has not evaluated its working methods and its operation. This will be included in the Board's work plan during year 2016 as a self-assessment in accordance with internal regulations (paragraph 1.7). The results will be debated by the Board and will result in an action plan.

16.6. Internal control

The Company adopted the definition of internal control proposed by the *AMF*, according to which the internal control is a system implemented by the Company aimed at ensuring:

- compliance with laws and regulations;
- application of the instructions and guidelines set by the Executive Management;
- proper functioning of the Company's internal processes;
- reliability of the financial information; and,
- generally, contributes to the control of its activities, the effectiveness of its operation and the efficient use of its resources.

The Company continued the implementation during the financial year of an internal control process designed to "guarantee internally the relevance and reliability of the information used and disseminated in the activities of the Company".

However, all the internal control cannot provide an absolute insurance that the objectives of the Company will be achieved, or that the risk of error or fraud will be totally controlled or eliminated.

Components of internal control

The internal control mechanism relies on an organization that clearly identifys the responsibilities, accounting standards, resources and procedure implemented. Since its incorporation, the Company has been formulating an Assurance Quality system, in order to collect the documents and control

already in place, update them, ensure their consistency and strengthen them when needed. Processes of all the fields of activity are described by procedures, operating modes, notices and forms. These written documents describe the activities, define the means and liabilities of the stakeholders, indicate the know-how of the Company and give precise instructions in order to execute an operation.

All stakeholders of the Company are involved in the internal control system.

Procedures related to the operating process

All of the documentation related to quality control is registered on a specially-dedicated intranet, which facilitates improved access to documents and permanent adaptation to the changes in the activity (life-cycle management of documents). The objective is a continuous quality improvement, operating, management and support process of the Company and the Group.

The quality assurance system covers the following fields:

- quality assurance, health and safety, risk management ;
- administrative, legal, social and financial fields, including internal controls. It is planned to also include communication and rules related to the Euronext listing of the Company; and
- pharmaceutical, pre-clinical and clinical research and development.

Organization of the finance and accounting department

The finance function is internally managed by the Chief Financial Officer.
The accounting function is performed with the assistance of a chartered accountant. The Company is committed to maintaining a separation between its production supervision activities of its financial statement and engages independent expert for the valuation of complex accounting items (pension obligations, valuation of the share warrants / founder's share warrants) and/or requiring subjective assumptions.

Payroll and tax audits are carried out by a chartered accountant.

The financial statements prepared in accordance with French and IFRS standards with the assistance of an accounting firm, are subject to an audit by the auditors of the Company.

The finance department reports directly to the Chief Executive Officer.

Budget process and "monthly reporting"

The accounting system implemented by the Company is based on French accounting standards. An annual budget is drawn up by the Company, as well as "monthly reporting", that includes an operating account, a balance sheet and cash flow forecasts. These components are presented to the Executive Committee and to each of the Board of Directors. The Company monitors the budget precisely.

Delegation of power

Each executive responsible for an activity has a delegation to develop and negotiate purchases of goods or services. The actual signing of the order is by the General Management (or the Chief

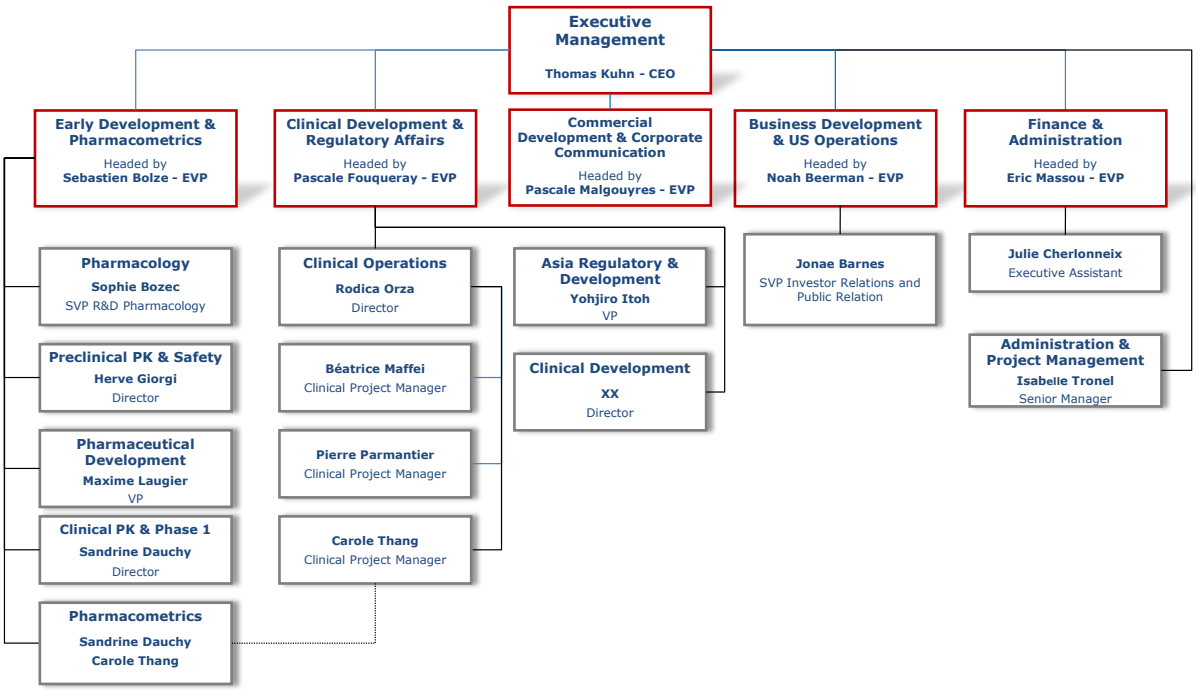
Financial Officer, on instruction form the General Management). Requests for the purchase of goods/services or pre-clinical or clinical studies agreements (which are treated as requests for the purchase of goods, because they are specific to each study) are then reconciled with the invoices and the delivery notes for the goods before approval for payment.

Bank payments are systematically counter-signed by two people. Most of the payments are transfers validated by a double electronic signature. This system ensures a systematic archiving of the transactions and allows the tracking of the signatories, the bank contact details of the suppliers and a comprehensive ex-post audit if needed.

17. EMPLOYEES

17.1. Number of employees and breakdown by function

17.1.1. Organization chart



Organization chart as at March 31st, 2016

The average workforce reached 14 employees in 2015, as compared to 12 employees in 2014. It is presented in note 17 to the financial statements prepared in accordance with IFRS in Section 20.1 "IFRS fiancial statements prepared for the financial year ended on December 31, 2015"of this *document de référence.*

17.1.2. A lean structure, led by an experienced executive committee composed of highly qualified personnel

To ensure the development of its products, the Company relies on a dynamic, highly qualified team, with significant experience in large pharmaceutical groups.

As at the date of this document, the Company employs 18 people, including a corporate officer three under contract and 14 permanent contracts. More than 80% of the workforce is allocated to research and development activities, the remaining 20% being allocated to business development operations and the administrative and financial management. The workforce includes one doctor, 5 pharmacists, 4 PhD (some of whom are also doctors or pharmacists), two scientists, an accountancy graduate and an administrative manager. The team is composed of 7 men and 11 women.

An executive committee of 6 people runs the Company. Members of the executive committee collectively have an expertise that covers the value chain necessary to the development of a new

drug. They all have held senior responsibility positions in large groups, with, for most of them, a key experience in the diabetes franchise of renowned pharmaceutical laboratories.

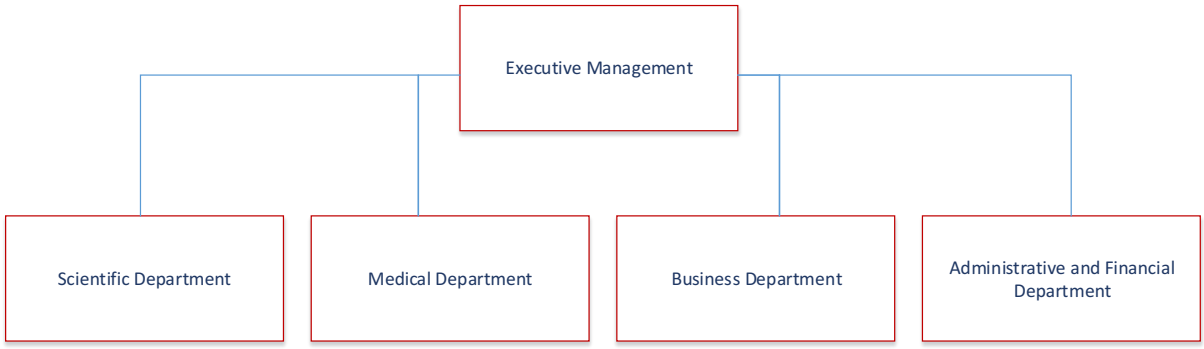
	Thomas KUHN, Co-Founder and CEO Pharm. D. (Lyon – France) & MBA (Ashridge – UK) 15 years of experience in the pharmaceutical industry (Generics UK and Merck Serono) Directed the Diabetes strategy and development in Merck Serono (developing products and marketed), before directing the divestment of R&D assets, leading to the creation of Poxel on the basis of a licensing agreement with Merck Serono.
	Eric MASSOU, Administrative and Financial Director Graduate accountancy & EM Strasbourg Business School (Finance) & Business Economics and Social Studies (Trinity College Dublin - Erasmus) 21 years of experience in management and corporate finance 10 years of experience at E&Y and Mazars in legal and financial audit and 7 years in the financial department of a European industrial group specializing in the production of plastic packaging.
	Pascale FOUQUERAY, Co- Founder and Medical Director Doctor of Medicine (Angers,France), Endocrinologist (Paris - France) & Doctor of Sciences (Paris , France) 14 years experience in the pharmaceutical industry (Merck Serono) Head of exploratory clinical development of molecules in diabetes, obesity and gout at Merck Serono, especially strategies to improve understanding of the mechanisms of action and to achieve proof of concept in terms of efficacy.
	Sebastien BOLZE, Co-Founder and Scientific Director Doctor of Pharmacy (Lyon - France) & PhD in pharmacokinetics and metabolism 15 years experience in the pharmaceutical industry (Merck Serono ; Fournier Pharma, Solvay Pharmaceuticals) Head of several departments: ADME, global multidisciplinary unit of preclinical candidates selection (up to 120 ETP in 3 countries) Contributed to many research projects and numerous product development in metabolic diseases (type 2 diabetes, dyslipidemia, atherosclerosis).
	Pascale MALGOUYRES, Co- Founder and Director of Business Doctor of Pharmacy (Lyon - France) & clinical pharmacokinetic DEA (Industrial Pharmacy Institute - Lyon - France) 28 years experience in the pharmaceutical industry (Eli Lilly & Co. , Procter & Gamble Pharmaceuticals, Anphar -Roland and Merck Serono) Led the deductible Diabetes franchise of Merck Serono (marketing & sales)

	having achieved a global turnover of €350 million before divesting Has developed an international network around major pharmaceutical Laboratories (licensing, business development & alliances) and opinion leaders.
	Sophie BOZEC, Co- Founder and Director Diabetes Research Doctor in Biology (Paris 7 - France) 16 years experience in the pharmaceutical industry (Lipha / Merck Serono) Head of a diabetes research team and managed transversal research projects at Merck Serono before becoming involved in the creation and development of Poxel.

This team is supporter by scientific advisors including renowned experts in diabetology, clinical development and new formulations in order to gather their views on the results obtained during the development of the products of the Company, as well as the next R & D steps. The composition and the role of these scientific advisors are set out in section 11.1 "Research and development" of this *document de référence.*

17.1.3. Organization of operations

Four departments manage the operations of the Company:



- **Scientific Department:** Composed of 3 people, the scientific department defines the strategy for non-clinical research and development, defines the design of studies to be performed and then organizes and manages the subcontracting of these studies. The department relies on a network of subcontractors and academic teams for these studies. The department continually develops and maintains the network in order to have a close relationship with the teams and good reactivity. The scientific direction also strives to ensure a level of quality ad hoc for the studies conducted (GLP, GMP, GCP). It has all the necessary skills in chemistry, manufacturing, analytical, packaging, pharmacology, pharmacokinetics and toxicology, internally or through external consultants. It also uses a network of international experts to challenge its strategy and design of her studies. It works closely with the medical direction to provide it with the necessary support in the design and completion of clinical trials, pharmacokinetic and/or mechanistic, in order also to ensure a good transition from preclinical to clinical.

- **Medical Department:** Composed of 5 people, the medical department defines the clinical development strategy in partnership with the scientific and business directions. The department establishes the design of studies to be performed, taking into account the objectives and constraints while making sure of the feasibility. The department selects all subcontractors and control their activities during the completion of clinical studies, by making sure that they are conducted in compliance with the good clinical practices. Finally the medical department analyzes in detail the results, which will then be submitted to a committee of international experts selected by the Company for discussion and validation before any external exploitation.

- **Business Department:** Pascale Malgouyres has extensive knowledge of all global and regional actors in the type 2 diabetes market. She relies on a third party company specialized in business development relationships and takes part in all of the partnership fairs. She is also in charge of corporate communications of the Company and scientific communication in connection with a press release company and a medical publishing company.

- **Administrative and Financial Department:** Composed of 2 people, the administrative and financial department manages the routine accounting and financial transactions, forecasts and anticipates cash needs by seeking adequate resources for the realization of projects undertaken by the Company, controls the costs and structures administrative procedures to minimize the financial risk factors detailed in section 4 of this *document de référence.*

17.2. Interests and stock options for executives

Reference is made to section 15 "REMUNERATION AND BENEFITS " of this *document de référence.*

17.3. Participation of the employees in the capital of the Company

Some employees hold BSPCE that can grant them a 1.19% interest in the capital in case of full exercise (see section 21.1.4.1 "Share Warrants Plan" and 21.1.4.2 "BSPCE Plan" of this *document de référence).*

17.4. Profit sharing and incentive agreements

None.

18. MAJOR SHAREHOLDERS

18.1. Share capital and voting right distribution

As at the date of this *document de référence*, and in accordance with Article L. 233-13 of the French commercial code, as far as the company is aware, the structure of the ownership and the identity of shareholders directly or indirectly holding more than one twentieth, one tenth, three twentieths, one fifth, one quarter, one third, half, two thirds, eighteen twentieths or nineteen twentieths of the capital or voting rights at general meetings is as follows:

Shareholders	Shares total	Voting rights	% Capital	% Voting rights
Thomas Kuhn	1.500.080	1.500.080	7,68 %	7,68 %
Fonds Edmond de Rothschild Investment Partners[1]	4.401.406	4.401.406	22,54 %	22,54 %
BPIfrance Investissement (FCPR Innobio)	2.481.263	2.481.263	12,70 %	12,70 %
BPIfrance Participations	1.696.976	1.696.976	8,69 %	8,69 %
Sub-total BPI	*4.178.239*	*4.178.239*	*21,39 %*	*21,39 %*
Fonds OMNES CAPITAL	1.627.456	1.627.456	8,33 %	8,334 %
Merck Serono	1.088.531	1.088.531	5,57 %	5,57 %
Subtotal of the shareholders holding more than 5% of the capital	**12.795.712**	**12.795.712**	**65,51 %**	**65,514 %**
Other managers	1.499.920	1.499.920	7,68 %	7,68 %
JP Morgan Asset Management (UK) Limited	924.725	924.725	4,73 %	4,74 %
Family shares	6.351	0	0,03 %	-
Public	4.304.520	4.304.520	22,04 %	22,05 %
Total	**19.531.228**	**19.524.877**	**100 %**	**100 %**

[1] FCPR Biodiscovery 3 holds a 17.63% stake.

As far as the Company is aware, there are no other shareholders holding directly or indirectly, alone or in concert more than 5% of the capital or voting rights at the date of this report.

See section 21.1.4 "Convertible or exchangeable securities or with warrants attached to it" of this *document de référence* for details on conditions for conversion of the convertible bonds and exercise of the BSA and BSPCE and in section 21.1.7.1 “Table of evolution of the capital over the last two financial years” for a detailed presentation of the increase in capital.

18.2. Significant shareholders not represented on the Board of directors

As at the date of this *document de référence*, Merck Serono is a significant shareholder non-member of the Board of Directors of the Company as indicated above.

18.3. Recent operation on the share capital of the Company

During 2015 financial year, several transactions modifying the capital occurred:

- On February 6, 2015, the Company was listed on Euronext Paris, in compartment C. The gross profit of the issuance was approximately €26.8 million. The resulting capital increase was €80,624.96 corresponding to the creation of 4,031,248 new shares of €0.02 par value.
- On February 6, 2015, the Company recognized the exercise by Merck Serono of its 1,088,531 share warrants (BSA MS) in as many new ordinary shares at an exercise price of €4.00. This price was paid by offsetting the debt recognized in the accounts of the Company. It resulted in a capital increase of €21,770.62, corresponding to the creation of 1,088,531 new shares of €0.02 par value, which new amount then stood at €271,933.74.
- On July 24th, 2015, the Company made a private placement of €20 million to institutional investors in the United States and Europe. US investors accounted for 91% of this investment. The offering price was set at €11.35, reflecting a discount of 10.9% on the weighted average price of the last twenty trading sessions on Euronext Paris. Following the private placement, 1,762,793 new shares were issued with a par value of €0.02, representing 10% of the capital of the Company, with a capital increase of €35,000 and a share premium of €19,972,000. The costs of the transaction were €1,598,000 and were recognized as a reduction of the share premium as at December 31st, 2015. The capital of Poxel was €387,814.56 following this operation.
- On October 28th, 2015, Kreos Capital IV (UK) Ltd exercised 45,833 share warrants at an exercise price of €4 per warrant, representing a capital increase of €916.66 with a share premium of €182,415. The capital of Poxel was €388,731.22 following this operation.
- On November 6th, 2015, Kreos Capital IV (UK) Ltd exercised 45,833 share warrants at an exercise price of €4 per warrant, representing a capital increase of €916.66 with a share premium of €182,415. The capital of Poxel amounted to €389,647.88 following this operation.

Since the close of the financial year, the following operations modifying the capital occurred:

- On February 9th, 2016, Kreos Capital IV (UK) Ltd exercised 45,834 share warrants at an exercise price of €4 per warrant, representing a capital increase of €916.68 with a share premium of €182,419. The capital of Poxel was €390,564.56 following this operation.
- On February 17th, 2016, an employee exercised 150 founder share warrants corresponding to 3,000 common shares at an exercise price of €3.2, representing a capital increase of €60 with a share premium of €9,540. The capital of Poxel was €390,624.56 following this operation.

18.4. Voting rights of the main shareholders

As at the date of this *document de référence*, the voting rights of each shareholder are equal to the number of shares held by each of them.

The General Meeting of January 8th, 2015 decided to delete the automatic double voting right as provided by the law No. 2014-384 of March 29th, 2014 to regain the real economy (called "Florange" law).

18.5. Control of the Company

As at the date of this document de référence, no shareholder individually has either the control of the Company, nor a percentage likely to assume control of the Company within the meaning of the provisions of Article L. 233-3 of the French commercial code.

18.6. Agreement that may result in the change of control

No particular provision of the bylaws, any chart or any rules of the issuer may result in delaying, deferring or preventing a change of control.

18.7. Agreements between the shareholders that the Company has knowledge of and that may result in restrictions on the transfer of shares and in the exercise of the voting rights

Conservation commitment of the founders and key managers and/or directors of the Company

On January 21st, 2015, all managers and/or directors of the Company, holders of shares and/or share warrants and/or founder share warrants irrevocably undertook to Société Générale and Oddo & Cie not to do any of the following, without the prior written and joint consent of Société Générale and Oddo & Cie:

1) offer, grant a pledge, a privilege, a security or other rights of any kind on the securities, loan (except for the share loan, if any, made for the purposes of the over-allocation – greenshoes – as part of the IPO), sell, transfer, commit to sell or transfer, acquire, grant an option or a right to sell or otherwise transfer or dispose of, in any way or in any form whatsoever, (including through a market transaction, private placement to investors or private sale), directly or indirectly, any share or any security granting access, immediately or in the future, to shares, upon exercise, conversion, exchange, reimbursement or by any other way; or

2) make any short sale, enter into any financial agreement or other agreement designed to, or reasonably likely to result in or lead to the sale or the transfer of any share or any security granting access, immediately or in the future, to shares upon exercise, conversion, exchange, redemption or by any other way; or

3) enter into any financial agreement or other agreement the purpose or effect of which is to transfer to anyone, in whole or in part, any economic attribute of the ownership of the shares or any security or right granting access, immediately or in the future, to shares upon exercise, conversion , exchange, reimbursement or by any other way; or

4) enter into any transaction, of any form and any kind, with an economic effect equivalent to the transactions described in paragraphs 1), 2) or 3) above; or

5) publicly announce its intention to realize any of the transactions described in paragraphs 1), 2), 3) or 4) above,

until the expiration of a period of 360 calendar days from the settlement date of the shares of the Company as part of its IPO, for 100% of their shares held; including, in each case, the shares that may be issued prior to the IPO, pursuant to the conversion of all preference shares into ordinary shares and, if applicable, the shares that may be issued upon exercise or conversion of any security or right

(including share warrants and founder share warrants); it is pointed out that as an exception to what was stated above, each of the managers and/or directors of the Company may freely:

- bring his shares to a takeover bid on the shares of the Company; and
- transfer any new share he may obtain pursuant to the IPO or acquire any share of the Company on the market after the settlement date of the IPO.

Those commitments expired on February 5th, 2016.

Conservation commitment of the financial shareholders of the Company

On January 21, 2015, each of the financial shareholders of the Company irrevocably undertook to Société Générale and Oddo & Cie not to do any of the following, as at the signing date of the conservation commitment, including, in each case, shares that may be issued prior to the IPO, pursuant to the conversion of all preference shares into ordinary shares and, if applicable, shares that may be issued upon exercise or conversion of any security or right (including share warrants and founder share warrants) and during each of the periods set out below, without the prior written and joint consent of Société Générale and Oddo & Cie:

1) offer, grant pledge, privilege, security or other right of any kind on shares, loan (except for any shares loan referred to in the exceptions below), sell, transfer, commit to sell or transfer, acquire, grant an option or a right to transfer or otherwise transfer or dispose of, in any way or in any form whatsoever (including by market transaction, private placement to investors or private sale), directly or indirectly, any share or any security or right granting access, immediately or in the future, to shares, upon exercise, conversion, exchange, reimbursement or by any other way; or

2) make any short sale, enter into any financial agreement or other agreement designed to, or reasonably likely to result in or lead to the sale or the transfer of any share or any security granting access, immediately or in the future, to shares upon exercise, conversion, exchange, redemption or by any other way; or

3) enter into any financial agreement or other agreement whose purpose or effect is to transfer to anyone, in whole or in part, any economic attributes of the ownership of the shares or any security or right granting access, immediately or in the future, to shares upon exercise, conversion , exchange, reimbursement or by any other way; or

4) enter into any transaction, of any form and any kind, with an economic effect equivalent to the transactions described in paragraphs 1), 2) or 3) above; or

5) publicly announce its intention to realize any of the transactions described in paragraphs 1), 2), 3) or 4) above,

whether the said transaction is made or entered into for a price paid in shares, in cash or otherwise; it is noted that the conservation commitment will cover:

- 100% of the shares until the expiry of a period of 180 calendar days following the date of settlement of shares as part of the IPO;
- 66.66% of shares until the expiry of a period of 270 calendar days following the date of settlement of shares as part of the IPO; and
- 33.33% of shares held until the expiration of a period of 360 calendar days from the date of settlement-delivery of shares under the IPO.

It being specified that, as an exception to what was stated above, each of the financial shareholders may freely:

- tender the shares held to a takeover bid on the shares of the Company;
- sale any shares that they subscribe for as part of the IPO or acquire any shares of the Company on the market after the date of settlement of the IPO ;
- transfer any share or any securities or rights giving access, immediately or in the future, to shares to an investment fund managed by the same management company as the transferor, provided that the said fund signs and address to Société Générale and Oddo & Cie, prior to the said transfer, a letter under which it undertakes to subscribe to the conservation commitment for the remaining period of the said commitment; and
- lend shares to Société Générale, acting on behalf and for the account of the Lead Managers and Joint Bookrunners, to cover any over-allotments in the context of the IPO .

These commitments expired on February 5, 2016.

18.8. Pledges

To the knowledge of the Company, there is no pledge on the securities of the Company

18.9. Crossing of thresholds

On July 30, 2015, the Caisse des dépôts et consignations stated it crossed, on July 28, 2015 indirectly through BPI Groupe SA, the threshold of 25% of the capital and voting rights of the Company, and that it holds 4,601,277 shares of the Company representing as many voting rights, or 23.73% of the capital and the voting rights of the Company.

On July 30, 2015, BPI Groupe stated it crossed, on July 28, 2015 indirectly through BPI Groupe SA, the threshold of 25% of the capital and voting rights of the Company, and it holds 4,601,277 shares of the Company representing as many voting rights, or 23.73% of the capital and the voting rights of the Company.

On July 30, 2015, Edmond de Rotschild Investment Partners, acting on behalf of funds it manages, stated it crossed, on July 29, 2015, the threshold of 10% of the capital and voting rights of the Company, and it holds, on behalf of said funds, 1,786,899 shares of the Company representing as many voting rights, or 9.22% of the capital and the voting rights of the Company.

On July 31, 2015, Omnes Capital, acting on behalf of funds it manages, stated it had crossed, on July 29, 2015, the threshold of 25% of the capital and voting rights of the Company, and it holds, on behalf of said funds, 4,832,617 shares of the Company representing as many voting rights, or 24.92% of the capital and the voting rights of the Company.

On February 8, 2016, JP Morgan Asset Management (UK) Limited acting on behalf of clients under mandate, stated it crossed, on February 3, 2016, the threshold of 5% of the capital and voting rights of the Company, and that it holds, on behalf of the said clients, 1,000,000 shares of the Company representing as many voting rights, or 5.13% of the capital and the voting rights of the Company.

On April 21, 2016, JP Morgan Asset Management (UK) Limited acting on behalf of clients under mandate, stated it had crossed, on April 20, 2016, the threshold of 5% of the capital and voting rights of the Company, and that it holds, on behalf of said clients, 946,725 shares of the Company representing as many voting rights, or 4.86% of the capital and the voting rights of the Company.

19. RELATED PARTY TRANSACTIONS

19.1 Intra-group transactions

The Company does not have any holding as at the date of this *document de référence*.

19.2 Significant agreements concluded with related parties

a) In 2010 the Company entered into a services agreement with Mr. Thierry Hercend, (see section 16.2.2 "Consulting contract with Thierry Hercend, Director and Chairman of the Board of Directors" of this *document de référence*). This agreement was ratified by the general meeting of shareholders of the Company on June 22, 2011 and included in the special report of the statutory auditor of the Company (see Section 19.3 "Special report of the Auditor on regulated agreements established for the year ended December 31, 2015" of this *document de référence*) annually.

The services of Thierry Hercend are remunerated on the basis of a quarterly fixed lump sum of €12,500 excluding tax. The Company paid Thierry Hercend fees amounting to €50,000 excluding tax under this agreement in respect of the financial years 2014 and 2015.

b) The Company entered into a services agreement with Mr. Khoso Baluch. This agreement was authorized by the Board of Directors on February 20, 2013. This agreement was terminated on March 31, 2014. The services were provided based on a quarterly remuneration of €7,500 excluding tax. In respect of the 2014 financial year, those fees amounted to €7,500.

The Company also entered into an indemnification agreement with Mr. Mohammed Khoso Baluch 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 director of the Company. This agreement will continue in force for a period of 10 years following the termination of his directorship, and if necessary, for one year from the end of any proceedings that may still be ongoing after this 10 year period. This agreement will be subject to the approval of the next annual general meeting.

c) The Company entered into a management agreement with Thomas Kuhn, CEO of the Company. The agreement, previously authorized by the Board of Directors on March 28, 2014, was concluded on March 28, 2014. It sets out the conditions for Thomas Kuhn in his capacity as CEO of Poxel by providing limitations on the exercise of powers (article 3) and conditions for the termination of his duties (article 4), in particular by requiring 4 months' advance notice. This agreement was ratified by the general meeting of shareholders of the Company on June 16, 2015 and included in the special report of the Statutory Auditor of the Company (see Section 19.3 "Special Report of the Statutory Auditor on agreements established for the year ended December 31, 2015 " of this *document de référence*) annually.

The agreement was entered into for the term of office of CEO of Thomas Kuhn, without prejudice to the right of revocation that is vested in the Board of Directors. Therefore, the Board will not decide on the renewal of this agreement as long as the term of office of Thomas Kuhn continues. Under this agreement for the financial years 2014 and 2015, an amount of respectively €146,293 gross and €161,009 gross is included in the expenses for the financial year.

d) On December 12, 2014, the Company entered into an indemnification agreement with Mr. Richard Kender in order to indemnify him for the legal costs and convictions he may incur in the event that any liability is imposed on him, in his capacity as a director of the Company. This agreement was entered into following the appointment of Mr. Rich Kender as a director of Poxel on January, 8, 2015.

The agreement will continue to be effective for a period of 10 years following the termination of his duties as director and, if necessary, for a period of one year following the termination of any proceedings still ongoing after this 10 year period.

This agreement will be submitted to the approval of the next Ordinary General Meeting.

e) On March 31, 2016, the Company entered into an indemnification agreement with Mr. Pierre Legault in order to indemnify him for any legal costs and convictions he may incur in the event that any liability is imposed on him, in his capacity as a director of the Company. This agreement was entered into following the appointment of Mr. Pierre Legault as a director on March 31, 2016. The aim of the agreement is to provide a guarantee in consideration for the duties performed. The agreement will continue in force for a period of 10 years following the termination of his duties as a director and, if necessary, for a period of one year following the termination of any proceedings still ongoing after this 10 year period.

This agreement will be submitted to the approval of the next Ordinary General Meeting.

f) On March 31, 2016, the Company entered into an indemnification agreement with Mrs Janice Bourque in order to indemnify her for any legal costs and convictions she may incur in the event that any liability is imposed on her, in her capacity as a director of the Company. This agreement was entered into following the appointment of Mrs Janice Bourque as a director on March 31, 2016. The aim of the agreement is to provide a guarantee in consideration for the duties performed. The agreement will continue in force for a period of 10 years following the termination of her duties as a director and, if necessary, for a period of one year following the termination of any proceedings still ongoing after this 10 year period.

This agreement will be submitted to the approval of the next Ordinary General Meeting.

19.3 Special report of the Auditors on regulated agreements and commitments

To the Shareholders,

In our capacity as auditors of your company, we present our report on regulated agreements and commitments.

It is our duty to inform you, on the basis of information provided to us, of the characteristics, the essential terms and the reasons justifying the interest for the company of agreements and commitments of which we have been advised or that we discovered during our mission, without commenting on their usefulness and appropriateness or identifying such other agreements and commitments exist. It is your responsibility, pursuant to Article R. 225-31 of the French commercial code, to assess the interest in concluding these agreements with a view to their approval.

Furthermore, it is our responsibility, if any, to provide you with the information provided for in Article R. 225-31 of the French commercial code relating to the execution, during the past finical year, of agreements and commitments already approved by general meeting of the shareholders.

We performed the due diligence that we considered necessary regarding the professional guidelines of the National Company of Auditors relating to this engagement. This due diligence consisted in verifying the consistency of the information provided to us with the source documents from which it is derived.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING

Agreements and commitments authorized during the past financial year

Pursuant to article L. 225-10 of the French commercial code, we were advised of the following agreements and commitments that were subject to the prior authorization of your Board of Directors:

- Indemnification agreement with Mr. Richard Kender

Person concerned: Richard Kender, director.

Purpose: agreement entered into on December 12, 2014 with Mr. Rich Kender to indemnify him for legal costs and convictions he may incur in the event that any liability is imposed on him, in his capacity as a director of the Company. This agreement was entered into following his appointment as director of Poxel on January 8, 2015.

At its meeting on March 31, 2016, the Board of Directors of your company confirmed that this agreement continues to meet the requirement pursuant to which it gave its approval and indicated that it maintains the authorization previously given.

Agreements and commitments not previously authorized

Pursuant to articles L. 225-42 and L. 823-12 of the French commercial code, we inform you that the following agreements were not subject to prior authorizaton by the Board.

It is our responsibility to inform you of the circumstances in which the authorization procedure was not followed.

- Indemnification agreement with Mr. Mohammed Khoso Baluch

Person concerned: Mohammed Khoso Baluch, director.

Purpose: agreement entered into on December 12, 2014 with Mr. Mohammed Khoso Baluch to indemnify him for legal costs and convictions he may incur in the event that any liability is imposed on him, in his capacity as a director of the Company.

The authorization procedure was not followed by simple omission.

Agreements and commitments authorized since the end of the financial year

We have been advised of agreements and commitments, authorized since the end of the financial year, which were subject to prior authorization of your Board of Directors.

- **Indemnification agreement with Mr. Pierre Legault**

Person concerned: Pierre Legault, director.

Purpose: agreement entered into on March 31, 2016, with Mr. Pierre Legault to indemnify him for legal costs and convictions he may incur in the event that any liability is imposed on him in his capacity as a director of the Company.

Reason: this agreement was entered into following the appointment of Mr. Pierre Legault as a director. The aim of the agreement is to provide a guarantee in consideration for the duties performed.

- **Indemnification agreement with Mrs Janice Bourque**

Person concerned: Janice Bourque, director.

Purpose: agreement entered into on March 31, 2016, with Mrs Janice Bourque to indemnify her for legal costs and convictions she may incur in the event that any liability is imposed on her, in her capacity as a director of the Company

Reason: this agreement was entered into following to the appointment of Mrs Janice Bourque as director. The aim of the agreement is to provide a guarantee in consideration for the duties performed.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved during prior financial years and whose execution continued during the past year

Pursuant to Article R. 225-30 of the French commercial code, we were informed that the following agreements and commitments, already approved by the General Meeting in prior financial years, continued during the past year.

- **Consulting agreement with Mr. Thierry Hercend**

Person concerned: Thierry Hercend, director.

Purpose: consulting agreement with Mr. Thierry Hercend entered into July 1, 2010 for the definition and implementation of preclinical and clinical development strategy, and for business development activities with the aim of promoting the growth of the company. The agreement had an initial term of 12 months from July 1, 2010, renewable by tacit consent per 12 month period, for a quarterly compensation of EUR 12,500 excluding tax.

Compensation: an amount of EUR 50,000 excluding tax is mentioned in the charge of the financial year in this regard.

At its meeting on March 31, 2016, the Board of Directors of your company confirmed that this agreement continues to meet the requirements pursuant to which it gave its authorization and stated that it maintains the authorization previously given.

- **Management agreement with Mr. Thomas Kuhn**

Person concerned: Mr. Thomas Kuhn, CEO.

Purpose: management agreement with Mr. Thomas Kuhn entered into on March 28, 2014 providing a mission of management for the company with a limitation on the powers applicable and for a term equivalent to that of his mandate as CEO. This agreement also sets out the conditions for determining his gross annual remuneration.

Remuneration: in respect of this mission, a sum of €161,009 gross is included in the expenses for that the financial year.

At its meeting on March 31, 2016, the Board of Directors of your Company confirmed that this agreement continues to meet the requirements pursuant to which it gave its authorization and stated that it maintains the authorization previously given.

Made in Lyon and Courbevoie, on March 31, 2016

The Statutory Auditors

MAZARS	PricewaterhouseCoopers Audit
Frédéric MAUREL	Elisabeth L'HERMITE

19. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

19.1. Financial statements drawn up under IFRS for financial year ended December 31, 2015

19.1.1. Statement of financial position

POXEL Statement of financial position	Notes	12/31/2015 €	12/31/2014 €
Assets			
Intangible assets	3	540	910
Property, plant and equipment	4	152,748	21,335
Other financial assets	5	533,428	285,569
Deferred tax assets	19	-	-
Total non-current assets		686,715	307,813
		-	-
Trade receivables	6	11,580	-
Other receivables and related accounts	6	3,736,414	3,264,451
Current tax assets	19	-	-
Cash and cash equivalents	7	42,413,402	10,253,635
Total current assets		46,161,396	13,518,086
Total assets		**46,848,112**	**13,825,899**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	9	389,648	250,163
Premiums related to share capital	9	81,923,707	30,366,675
Reserves	9	(32,044,525)	(19,081,894)
Net loss	9	(12,241,013)	(14,082,448)
Total shareholders' equity		**38,027,817**	**(2,547,504)**
Non-current liabilities			
Employee benefit obligations	12	129 958	97,758
Financial liabilities	11	1 553 926	4,317,707
Total non-current liabilities		**1 683 884**	**4,415,465**
Current liabilities			
Financial liabilities	11	2,397,150	8,551,302
Provisions	13	-	-
Trade payables	14.1	4,336,522	3,098,682
Tax and employee-related payables and other current liabilities	14.2	379,739	307,955
Other creditors and other liabilities	14.2	23,000	-
Total current liabilities		**7,136,411**	**11,957,939**
Total liabilities and shareholders' equity		**46,848,112**	**13,825,899**

19.1.2. Statement of loss

POXEL Statement of loss	Notes	12/31/2015 €	12/31/2014 €
Revenue	15	59,650	-
Cost of sales		-	-
Gross margin		**59,650**	**-**
Research and development, net			
Research and development expenses	16.1	(9,237,820)	(6,996,109)
Subsidies	16.1	1,919,071	1,978,575
General and administrative	16.2	(4,461,852)	(1,878,448)
Other income		-	-
Other expenses		(0)	-
Operating loss		**(11,720,952)**	**(6,895,982)**
Financial expenses	18	(908,575)	(7,258,193)
Financial income	18	418,176	71,938
Foreign currency exchange loss	18	(29,662)	(212)
Net loss before tax		**(12,241,013)**	**(14,082,448)**
Income taxes	19	-	-
Net loss		**(12,241,013)**	**(14,082,448)**

Earnings loss per share	Notes	12/31/2015	12/31/2014 (1)
Weighted average of shares in circulation		17,918,891	9,976,856
Basic loss per share (€/action)	20	**(0.68)**	**(1.41)**
Diluted loss per share (€/share)	20	**(0.68)**	**(1.41)**

(1) After the 20-to-1 share split that occurred on March 28, 2014

19.1.3. Statement of comprehensive loss

POXEL - IFRS Statement of comprehensive loss	Notes	12/31/2015 €	12/31/2014 €
Net loss for the year		(12,241,013)	(14,082,448)
Actuarial gains and losses		(9,546)	12,228
Effects of taxes relating to these items			
Other comprehensive income (loss)		(9,546)	12,228
Total comprehensive loss		**(12,250,559)**	**(14,070,220)**

19.1.4. Changes in equity

POXEL Changes in equity	Number of shares	Share capital	Premiums related to share capital	Reserves and net loss (1) (5)	Ecarts de conversion	Accumulated comprehensive loss	Total shareholders' equity
		€	€	€	€	€	€
As of December 31, 2013	*389 990*	**194 997**	**352 773**	**(20 532 859)**		**(25 132)**	**(20 010 221)**
Net loss for the period				(14 082 448)			(14 082 448)
Other comprehensive income						12 228	12 228
Total comprehensive income (loss)		-	-	(14 082 448)	-	12 228	(14 070 219)
Dividends							-
Effect of a 20-for-1 share split	*7 409 810*						-
Issuance of shares	*4 708 356*	94 167	31 014 568				31 108 735
Subscription of share warrants (BSA)			30 001				30 001
Equity-settled share-based payment				792 533			792 533
Capital decrease		(39 001)		39 001			-
Cost incurred in relation to equity transactions (2)			(1 030 667)				(1 030 667)
Others (3)				632 334			632 334
As of December 31, 2014	*12 508 156*	**250 163**	**30 366 675**	**(33 151 439)**	**-**	**(12 904)**	**(2 547 504)**
Net loss for the period				(12 241 013)			(12 241 013)
Other comprehensive loss						(9 546)	(9 546)
Total comprehensive income (loss)				(12 241 013)		(9 546)	(12 250 559)
Dividends							-
20-for-1 share split							-
Issuance of shares	*6 974 238*	139 485	54 332 608				54 472 093
Subscription of share warrants (BSA)			85 425				85 425
Equity-settled share-based payment				1 179 190			1 179 190
Capital decrease		-		-			-
Treasury shares held				(49 826)			(49 826)
Costs incurred in relation to equity transactions (4)			(2 861 000)				(2 861 000)
Others				-			-
As of December 31, 2015	*19 482 394*	**389 648**	**81 923 707**	**(44 263 088)**	**-**	**(22 450)**	**38 027 817**

(1) As we only operates in France and does not have foreign subsidiaries, there is no foreign currency translation adjustment included in the reserves.
(2) Costs have been incurred in relation to the initial public offering on Euronext Paris completed in February 2015 for €1,030,667.
(3) The amount recognized in shareholders' equity is related to the equity component in relation to the agreement with Kreos (cf. note 11.5)
(4) Costs have been incurred in relation to (i) the initial public offering on Euronext Paris completed in February 2015 and (ii) the private placement with investors completed in July 2015 for €1,263,000 and €1,598,000 respectively.
(5) Including the legal statutory reserve of €97,699

19.1.5. Table of cash flow

POXEL - IFRS Cash flows	Notes	12/31/2015 €	12/31/2014 €
Cash flows from operating activites			
Net loss from continuing operations		(12,241,013)	(14,082,448)
Net loss from discontinued operations			
Net loss for the period		(12,241,013)	(14,082,448)
(+) Amortizaton of intangible assets	3	(1,077)	(285)
(+) Amortization of property, plant and equipment	4	(21,898)	(12,057)
(-) Change in provisions	12	(22,654)	(24,676)
(-) Expenses associated with share-based payments	10	(1,179,190)	(792,533)
(+) Interest expense		(494,155)	(234,375)
(-) Interest income		288,520	65,729
(-) Changes in the fair value of financial liabilities (convertible bonds)	11.3	-	(2,049,160)
(-) Changes in the fair value of the financial liability related to Merck Serono	11.4	52,214	(4,736,958)
(-) Changes in the fair value of the derivative and effect of unwinding the discount related to Kreos	11.5	(290,379)	(209,023)
(-) Grants transferred to income	11.2	(52,019)	(28,677)
Cash flows from operating activities before change in working capital requirements		(10,520,376)	(6,060,434)
(-) Changes in working capital requirements		(459,110)	28,915
Cash flows from operating activities		(10 061,267)	(6,089,349)
Cash flows from investing activities			
Acquisition of intangible assets	3	(706)	(1,050)
Acquisitions of property, plant and equipment	4	(143,243)	(12,826)
Interest received		288,520	65,729
Other cash flows from investing activities	5	(47,684)	(276,950)
Cash flows from investing activities		96,887	(225,097)
Cash flows from financing activities			
Share capital increase, including premium, net and expenses (1)	10	44,361,476	3,969,334
Subscription of share warrants (BSA)	10	85,425	30,001
Liquidity agreement		(250,000)	-
Interest paid		(461,745)	(234,375)
Repayment of loans and conditional advances	11.2	(1,611,010)	(22,500)
Issuance of bonds	11.3	-	4,855,000
Cash flows from financing activities		42,124,146	8,597,460
Impact of foreign currency exchange fluctuations			-
Increase (decrease) in cash and cash equivalents		32,159,766	2,283,013
Cash and cash equivalents as of the openng date (including short-term bank overdrafts)		10,253,635	7,970,622
Cash and cash equivalents as of the closing date (including short-term bank owerdrafts)		42,413,402	10,253,635
Increase (decrease) in cash and cash equivalents		32,159,767	2,283,013

(1) 2015 "Share capital increase, including premium, net of expenses" (€44,361,476) reconciles with "issuance of shares" (€54,472,093) in the statement of changes in shareholders' equity after deduction of "Costs incurred in relation to equity transactions" (€2,861,000) as well as non-cash activities such as exercise of MS Share Warrants (€7,249,616), with no impact on cash.

2014 Share capital increase, including premium, net of expenses" (€3,969,334) reconciles with "issuance of shares" (€31,108,735) in the statement of changes in shareholders' equity after deduction of "Costs incurred in relation to equity transactions" (€1,030,667) as well as non-cash activities such as conversion of convertible bonds (€26,108,735).

19.1.6. Detailed analysis of the changes in working capital requirements (BFR)

Detail of the changes in working capital	12/31/2015	12/31/2014
Receivables and related accounts (net of depreciation of trade receivables)	11,580	-
Other receivables (1)	851,866	(1,381,388)
Trade payables	(1,227,772)	1,380,498
Tax and social security liability	(71,785)	29,806
Other creditors and other liabilities	(23,000)	-
Total changes in working capital	(459,110)	28,915

19.1.7. Notes to the IFRS financial statements

Note 1: Presentation of the activity and major events

The following information is the Annex of the IFRS financial statements and is an integral part of the financial statements for the financial years ended December 31, 2015 and 2014. Each of these financial years covers a period of twelve months from January 1st to December 31.

1.1 General information the Company

Incorporated in March 2009 as a result of a spin-off of the Merck Serono pharmaceutical company, Poxel S.A. is a French joint stock company (*société anonyme*) governed by French law and developing molecules for the potential treatment of type 2 diabetes.

The Company has incurred losses and negative cash flows from operations since its inception. Such losses result principally from internal and external research and development expenses for conducting numerous pre-clinical and clinical trials, primarily as part of the development of Imeglimin.

The Company's future operations are highly dependent on a combination of factors, including: (i) the success of its research and development; (ii) regulatory approval and market acceptance of the Company's proposed future products; (iii) the timely and successful completion of additional financing; and (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies. As a result, the Company is and should continue, in the short to mid-term, to be financed through partnership agreements for the development and commercialization of its drug candidates and through the issuance of new equity instruments.

Head office address:

259/261 Avenue Jean Jaurès – Immeuble le Sunway – 69007 Lyon

Number under which the Company is registered with the *Registre du Commerce et des Sociétés*: 510 970 817 RCS de LYON

POXEL SA is hereinafter referred to as the "Company".

The Company had no subsidiaries or holdings as at December 31, 2015.

1.2 Significant events

Contracts with Merck Serono and amendments

The Company entered into a transfer and license agreement with Merck Serono on March 19, 2009, amended on July 30, 2009, June 22, 2010 and May 23, 2014 (the "MS Agreement"), as part of the spin-off of Merck Serono's research and development activities in the cardiometabolic field.
In order to support its research and development activities and given Merck Serono's economic interest in the development of the Company, at inception of the Company, Merck Serono provided the Company with a total non-repayable amount of €7.2 million.
In accordance with this MS Agreement, Merck Serono transferred certain patents and granted a license for other patents and know-how to the Company for the research and development, and the marketing of pharmaceutical products. This license is exclusive covering a list of 25 molecules, by program, selected by the Company.
In exchange for the rights that were granted under the MS Agreement, Merck Serono was entitled to the following compensation:

- royalties on net sales of the products covered by the patents granted or granted under license by Merck Serono at a rate equivalent to a high single digit in the higher portion of the range for Imeglimin, and at a low single digit rate in the lower part of the range for the other products;
- a percentage of the revenue from any partnership agreement relating to the drug candidates covered by the patents, granted or granted under license, sold or licensed, at a low double-digit rate near the bottom of the range. For other compounds, if the Company would enter into a partnering agreement, the Company would owe a percentage of partnering revenues with respect to products covered by Merck Serono's assigned or licensed patents depending on the product and its stage of development when it is partnered.
- an amount corresponding to a percentage of sales price of the Company's shares in the event that the Company is sold. This amount will be paid by the Company and not by its shareholders.

The third item has been recognized at fair value through profit and loss, and classified as a financial liability in the statement of financial position.

In preparation for the Company's initial public offering on Euronext Paris, on May 23, 2014, Merck Serono agreed to waive its rights relative to the third item described above, but only in the event the initial public offering on Euronext Paris was successful, and in exchange for 1,088,531 ordinary shares from the Company representing 7.69% of the Company's share capital on a fully-diluted basis prior to the initial public offering.

However, in the context of the preparation of the IPO of the Company and pursuant to the amendments to the contract signed May 23, 2014 and November 28, 2014, the parties agreed in the only assuming the completion of the IPO, in return for the surrender Merck Serono's rights in case of sale of the Company, the latter will receive (i) 1,088,531 warrants of shares entitling it as part of IPO, the subscription of 1,088,531 common shares at a price of € 4 per share, representing 7.69% of the share capital of the Company on a fully diluted basis prior to the public offering and (ii) a claim against the Company for use in the payment of the shares issued by exercise of the warrants MS.

However, In preparation for the Company's initial public offering on Euronext Paris, on May 23, 2014 and November 28, 2014, Merck agreed to waive its rights relative to the third item described above, but only in the event the initial public offering on Euronext Paris is successful, and in exchange

received from the Company (i) 1,088,531 ordinary shares representing 7.69% of the Company's share capital on a fully-diluted basis prior to the initial public offering and (ii) a receivable on the Company to pay for the share issued by exercise of the BSA MS.

This amendment resulted in the financial liability being potentially convertible into a fixed amount of ordinary shares of the Company. Because the conversion ratio between the financial liability and the shares to be issued did not meet the fixed amount of cash for a fixed amount of own shares IAS 32 rule, the conversion option met the definition of an embedded derivative that needed to be bifurcated. To avoid having to split the embedded derivative, the Company continued to measure that financial liability, including the contingent conversion of the liability into its own shares, at fair value through profit and loss, consistent with IAS 39 paragraph 11A. This amendment resulted in a significant change in the fair value of the financial liability as of December 31, 2014 (see Note 12.4).

On February 6, 2015, following the initial public offering, the financial liability was recalculated at fair value being the fair value on the basis of an issuance price of €6.66 for each share and has been reclassified into equity for a total amount of €7,249,000 (see Note 11.4).

Initial public offering on Euronext market in Paris

In order to finance its various research and development projects, the Company launched its initial public offering on Compartment C (small caps) of the Euronext regulated market in Paris on February 6, 2015. Following the full exercise of the over-allotment option relating to 281,249 additional new shares at the offer price, i.e., €6.66 per share, the total number of shares offered by the Company for the initial public offering amounted to 4,031,248 new ordinary shares. Total gross proceeds of the issue amounted to approximately €26.8 million. The costs associated with the issuance of these equity instruments represent an aggregate amount of approximately €3,140,000. These costs have been recognized as general and administrative expenses and in deduction of the premium for the part directly related to the capital increase (Note 16.2).

Share capital increase

- On February 6, 2015, 1,088,531 share warrants were exercised by Merck Serono, resulting in the issuance of the same amount of shares for a price of €4. This price was set by offsetting the debt recognized in the accounts of the Company. Pursuant to this transaction, there was a capital increase of €21,770.62 corresponding to the issue of 1,088,531 new shares with a par value of €0.02 each. The share capital of the Company was then set at €271,833.74.
- On July 24, 2015, the Company announced that it had raised a total of €20 million through a private placement to US and European investors. Leading US healthcare investors represent 91% of the private placement. As a result of the transaction, the Company recognized an increase in share capital and premiums related to share capital of €35,000 and €19,972,000 respectively, corresponding to the creation of 1,762,793 new ordinary shares with a par value of €0.02 per ordinary share (see Note 9). The new ordinary shares issued were sold to investors at a price of €11.35 per share, reflecting a discount of 10.9% based on the last 20 trading days weighted-average price, or VWAP, preceding the closing date. In relation to this equity transaction, total transaction costs were €1,598,000 and has been recognized as a reduction of equity in accordance with IAS 32 for the year ended December 31, 2015. Pursuant to this transaction, the share capital of the Company was set at €387,814.56.
- On October 28, 2015, 45,833 share warrants were exercised by Kreos Capital IV (UK) Ltd for a strike price of €4, representing a capital increase of €916.66 plus a premium of €182,415. Pursuant to this transaction, the share capital of the Company was set at €388,731.22.

- On November 6, 2015, 45,833 share warrants were exercised by Kreos Capital IV (UK) Ltd for a strike price of €4, representing a capital increase of €916.66 plus a premium of €182,415. Pursuant to this transaction, the share capital of the Company was set at €389,647.88.

  As a result of each of these decisions, the share capital of the Company is €389,647.88 divided into 19,482,394 shares with a par value of €0.02 each.

First license agreement

In May 2015, the Company signed a license agreement with Enyo Pharma SAS, or Enyo,—a newly-established company focused on the treatment of acute and chronic viral infection—pursuant to which Enyo gains access to Poxel's FXR (farnesoid X receptor) agonist compounds for infection-related indications with the Company retaining rights for cardiovascular and metabolic indications among others. The agreement provides the Company with €50,000 recognized in revenue representing the cash consideration received in exchange for the license granted to Enyo. As the rights of the FXR molecule are the property of Merck Serono, the Company will have to pay to Merck Serono 90% of the amount received as licensing rights. As a result, an amount of €45,000 has been recognized as an accrued liability as at December 31, 2015 in the statement of financial position.

In November 2015, the Company signed another license agreement with Enyo, giving Enyo access to a key patent on the use of FXR technology to develop treatments for hepatitis B. The FXR agonist technology was discovered and patented by the Company in collaboration with academic partners, represented by Inserm Transfert and Lyonnaise company EDELRIS. Inserm Transfert was mandated to represent all the parties of this patent licensing agreement with ENYO Pharma SA.

In relation to this agreement, the Company recorded €10,000 in revenue for the financial year ended December 31, 2015.

Liquidity agreement

A liquidity agreement was entered into with Oddo effective as of March 26, 2015 for a renewable period of one year. This contract entitles Oddo to transact on Euronext, on the Company's behalf, in order to enhance the liquidity of transactions and regularity of quotation of the Company's ordinary shares.

The related shares repurchased are included as treasury shares in deduction of equity.

The initial advance payment made to Oddo for the purpose of making transactions under this contract was €250,000. The balance is presented in the line item "Other non-current financial assets" in the statements of financial position.

1.3 Post-balance-sheet events

On February 9, 2016, Kreos Capital IV (UK) exercised 45,834 warrants at an exercise price of €4.00 per warrant representing a capital increase of €916.68 plus a premium of €182,419.

On February 17, 2016, an employee exercised 150 BSPCE corresponding to 3,000 ordinary shares at an exercise price of €3.20 representing a capital increase of €60 plus a premium of €9,540.

As consequence, the share capital of the Company is €390,624.56 divided into 19,531,228 shares with a par value of €0.02.

Note 2: Principles, rules and accounting policies

The Financial Statements are presented in euros unless stated otherwise

2.1 Principles used for drawing up financial statements

Declaration of conformity

The Company prepared its Financial Statements drawn up by the Board of directors, in accordance with International Financial Reporting Standards (IFRS)**,** as issued by the International Accounting Standards board (IASB) and adopted by the European Union.

These accounting standards, available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm), include the IAS and IFRS international accounting standards, the interpretations from the Standing Interpretations Committee (SIC) and the interpretations from the International Financial Reporting Interpretations Committee (IFRIC).

The principles and accounting methods and options chosen by the Company are described below. In some cases, IFRS provides an option between the application of a standard treatment or other authorized treatment.

Principle for the preparation of the financial statement

The Financial Statements were prepared on a historical costs basis except for certain assets and liabilities, as allowed by IFRS. The categories of assets and liabilities not measured at historical cost are disclosed in the following notes.

Continuity of operation

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

Accounting policy

The accounting policies and measurement principles adopted for the financial statements as of and for the year ended December 31, 2015 are the same for the comparative period presented, except for the application of new standards and interpretations adopted by the European Union and mandatory as at January 1, 2015.

Standards, amendments to standards and interpretations applicable as of January 1st 2015

The Company adopted the following new standards and interpretations as of and for the year ended December 31, 2015:

- IFRIC 21: Taxes
- Improvement to IFRS (2011 - 2013)

None of these amendments and interpretations has had an impact on the Financial Statements of the Company.

Standards and interpretations issued but not yet effective

- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Amendments to IAS 16 and to IAS 41: Bearer plants
- Amendments to IFRS 11: Acquisition of an interest in a joint operation
- Amendments to IAS 16 and to IAS 38: Clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 1: Disclosure initiative
- Improvements to IFRS (cycle 2010 - 2012)
- Improvements to IFRS (cycle 2012 - 2014)

The Company has considered annual improvements to IFRS without identifying any significant impact on the Financial Statements.

2.2 Use of judgements and estimates

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

These estimates are based on the assumption of the Company continuing as a going concern and are prepared in accordance with information available at the date of the Unaudited Interim 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 estimates or significant judgments made by the Company's management impact the following items:

- Grant of share-based compensation in the form of share warrants (*bons de souscription d'actions*, or BSAs) or in the form of founder's share warrants (*bons de souscription de parts de créateur d'entreprise*, or BSPCEs) to employees, executives and scientific consultants (Note 10);

- Measurement of the financial liabilities such as those related to Merck Serono, convertible bonds and Kreos (Notes 11.3, 11.4 and 11.5 below);

- Recognition of deferred tax assets (Note 19 and Note 2.21 below).

2.3 Changes in the accounting policy

Aside from the new standards, amendments and interpretations mentioned above, the Company did not change any accounting methods for the year ended December 31, 2015.

2.4 Functional currency used in the presentation

The Financial Statements are prepared in euros which is the Company's presentation and functional currency.

2.5 Foreign currency

Transactions in foreign currency are translated into the Company's functional currency by applying the foreign exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the year-end closing exchange rate.

Any resulting foreign exchange gains and losses on monetary assets correspond to the difference between the amortized cost in the functional currency at the opening of the period, adjusted for the impact of the effective interest rate and payments for the period, and the amortized cost in the foreign currency translated at the year-end closing exchange rate.

Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated into the functional currency using the exchange rate at the date on which fair value was determined. Any resulting translation differences are recorded in income, with the exception of translation differences resulting from available-for-sale equity instruments, a financial liability designated as a hedge of a net investment in a foreign operation, or instruments that are qualified as cash flow hedges, which are recorded directly in shareholders' equity.

Receivables and payables denominated in a foreign currency are recorded at the exchange rate in effect at the initial transaction. At year-end, the accounts corresponding to assets and liabilities are valued at the closing exchange rate.

2.6 Distinction between current and non-current

Company presents its balance sheet distinguishing current and non-current assets and liabilities.

The following rules were applied in order make the distinction:

- Assets and liabilities which constitute the working capital in the normal business cycle are recognized as "current";

- Assets and liabilities, outside of the normal business cycle, are presented as "current" or "non-current", according to whether their maturity is of more or less than one year or in accordance with the specific cases referred to by IAS 1.

2.7 Intangible assets

Intangible assets are primarily composed of acquired software.

Research and development expenses

Research and development costs are systematically recognized as expenses.

Under IAS 38, development costs are only recognized as intangible assets if the following criteria are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the Company's intention to complete the intangible asset and use or sell it;

- its ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The following costs that are directly attributable to the production of the intangible asset may be capitalized:

- costs of materials and services used or consumed in generating the intangible asset;

- costs of employee benefits arising from the generation of the intangible asset.

Expenses are capitalized before the completion of the activation conditions of the intangible assets. Expenses cease to be capitalized when intangible assets are ready to be used. Development costs capitalized are amortized on a straight-line basis over 5 years, their useful life.

Softwares

Costs related to the acquisition of software licenses are recognized as assets based on the costs incurred to acquire and set up the related software.

Other intangible assets

In accordance with IAS 38 criteria, intangible assets acquired are recognized in the financial statement at purchase price.

Length and depreciation expense

Intangible assets with a finite useful life are amortized using the straight-line method over a period of one to three years depending on the anticipated period of use:

Items	Depreciation period
Licenses and software development	1 to 3 years

Depreciation expense of the intangible assets is recognized in the income statement in "Administrative cost" category considering the nature of the software.

2.8 Property, plant and equipment

Property, plant and equipment is recognized at its acquisition cost (purchase price and directly attributable costs) or at its production cost by the Company, as applicable.

The depreciation schedule of the assets is determined using actual useful life.

The depreciation periods and methods used are primarily the following:

Items	Depreciation period
Installations and fittings	5 to 10 years – Straight-line
IT equipment	1 to 3 years – Straight-line
Furniture	5 years – Straight-line

Depreciation expenses for fixed assets are recognized in the income statement in the "Administrative cost" category, considering the nature of the assets.

2.9 Lease

Leases, under which substantially all of the risks and rewards of ownership are maintained by the lessor, are classified as operating leases. Payments for operating leases, net of any incentives, are expensed on a straight-line basis over the term of the lease.

Assets financed by way of finance leases within the meaning of IAS 17 Leases, under which substantially all of the risks and rewards of ownership are transferred to the Company, are recognized as assets with a corresponding liability recorded in "Financial liabilities."

2.10 Impairment of assets

Assets with an indefinite useful life are not amortized but are tested annually for impairment.

Amortized assets are tested for impairment whenever internal or external events indicate a risk that an asset may be impaired.

Impairment testing consists of comparing the carrying amount of an asset to its recoverable amount. The test is performed at the level of the cash-generating unit, or CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment is recorded in the event that the carrying amount exceeds the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Fair value is the price that would be received on the sale of an asset in an orderly transaction between market participants at the measurement date.

Value in use is the present value of estimated future cash flows expected to be derived from the use of an asset and from its disposal at the end of its useful life. Value in use is determined from estimated cash flows from plans or projections over five years, the cash flows beyond this period are extrapolated by applying a steady or declining growth rate, and discounted by the long-term market rates before tax reflecting the market estimates of the time value of money and risks specific to assets. The terminal value was determined based on the test's last cash flow discounted to perpetuity.

As at December 31, 2015:

- The Company did not have any intangible assets with an indefinite useful life;
- The Company consists of only one CGU;
- Non-current assets do not present any indication of impairment.

2.11 Financial assets

The Company's financial assets are classified in two categories according to their nature and the intention of management:

- financial assets at fair value through profit and loss;
- loans and receivables.

All financial assets are initially recorded at cost corresponding to the price paid increased by transaction costs. Marketable securities are presented as cash and cash equivalents. All purchases and standardized financial assets sales are recorded at the settlement date.

Financial assets at fair value through profit or loss

This category includes marketable securities.

They represent financial assets held for trading purposes, i.e., assets acquired by the Company to be sold in the short-term. They are measured at fair value and changes in fair value are recognized in the statement of loss as financial income or expense, as applicable. Some financial assets may also be voluntarily classified in this category.

Loans and receivables

This category includes other loans and receivables and trade receivables.

Non-current financial assets include advances and deposits granted to third parties as well as term deposits which are not considered as cash equivalents. Advances and deposits are non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Such assets are recognized at amortized costs using the effective interest method. Gains and losses are recorded in the income statement when loans and receivables are derecognized or impaired.

2.12 Cash, cash equivalents and securities

Cash and short-term deposit are mainly comprised of cash at hand and fixed term deposits with an initial maturity of less than three months.

Cash equivalents are comprised of marketable securities (money market funds) held for trading, easily convertible in a known amount of cash and are subject to an insignificant risk of changes in value. They are measured at fair value and subsequent changes in fair value are recognized in the financial statement.

For the purposes of the cash flow statement, net cash comprise cash and cash equivalents as defined above.

2.13 Fair value of financial instruments

Securities classified as cash equivalents at the end of the financial year are recognized at fair value in the statement of loss, with fair value corresponding to market value.

Borrowings and financial liabilities are recognized at amortized cost, calculated using the effective interest rate or the fair value option in the statement of loss.

The fair value of trade receivables and trade payables is equivalent to their carrying amount, given the short settlement times. The same applies to other current receivables and payables.

The Company uses the following three-level hierarchy for financial instruments according to the consequences that their characteristics have on their valuation method and uses this classification to present certain disclosures requested in IFRS 7:

- Level 1: financial instruments that reflect quoted prices in active markets;

- Level 2: financial instruments measured using observable market inputs other than Level 1 inputs;

- Level 3: inputs not based on observable market data. Unobservable inputs are defined as an input whose value results from assumptions or correlations that are not based on transaction prices on the observable market, on the same instrument at the measurement date, or on observable market data available at the same date.

Instruments recognized at fair value in the statement of loss held by the Company include:

- cash and cash equivalents, using level 1 measurements for cash at hand and money market funds;

- fixed term deposits, using level 2 measurements;

- The fair value of convertible bonds, the liability due to Merck Serono and the bonds issued to Kreos (Tranche A), using level 3 measurements.

2.14 Conditional advances and subsidies

Conditional advances

The Company receives several public subsidies and conditional advances. Further information is provided in Note 11.2.

The Company receives interest-free, conditional advances to finance research and development projects. The difference between the present value of the advance at market rate (i.e., capital repaid at maturity without interest, discounted to the market rate) and the amount received as cash from the French public investment bank constitutes a subsidy within the meaning of IAS 20. This difference must be recognized as a subsidy through income, since research and development costs generated in the context of the project are immediately expensed and recognized as revenue in the financial statement.

Financial cost of conditional advances is calculated at market interest rate and recognized as financial expense.

Subsidies are presented in the statement of loss as a deduction of the "Research and development expenses" since they correspond to innovation aid and funding for research activities.

In the statement of financial position, these advances are recorded in "Financial liabilities" as current or non-current portion depending on their maturity. In the event the Company fails to achieve a particular milestone this would trigger reimbursement of the conditional advance, the remaining liability is recognized as a subsidy in the statement of loss.

Subsidies

Subsidies received are recognized in the Financial Statements where there exists reasonable assurance that the Company will comply with the conditions attached to the subsidies and the subsidies will be received.

Operating subsidies are recognized in the Financial Statements as current revenue, taking into consideration, where applicable, the pace of corresponding expenditures in order to comply with the concept of matching revenues and expenses.

Research tax credit

The Research Tax Credit (*Crédit d'Impôt Recherche*) is granted to companies by the French government to promote technical and scientific research. Companies that prove that they have expenditure that meets the required criteria receive a tax credit that can be used for the payment of the corporate tax due for the financial year in which the expenditure was made and the next three financial years, or, as applicable, can be reimbursed in cash.

The Research Tax Credit is presented as a reduction of "Research and development expenses" in the statement of loss.

The Company has received the Research Tax Credit since its incorporation.

Young Innovative Enterprise ("*Jeune entreprise innovante*")

The Company is eligible to qualify as a Young Innovative Enterprise that carries out research and development projects. In this respect, the Company benefits primarily from a reduction of social security charges on compensation paid to certain types of employees. This subsidy is deducted from the expense items to which it relates.

2.15 Receivables

Receivables are measured at nominal value. An impairment is recognized, where applicable, on a case–by–case basis to take into account collection difficulties which are likely to occur.

Receivables and related accounts include the nominal value of the Research Tax Credit which is recognized as a receivable for the period corresponding to the current financial year in which the eligible expenses that gave rise to the tax credit were incurred.

2.16 Share capital

The ranking of equity depends on the specific analysis of the characteristics of each instrument issued. Based on this analysis, ordinary shares and preferred shares issued by the Company since its incorporation have therefore been classified as equity instruments.

The Company's own shares bought in the context of a brokering/liquidity agreement (Note 1.2) are presented as a reduction in equity.

Transaction costs directly attributable to the issuance of shares or share warrants are recognized as a deduction from shareholders' equity. Furthermore, in the absence of clarification of IAS 32 standards the Company chose to account for these costs as a deduction in equity before the completion of the transaction if the financial year ends between the date of the benefits and the date of the transaction. In the event that the transaction would not happen, these costs would be recognized as expenses the following year.

2.17 Share-based payments

Since itsincorporation,, the Company has established several plans for compensation paid in equity instruments in the form of share warrants (*Bons de souscription d'actions*, or BSAs) or in the form of founder's share warrants (*Bons de souscription de parts de créateur d'entreprise*, or BSPCEs) granted to employees, executives, scientific consultants and members of the board of directors.

Pursuant to IFRS 2, the cost of the transactions paid with equity instruments is recognized as an expense in exchange for an increase in the shareholders' equity over the period during which the rights to exercise the warrants are vested.

The Company has applied IFRS 2 to all equity instruments granted, since the Company was created, to employees, members of the board of directors and to other persons that provide services such as external consultants.

The fair value of warrants granted to employees is determined by applying the Black-Scholes option valuation model. The same method is applied for options granted to persons providing similar services, as the fair value of their services cannot be reliably estimated.

Characteristics of these plans and assumptions used to value them are described in Note 10.

2.18 Provisions

Provisions correspond to commitments resulting from litigation and various risks, the maturity and amount of which are uncertain, to which the Company may face in the context of its operations.

A provision is recorded when the Company has an obligation to a third party resulting from a past event that will likely result in an outflow of resources to the third party, with no equivalent consideration expected, and for which future cash outflows may be estimated reliably. The amount recorded as a provision is an estimate of the expenditure required to settle the obligation, discounted where necessary at year-end.

2.19 Employee benefits

The Company's employees in France benefit from retirement benefits provided under French law:

- obtaining a compensation paid by the Company to employees upon their retirement (defined benefit plan);

- payment of retirement pensions by the Social Security agencies, which are financed by the contributions made by the companies and employees (defined contribution plan).

Retirement pensions, related benefits and other social benefits that are recognized as defined-benefit plans (for which the Company agrees to provide a specific amount or level of benefits) are recognized as assets on the basis of an actuarial valuation of the commitments at the end of the financial year.

The costs of the retirement benefits are estimated by using the projected credit unit method, taking into account the staff turnover and probable mortality rates. Actuarial gains or losses are recorded in "Other elements of comprehensive income".

The Company's payments for the defined-contribution plan are recognized as expenses on the income statement of the period with which they are associated. They amounted to €111,000 and €124,000 for financial years ended December 31, 2014 and 2015, respectively.

2.20 Financial liabilities

Financial liabilities are classified at amortized cost or at fair value through profit or loss.

Financial liabilities measured at amortized cost

Borrowings and other financial liabilities, such as conditional advances, are recognized at amortized cost calculated using the effective interest rate. Financial liabilities that are due in less than one year are presented in "Financial liabilities—current portion" in the statement of financial position.

Financial liabilities at fair value through profit or loss

Where applicable, especially if the existence of a hybrid instrument is reported, a financial liability may be recognized at fair value in the income statement.

2.21 Corporate taxes

Tax assets and liabilities payable for the financial year and previous years are recorded at the amount that is expected to be recovered from or paid to the tax authorities.

The tax rate and regulations used to determine these amounts are those which have been enacted or substantively enacted at year-end.

Deferred taxes are recorded using the balance sheet liability method, for temporary differences at year-end between the carrying amount of assets and liabilities and their tax basis, and losses carried forward.

The main temporary differences are related to tax loss carried forwards.

Deferred tax assets are recorded as tax loss carried forwards when it is probable that the Company will have future taxable income to which the unused tax losses can be offset. The measurement of the amount of deferred tax assets may require management to make estimates regarding the period during which the tax loss carried forwards are to be used and on the level of future taxable income, as regards strategies in terms of tax management.

2.22 Revenue

Revenue corresponds to the fair value of the consideration received or to be received for goods and services sold in the context of the Company's ordinary activities. Revenue is presented net of value added tax, returns of merchandise, rebates and reductions.

In the Company's ordinary activities, it may enter into commercial agreements with pharmaceutical companies. The compensation received in relation to these agreements is generally based on:

- payment of a premium upon signing (i.e., upfront fees);
- specific developments on the achievement of technical milestones;
- research and development efforts;
- percentage of sales (i.e., royalty rates).

2.23 Segment information

The Company operates in one segment: the development of molecules for the potential treatment of type 2 diabetes.

The assets, liabilities and operating loss realized are located in France and the Company does not have any subsidiaries.

Accordingly, the Company's performance is currently analyzed at the Company level.

2.24 Presentation of the statement of income

The Company presents its financial statement by destination.

Destination of charges is given by Note 16 in the Annex.

Financial income (expense)

Financial income (expense) includes:

- changes in the fair value of liabilities recognized at fair value through profit or loss;
- changes in the fair value of derivative financial instruments (assets or liabilities);
- expenses related to interest incurred and unwinding of the discount on conditional advances and fi1nancial liabilities (Note 11.2);
- income related to interest received on cash and cash equivalents.

Foreign currency exchange gains or losses are also recorded in financial income (loss).

2.25 Loss per share

Basic loss per share is calculated by dividing income attributable to equity holders of the Company by the weighted average number of outstanding ordinary shares for the period.

Diluted loss per share is measured by adjusting the income attributable to the holders of ordinary shares and the weighted average number of outstanding ordinary shares by all the dilutive potential ordinary shares.

If in the calculation of diluted loss per share instruments giving deferred rights to capital such as warrants (BSAs or BSPCEs) generates an antidilutive effect, these instruments are not taken into account.

Note 3: Intangible assets

GROSS VALUE (Amounts in euros)	Software	Other	Total
Statement of financial position as at December 31, 2013	**9,121**	**0**	**9 121**
Capitalization of development costs			**0**
Acquisition	1,050		**1 050**
Disposals			**0**
Transfer			**0**
Statement of financial position as of December 31, 2014	**10,171**	**0**	**10 171**
Capitalization of development costs			**0**
Acquisition	706		**706**
Disposals	(595)		**-595**
Transfer			**0**
Statement of financial position as at December 31, 2015	**10,283**	**0**	**10 283**
ACCUMULATE DEPRECIATION			
Statement of financial position as at December 31, 2013	**8,976**	**0**	**8 976**
Increase	285		**285**
Decrease			**0**
Statement of financial position as at December 31, 2014	**9,261**	**0**	**9 261**
Increase	1,077		**1 077**
Decrease	(595)		**-595**
Statement of financial position as at December 31, 2015	**9,743**	**0**	**9 743**
NET BOOK VALUE			
As of December 31, 2014	**910**	**0**	**910**
As of December 31, 2015	**540**	**0**	**540**

Due to the risks and uncertainties related to the research and development process, the six capital criteria for intangible assets were not considered to be fulfilled for any development project under way. Consequently, all development costs incurred by the Company are recorded as expenses.

Note 4: Property, plant and equipment

GROSS VALUE (Amounts in euros)	Installations & fixtures	Computer hardware	Furniture	Total
Statement of financial position as at December 31, 2013	**22,097**	**46,610**	**11,730**	**80,437**
Acquisition	3,490		9,336	12,826
Disposals				0
Transfer				0
Statement of financial position as at December 31, 2014	**25,587**	**46,610**	**21,066**	**93,263**
Acquisition	109,157	24,762	19,392	153,311
Disposals	(25,587)	(20,633)		-46,220
Transfer				0
Statement of financial position as at December 31, 2015	**109,157**	**50,739**	**40,458**	**200,354**

ACCUMULATED DEPRECIATION

Statement of financial position as at December 31, 2013	**11,529**	**33,745**	**14,597**	**59,871**
Increase	2,812	5,544	3,701	12,057
Decrease				0
Statement of financial position as at December 31, 2014	**14,341**	**39,289**	**18,298**	**71,928**
Increase	13,327	7,143	1,428	21,898
Decrease	(25,587)	(20,633)		-46,220
Statement of financial position as at December 31, 2015	**2,081**	**25,799**	**19,726**	**47,606**

NET BOOK VALUES

As at Decemberr 31, 2014	**11,246**	**7,321**	**2,768**	**21,335**
As at December 31, 2015	**107,076**	**24,940**	**20,732**	**152,748**

In September 2015, the Company moved its corporate headquarters in Lyon, France in order to expand its office lease capacity. As a result, the increase in property, plant and equipment in the year ended December 31, 2015 reflects the acquisition of fixed assets and the disposal of certain existing fixed assets.

The Company does not have any finance leases.

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

Note 5: Other non current financial assets

Non-current financial assets are recorded for the deposits paid for:

- cash paid to Oddo Corporate Finance in relation to the liquidity agreement (€200,171);
- the Kreos agreement (€231,000);
- deposits paid in relation to operating leases, mainly for the premises of our corporate headquarters in Lyon, France.

Note 6: Other receivables

Customer receivables (€12,000) corresponds the balance to be received in relation with ENYO Pharma SA agreement.

Other receivables and related accounts are presented below:

OTHER RECEIVABLES AND RELATED ACCOUNTS (Amounts in euros)	**12/31/2015**	**12/31/2014**
Research tax credit	1,918,071	1,977,120
Valued added tax, or VAT	586,984	747,525
Financial asset in relation to the Kreos Loan (Tranche B)	0	379,900
Credit note to be received	26,321	105,414
Prepaid expenses	1,203,786	51,698
Receivables from suppliers	226	2,794
Other	1,026	0
Total of other receivables and related accounts	**3,736,414**	**3,264,451**

VAT receivables primarily relate to deductible VAT as well as to the refund of requested VAT.

Prepaid expenses include approximately €1.0 million in relation to the Phase 2b clinical trial conducted by contract research organizations, or CROs, namely for Imeglimin, launched in Japan in December 2015. Other prepaid expenses are primarily related to rental and insurance expenses.

Financial assets recognized in relation to the second tranche (i.e., Tranche B) of the liability due to Kreos have been derecognized as of December 31, 2015 (Note 11.5)

Research tax credit ("CIR")

The Company benefits from the provisions of articles 244 quater B and 49 septies F of the French General Tax Code relating to Research Tax Credits. In accordance with the principles described in Note 2.14, Research Tax Credits are deducted from research expenses for the year to which the eligible research expenses relate. Research Tax Credits are presented as a subsidy in "Research and development costs."

In the absence of any taxable income, the receivable from the French government for the Research Tax Credit is refundable the year after it is reported. Changes in the Research Tax Credit over 2014 and 2015 are presented as follows:

Research Tax Credit	**In euros**
Opening balance sheet receivable as at January 1, 2014	**2 913 064**
Subsidy recognized as a reduction of ""Research and development" expenses	1 977 120
Payment received	(2 913 064)
Closing balance sheet receivable as at December 31, 2014	**1 977 120**

Opening balance sheet receivable as at January 1, 2015	**1 977 120**
Subsidy recognized as a reduction of ""Research and development" expenses	1 918 071
Payment received	(1 977 120)
Closing balance sheet receivable as at December 31, 2015	**1 918 071**

Note 7: Cash and cash equivalents

Cash and cash equivalents are set out below:

CASH AND CASH EQUIVALENTS (Amounts in euros)	**12/31/2015**	**12/31/2014**
Bank accounts (cash in hand)	1,787,516	540,458
Fixed term deposits	35,477,148	8,771,031
Money market funds	5,148,738	942,146
Total cash and cash equivalents	**42,413,402**	**10,253,635**

Note 8: Financial assets and liabilities and effects on income

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

(Amounts in euros)	**12/31/2015**		**Value – statement of financial position in application of IAS 39**			**Non financial instruments**
	Amount recognized in the statement of financial position	**Fair value (3)**	**Fair value through profit and loss**	**Loans and receivables (2)**	**Liabilities at amortized cost (1)**	
Non-current financial assets	533,428	533,428		533,428		
Receivable and related accounts	11,580	11,580		11,580		
Other receivables	3,736,414	3,736,414		3,736,414		
Cash and cash equivalents	42,413 402	42,413 402	5,148 738	37,264 664		
Total financial assets	**46,694,824**	**46,694,824**	**5,148,738**	**41,546,086**	**0**	**0**
Financial liabilities – current portion	2,397,150	2,397,150			2 397,150	
Financial liabilities – non-current portion	1,553,926	1,553,926			1 553,926	
Trade payables and related accounts	4,336,522	4,336,522			4 336,522	
Other creditors and other liabilities	23,000	23,000			23,000	
Total financial liabilities	**8,310,598**	**8,310,598**	**0**	**0**	**8,310,598**	**0**

(Amounts in euros)	12/31/2014		Value – statement of financial position in application of IAS 39			Non financial instruments
	Amount recognized in the statement of financial position	Fair value (3)	Fair value through profit and loss	Loans and receivables (2)	Liabilities at amortized cost (1)	
Non-current financial assets	285,569	285,569		285,569		
Receivable and related accounts	3,264,451	3,264,451		3,264,451		
Cash and cash equivalents	10,253,635	10,253,635	942,146	9,311,489		
Total financial assets	**13,803,654**	**13,803,654**	**942,146**	**12,861,508**	**0**	**0**
Financial liabilities – current portion	8,551,302	8,551,302	7,301,831		1,249,471	
Derivative liability	451,922	451,922	451,922			
Financial liabilities – non-current portion	3,865,785	3,865,785			3,865,785	
Trade payables	3,098,682	3,098,682			3,098,682	
Total financial liabilities	**15,967,691**	**15,967,691**	**7,753,753**	**0**	**8,213,938**	**0**

(1) The carrying amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.
(2) The fair value of "loans and receivables" corresponds to the value reported in the statement of financial position (value at the transaction date and then tested for impairment on each reporting date).
(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.

(Amounts in euros)	Impact on financial income (expense) as of December 31, 2014		Impact on financial income (expense) as of December 31, 2015	
	Interests	Changes in fair value	Interests	Changes in fair value
Financial assets				
Assets at fair value through profit or loss				
Loans and receivables				
Cash and cash equivalents		199		(4,060)
Financial liabilities				
Liabilities at fair value through profit or loss		124,236		6,858,141
Liabilities measured at amortized cost	804,538		165,677	

Liabilities at fair value through profit or loss are presented in Note 11.

Note 9: Share capital

Capital share issued

Share capital is €389,648. As at December 31, 2015, it was divided into 19,482,394 ordinary shares that are fully subscribed and paid up with a par value of €0.02 each. Class A preferred shares existing in 2014 have been completely converted, on a 1:1 basis, into ordinary shares following the initial public offering of the Company in February 2015.

The 19,482,394 outstanding shares do not include share warrants (*Bons de souscription d'actions* or BSAs) and founder's share warrants (*Bons de souscription de parts de créateur d'entreprise* or BSPCEs), which have not been exercised.

COMPOSITION OF SHARE CAPITAL	12/31/2015	12/31/2014
Capital (in euros)	389 648	250 163
Number of shares	19 482 394	12 508 156
Of which ordinary shares	19 482 394	3 000 000
Of which class A preferred shares	0	9 508 156
Nominal value (in euros)	€0,02	€0,02

In 2015, various equity transactions occurred that modified the Company's share capital which are further described in paragraph 1.2:

- Issuance of 4,031,248 shares following completion of an initial public offering on Euronext Paris on February 2015, for a gross amount of €26.8 million.

- Issuance of 1,088,531 shares following exercise of share warrants by Merck Serono, generating a capital increase of €7.2 million recognized as a compensation of debt of the same amount that was due to Merck Serono.

- Issuance of 1,762,793 shares following completion of a private placement in July 2015, for an amount of €20 million.

- Issuance of 91,666 shares following exercise by Kreos de 91,666 share warrants (45,833 in October 2015 and 45,833 in November 2015).

Capital management

The Company's policy is to maintain a solid base of capital, in order to preserve the trust of the investors, the creditors and to support future development of the activity.

Table of changes in the capital share

Date	Nature of transactions	Movements on the share capital	Premium related to share capital	Number of shares issued	Number of shares	Nominal value	Share capital
	Au 31 décembre 2013	**194,997**	**352 773**		**389 990**		**194 997**
March 2014	Capital decrease (March 2014)	-39,001					155,996
March 2014	20-to-1 share split (March 2014)				7,409,810		155,996
March 2014	Capital increase (conversion of the convertible bonds)	12,914	5,141,589		645,722		168,910
July 2014	Capital increase to Bpifrance Participations (July 2014)	25,000	4,975,000	1,250,000	1,250,000		193,910
July 2014	Capital increase (conversion of the convertible bonds)	56,253	20,897,979	2,812,634	2,812,634		250,163
	Costs incurred in relation to equity transactions		-1,030,667				
	Subscription of share warrants		30,001				
	Total as at December 31, 2014	**250,163**	**30,366,675**	**4,062,634**	**12,508,156**	**0.02**	**250,163**
February 2015	Capital increase in relation to the initial public offering on Euronext Paris (February 2015)	80,625	26,767,487	4,031,248	16,539,404		330,788
February 2015	Capital increase in relation to the exercise by Merck Serono of its MS Share Warrants (February 2015)	21,771	7,227,845	1,088,531	17,627,935		352,559
July 2015	Capital increase, july 2015	35,256	19,972,445	1,762,793	19,390,728		387,815
October 2015	Exercise of BSA Kreos, October 2015	917	182,415	45,833	19,436,561		388,731
November 2015	Exercise of BSA Kreos, November 2015	917	182,415	45,833	19,482,394		389,648
	Costs incurred in relation to equity transactions		-2,861,000				
	Subscription of share warrants		85,424				

Total as at December 31, 2015	**389,648**	**81,923,707**	**6,974,238**	**19,482,394**	**0.02**	**389,648**

Distribution of dividends

The Company did not distribute any dividends for the years ended December 31, 2014 and 2015.

Note 10: Share warrants

Share purchase warrants "("*Bons de souscription d'actions*"" or ""*BSA*"")

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

						Hypothèses retenues - calcul de la juste valeur selon IFRS 2							
Grant date	**Type**	**Number of warrants issued**	**Number of lapsed warrants**	**Number of warrants outstanding**	**Nombre maximum d'actions à émettre***	**Fair value of the underlying share***	**Fair value of the warrants***	**Expected term**	**Strike price (in euros)***	**Duration**	**Volatility**	**Risk free rate**	**Total Value IFRS2 (Black&Scholes)**
Board of July 5, 2010	BSA directors	4 500	0	4 500	90 000	€3,33	€1,50	5 years	€3,33	10 years	45%	3,5%	€135 125
As at December 31, 2010		**4 500**	**0**	**4 500**	**90 000**								
As at December 31, 2011		**4 500**	**0**	**4 500**	**90 000**								
As at December 31, 2012		**4 500**	**0**	**4 500**	**90 000**								
Board of February 20, 2013	BSA 10/31/2012	2 500	0	2 500	50 000	€4,23	€2,04	5 years	€4,00	10 years	52%	2,2%	€71 843
As at June 30, 2013 and December 31, 2013		**7 000**	**0**	**7 000**	**140 000**								
Board of March 12, 2014	BSA 10/31/2012	2 500	0	2 500	50 000	€8,00	€5,16	4,5 years	€4,00	10 years	55%	1,8%	€227 848
As at December 31, 2014		**9 500**	**0**	**9 500**	**190 000**								
Board of January 8, 2015	BSA 07-25-2014	42 500	0	42 500	42 500	€8,20	€5,76	6 years	€4,00	10 years	57%	0,0%	€219 468
Board of April 29, 2015	BSA 06-16-2015	42 500	0	42 500	42 500	€13,57	€8,17	6 years	€9,37	10 years	57%	0,0%	€287 591
Board of May 7, 2015	BSA 06-16-2015	240 000	0	240 000	240 000	€13,57	€7,91	6 years	€9,62	10 years	57%	0,1%	€1 550 959
As at December 31, 2015		**334 500**	**0**	**334 500**	**515 000**								

*after the 1:20 share split

For warrants issued before the 1:20 share split that was effective in March 2014, each warrant is convertible into 20 ordinary shares. As a result, fair values of the underlying shares, warrants and strike prices have been adjusted accordingly.

The strike price for grants after the initial public offering on Euronext Paris is based on the average closing price of our ordinary shares for the 20 trading days preceding the date of grant.

The exercise rights for the "BSA directors" granted during the period are acquired annually on the grant date in increments of one-third.

The exercise rights for the "BSA 10/31/2012" are acquired immediately on the grant date by the general meeting of the shareholders. The subscription price was €12 each, for a total of €30,000 recognized by the Company as issue premium in 2013.

Exercice is not subject to performance conditions but it is subject to an attendance condition.

The exercise rights for the "BSA 07/25/2014" granted during the period are acquired annually on the grant date in increments of one-third.

The exercise rights for the share purchase warrants issued during the first quarter of 2016 are acquired annually on the grant date in increments of one-third.

These plans are qualified as "equity settled" under IFRS 2. The Company does not have an obligation to purchase these instruments from employees in the event of departure or if a specific event does not occur.

Furthermore, the Company also issued share warrants to the benefit of Kreos, and for which the accounting treatment is detailed in paragraph 11.5.

Employee share warrants ("*Bons de souscription de parts de créateur d'entreprise* " ou "*BSCPEs* ")

The following table summarizes the data relating to the employee 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 under IFRS 2							
Grant date	**Type**	**Number of warrants issued**	**Number of lapsed options**	**Number of options outstanding**	**Maximum number of shares to be issued ***	**Fair value of the underlying share***	**Fair value of the warrants***	**Expected term**	**Strike price (in euros)***	**Duration**	**Volatility**	**Risk-free rate**	**Total value IFRS2 (Black&Scholes)**
Board of June 20, 2010	BCE 06-10-2010-1	5 000	2 750	2 250	45 000	€3,33	€1,77	5 years	€2,50	10 years	45%	3,5%	€176 537
Board of December 17, 2010	BCE 06-10-2010-2	3 000	0	3 000	60 000	€3,33	€1,72	4,5 years	€2,50	10 years	45%	3,7%	€102 951
As at December 31, 2010		**8 000**	**2 750**	**5 250**	**105 000**								
Board of September 20, 2011	BCE 06-10-2010-2	1 500	0	1 500	30 000	€3,74	€2,00	3,5 years	€2,50	10 years	50%	4,0%	€59 996
As at December 31, 2011		**9 500**	**2 750**	**6 750**	**135 000**								
As at December 31, 2012		**9 500**	**2 750**	**6 750**	**135 000**								
As at June 30, 2013 and December 31, 2013		**9 500**	**2 750**	**6 750**	**135 000**								
Board of March 12, 2014	BCE 10-31-2012	5 000	0	5 000	100 000	€8,00	€5,58	4,5 years	€3,20	10 years	55,00%	1,80%	€558 351
As at December 31, 2014		**14 500**	**2 750**	**11 750**	**235 000**								
As at December 31, 2015		**14 500**	**2 750**	**11 750**	**235 000**								

*after the 1:20 share split

For warrants issued before the 1:20 share split that was effective in March 2014, each warrant is convertible into 20 ordinary shares. As a result, fair values of the underlying shares, warrants and strike prices have been adjusted accordingly.

The strike price for grants after the initial public offering on Euronext Paris is based on the average closing price of our ordinary shares for the 20 trading days preceding the date of grant.

The exercise rights for the employee share options granted during the period are acquired annually on the grant date in increments of one-third.

Exercise is not subject to performance conditions but it is subject to an attendance condition.

These plans are qualified as "equity settled". The Company does not have an obligation to purchase these instruments from employees in the event of departure or if a specific event does not occur.

Valuation methods of BSA and BSPCEs

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

- for grants prior to our initial public offering on Euronext Paris, the share price used is equal to the investors' subscription price or by applying internal valuations; for grants after our initial public offering on Euronext Paris, the share price is based on the closing quoted price of the ordinary shares;

- the risk-free rate is determined based on the average lifetime of the securities ;

- the volatility is determined based on a sample of listed companies in the biotechnologies sector, at the subscription date of the instruments over a period equal to the lifetime of the option.

Breakdown of the compensation accounted for under IFRS 2 for the years ended December 2014 and 2015 financial years:

		As at December 31, 2014					As at December 31, 2015				
Type	**Date of award by the Board of directors**	**Number of warrants outstanding**	**IFRS 2 cost of the plan**	**Accumulated compensation expense at the beginning of the period**	**Compensation expensed recognized as at December 31, 2014**	**Accumulated compensation expense as at December 31, 2014**	**Number of warrants outstanding**	**IFRS 2 cost of the plan**	**Accumulated compensation expense at the beginning of the period**	**Compensation expensed recognized as at December 31, 2015**	**Accumulated compensation expense as at December 31, 2015**
BSA directors	July 5, 2010	4,500	€135,125	€135,125	€0	€135,125	4,500	€135,125	€135,125	€0	€135,125
BSA 31/10/2012	February 20, 2013	2,500	€71,843	€71,843	€0	€71,843	2,500	€71,843	€71,843	€0	€71,843
BSA 31/10/2012	March 12, 2014	2,500	€227,848	€0	€227,848	€227,848	2,500	€227,848	€227,848	€0	€227,848
BSA 25-07-2014	January 8, 2015	0	€0	€0	€0	€0	42,500	€219,468	€0	€146,955	€146,955
BSA 16-06-	April 29, 2015	0	€0	€0	€0	€0	42,500	€287,591	€0	€95,198	€95,198

2015 BSA 16-06-2015	May 7, 2015	0	€0	€0	€0	€0	240,000	€1,550,959	€0	€937,038	€937,038
Total - BSA		**9,500**	**€434,817**	**€206,968**	**€227,848**	**€434,817**	**334,500**	**€2,492,834**	**€434,817**	**€1,179,190**	**€1,614,006**

		As at December 31, 2014					As at December 31, 2015				
Type	**Date of award by the Board of directors**	**Number of warrants outstanding**	**IFRS 2 cost of the plan**	**Accumulated compensation expense at the beginning of the period**	**Compensation expensed recognized as at December 31, 2014**	**Accumulated compensation expense as at December 31, 2014**	**Number of warrants outstanding**	**IFRS 2 cost of the plan**	**Accumulated compensation expense at the beginning of the period**	**Compensation expensed recognized as at December 31, 2015**	**Accumulated compensation expense as at December 31, 2015**
BCE 10-06-2010-1	June 20, 2010	2 250	€176 537	€176 537	€0	€176,537	2,250	€176,537	€176,537	€0	€176,537
BCE 10-06-2010-2	December 17, 2010	3 000	€102 951	€102 951	€0	€102,951	3,000	€102,951	€102,951	€0	€102,951
BCE 10-06-2010-2	September 20, 2011	1 500	€59 996	€53 663	€0	€59,996	1,500	€59,996	€59,996	€0	€59,996
BCE 31-10-2012	March 12, 2014	5 000	€558 351	€0	€0	€558,351	5,000	€558,351	€558,351	€0	€558,351
Total - BSPCE		**11,750**	**€897,835**	**€333,151**	**€0**	**€897,935**	**11,750**	**€897,835**	**€897,835**	**€0**	**€897,835**

As at December 31, 2015, the total authorizations to issue BSAs and BSPCEs granted to the board of directors by the June 16, 2015 shareholders' meetings and not used by the board of directors amounted to 833,370.

The total share-based compensation expense amounts to €792,553 (€331,647 in "Research and development" and €460,886 in "General and administrative expense," respectively) for the financial year ended December 31, 2014 and €1,179,190 (€244,259 in "Research and development" and

€944,931 in "General and administrative expense," respectively) for the financial year ended December 31, 2015.

Note 11: Borrowings and financial liabilities

FINANCIAL LIABILITIES (amount in euros)	12/31/2015	12/31/2014
Conditional advances	682,841	719,728
Derivative financial liability (Kreos Tranche B)	0	451,922
Kreos debt (Tranche A)	871,085	3,146,057
Financial liabilities-Non-current portion	**1,553,925**	**4,317,707**
Conditional advances	88,906	35,000
Liability in relation to the Merck Serono agreement	0	7,301,831
Kreos debt (Tranche A)	2,274,972	1,213,609
Interest accrued on Kreos Debt	31,064	0
Interest accrued on bank overdrafts	2,209	862
Financial liabilities-Current portion	**2,397,151**	**8,551,302**
Total financial liabilities	**3,951,076**	**12,869,008**

Breakdown of financial liabilities by maturity

The maturities of financial liabilities are presented below for 2014 and 2015:

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (montant en euros)	12/31/2015			
	Gross amount	Less than 1 year	From 1 to 5 years	Longer than 5 years
Conditional advances	771,746	88 906	682 841	0
Interest accrued on bank overdrafts	2,209	2 209	0	0
Interest accrued on Kreos debt	31,064	31 064	0	0
Kreos debt (Tranche A)	3,146,057	2 274 972	871 085	0
Total financial liabilities	**3,951,076**	**2 397 151**	**1 553 925**	**0**

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (amounts in euros)	12/31/2014			
	Gross amount	Less than 1 year	From 1 to 5 years	Longer than 5 years
Conditional advances	754,728	35,000	602,032	117,696
Interest accrued on bank overdrafts	862	862	0	0
Kreos debt (Tranche A)	4,359,666	1,213,609	3,146,057	0
Derivative financial liability (Tranche B)	451,922	0	451,922	0
Merck Serono agreement	7,301,831	7,301,831	0	0
Total financial liabilities	**12,869,008**	**8,551,302**	**4,200,011**	**117,696**

11.1 Liability with financial institutions

The Company did not have any bank loans in 2014 and 2015.

The Company benefits from a €1.7 million overdraft facility as well as a pledged term deposit account of the same amount with a financial services institution.

11.2 Conditional advances

The following table presents changes in conditional advances:

	PXL770	Imeglimin (New Formulation)	Total
As at December 31, 2013	**202 234**	**546 317**	**748 551**
(+) Increase			
(-) Decrease	(22 500)		(22 500)
Financial expenses	7 682	20 995	28 677
(+/-) Other movements			
As at December 31, 2014	**187 416**	**567 312**	**754 728**
(+) Increase			
(-) Decrease	(35 000)		(35 000)
Subsidies			
Financial expenses	7 577	44 441	52 019
(+/-) Other movements			
As at December 31, 2015	**159 993**	**611 754**	**771 746**

"Other movements" changes are related to the definitive allocation of the subsidies transferred in the statement of income.

Breakdown of conditional advances and subsidies by maturity

	PXL770	Imeglimin (New Formulation)	Total
As at December 31, 2015	**159 993**	**611 754**	**771 746**
Portion less than 1 year	52 863	36 043	88 906
From 1 year to 5 years	107 130	575 711	682 841
Portion above 5 years			

Bpifrance Financement/FEDER—PXL770 conditional advance

On August 31, 2011, the Company obtained a conditional, interest-free aid from Bpifrance Financement (formerly Oséo) as part of the *Fonds européen de développement regional*, or FEDER fund, for a maximum amount of €250,000 in the context of the "development and selection of a new AMPK activator drug for the treatment of diabetes."

Following the technical success of the project, the repayment of this innovation aid started as follows:

- €5,000 for the last quarter of 2013;
- €5,000 for the first three quarters of 2014 and €7,500 for the last quarter;
- €7,500 for the first three quarters of 2015 and €12,500 for the last quarter;
- €12,500 for the first three quarters of 2016 and €17,500 for the last quarter;
- €17,500 for the first three quarters of 2017 and €20,000 for the last quarter;
- the balance in 2018.

The portion of advances received that is due in more than one year is recorded in "Financial liabilities—non-current portion," and the portion that is due in less than one year is recorded in "Financial liabilities—current portion" in the statement of financial position.

The fair value of this conditional advance is determined on the basis of market interest rate estimated at 4.04% per year. The difference between the amount of the conditional advance at historical cost and the discounted amount at the market rate is recognized in the statement of income as a subsidy received from the French government.

Bpifrance Financement—Imeglimin (new formulation) conditional advance

In October 2011, the Company obtained €950,000 in conditional, interest-free innovation aid from Bpifrance Financement (formerly Oséo) for the development of a new formulation of Imeglimin for the treatment of diabetes.

Payments from Bpifrance Financement were made in installments between the signature of the contract and the end of the project, the main stages of which were as follows:

- first payment of €700,000 on January 16, 2012;
- the balance on the completion of work, at the latest on July 31, 2014, representing an amount of €250,000 has not been received as at December 31, 2015

Completion of the work has not yet been declared to Bpifrance Financement, due to administrative reasons. As a consequence, the balance of the advance (i.e €250,000), has not yet been received.

Given that the technical milestone has been achieved for the project, the repayment of this conditional advance will be as follows:

- €12,000 for the first three quarters of 2016;
- €12 000 for the first quarter of 2017 and €22,500 for the following three quarters;
- €22,500 for the first quarter of 2018 and €48,750 for the following three quarters;
- €48,750 for the first quarter of 2019 and €71,250 for the following three quarters;
- €71,250 for the first quarter of 2020 and €83,000 for the following three quarters;
- the remaining balance in 2021.

The fair value of this conditional advance is determined on the basis of market interest rate estimated at 3.84% per year. The difference between the amount of the advance at historical cost and the discounted amount at the market rate is recognized in income as a subsidy received from the French government.

11.3 Convertible bonds

The shareholders' meeting of October 31, 2012 approved the issuance of bonds convertible into shares to certain shareholders for an amount of €13 million composed of 162,500 convertible bonds with a par value of €80, divided into three tranches, presented in the table below.

All of these convertible bonds have been converted in March and July 2014 resulting in the creation of an aggregate amount of 3,458,356 new shares (645,722 new shares in March 2014 and 2,812,634 new shares in July 2014).

CHANGES IN THE CONVERTIBLE BONDS (Amount in thousand of euros)	**Total convertible bonds**
As at December 31, 2013	**24,059,574**
(+) Payment received	0
(-) Repayment	0
(-) Change in fair value	2,049,160
(+/-) Conversion	(26,108,735)
As at December 31, 2014	**0**

11.4 Liability to Merck Serono

CHANGES IN THE Merck Serono LIABILITY (Amount in thousand of euros)	**Merck Serono Liability**
As at December 31, 2013	**2,564,873**
(+) Payment received	0
(-) Repayment	0
(-) Change in fair value of the liability as a result of the amendment of the agreement with Merck Serono	4,736,958
As at December 31, 2014	**7,301,831**
(+) Payment received	0
(-) Repayment	(7,249,616)
(-) Change in fair value of the liability	(52,214)
As at December 31, 2015	**0**

Liability to Merck Serono expired following the initial public offering of the Company (See Note 1.2).

11.5 Liability to Kreos

On July 25, 2014, the Company entered into a venture loan agreement intended to allow the Company to benefit from financing in the form of non-convertible bonds representing a loan for a maximum amount of €8 million for which Kreos Capital IV (UK) Limited, or Kreos, a debt fund agreed to subscribe in two tranches as follows:

- 5 million (Tranche A) subscribed as of July 25, 2014, repayable over 33 months until April 2017 (no repayment of capital for the first 9 months); and

- €3 million (Tranche B), in one or several drawdowns, subject to the condition that the Company obtains additional financing of at least €12 million (in capital, by the issue of convertible bonds, a subordinated shareholders loan or a license agreement with a pharmaceutical company) by March 31, 2015 and repayable over 36 months.

This tranche 2 could be subscribed until April 30, 2015. It is not yet used by the Company.

The bonds have a fixed 11.25% coupon and include various fees to be paid by the Company.

Under the Venture Loan Agreement, the Company must also issue to Kreos Capital IV (Expert Fund) Limited, a subsidiary of Kreos, a maximum of 220,000 share warrants for class A preferred shares, 137,500 of which were issued at the time Tranche A was released (exercise price: €4 per share) and a maximum of 82,500 shall be issued upon the full release of the Tranche B.

Finally, in order to guarantee all obligations entered into by the Company in respect of the Venture Loan Agreement, it has granted various security rights relating to its intellectual property and its cash position such as pledges of bank accounts, receivables and certain intellectual property rights as collateral.

Liability changed as follows:

CHANGES IN THE LIABILITY TO KREOS (Tranche A) (Amount in thousand of euros)	**Liability to Kreos**
As at December 31, 2013	**0**
(+) Payment received	4,855,000
(+) Effect of unwinding the discount	137,001
(-) Repayment	0
(-) Equity component	(632,334)
As at December 31, 2014	**4,359,666**
(+) Payment received	0
(+) Effect of unwinding the discount	362,401
(-) Repayment	(1,576,010)
(-) Equity component	0
As at December 31, 2015	**3,146,057**

Accounting principles chosen

Each of these two tranches was analyzed separately.

The first tranche (Tranche A) provides for a fixed number of shares (one share) to be provided following the exercise of a share warrant. In accordance with IAS 32, this is considered to be an equity instrument since the conversion ratio was fixed at inception. The Tranche A share warrants are recorded as an increase to equity and consequently, such warrants do not need to be recalculated.

In respect of the **second tranche** (Tranche B), the Company recognized a derivative as at December 31, 2014 because of its commitment, in the event of a drawdown, to issue Tranche B share warrants.

A financial asset had been recognized as a counterpart. In the absence of exercise for the Tranche B, this derivate was terminated in 2015.

Measurement of the liability at fair value

During the implementation of the venture loan agreement with Kreos, the Company incurred €145,000 in legal and consulting fees and €37,500 at the maturity of the loan. These costs were taken into account to measure the amortization of the loan using the amortized cost method. After taking into account the issue costs and the discount related to Tranche A share warrants, the effective interest rate of bonds amounted to 23.5%.

Tranche A warrants are recognized as equity and evaluated at fair value. The fair value was determined using the Black and Scholes model.

Main assumptions are the following:

Expected term: 5 years in case of an IPO/10 years if not.

Volatility: 54 %

Risk-free rate: 1,3 %

The equity instrument amounts to €632,334.

Tranche B share warrants were valued €451,922 as at December 31, 2014. Corresponding derivative and financial assets were terminated in 2015, generating a financial income of €72,022 (which was the difference between the value of the asset and the value of the derivative).

Note 12: 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	**31/12/2015**	**31/12/2014**
Retirement age	Voluntary retirement at 65/67 years old	
Collective agreements	Pharmaceutical industry	
Discount Rate (IBoxx Corporates AA)	2,03%	1,49%
Mortality rate table	INSEE 2014	INSEE 2014
Salary increase rate	2%	2%
Turnover rate	Low	Low
Employee contribution rate	53%	53%

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

EMPLOYEE BENEFIT (Amounts in euros)	Post-employment benefits
As at December 31, 2013	**85,310**
Service cost	22,117
Interest cost	2,559
Actuarial gains and losses	(12,228)
As at December 31, 2014	**97,758**
Service cost	21,197
Financial cost	1,457
Actuarial gains and losses	9,546
Ast at December 31, 2015	**129,958**

Note 13: Provisions

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

No provision has been recognized for the years ended December 31, 2014 and 2015.

Note 14: Payables and other current liabilities

14.1. Trade payables

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.

PAYABLES AND RELATED ACCOUNTS (Amounts in euros)	12/31/2015	12/31/2014
Account payable	2,824,481	1,112,074
Accrued invoices	1,512,041	1,986,608
Total trade payables	**4,336,522**	**3,098,682**

The increase in accounts payable is due to the posting in December 2015 of an invoice of €1 million related to the costs of the phase 2b clinical study launched in Japan the same month and for which the counterpart is recognized as prepaid expenses.

14.2 Tax and employee-related payables and other current liabilities

Tax and employee-related payables are presented below:

TAX AND EMPLOYEE-RELATED PAYABLES (Amounts in euros)	12/31/2015	12/31/2014
Accrued personnel costs	154,277	154,202
Social security and other social agencies	165,545	93,740
Other tax and related payments	59,917	60,013
Total tax and employee-related payables and other current liabilities	**379,739**	**307,955**

Other current liabilities (€23,000) are attendance fees for the Board of directors.

Note 15: Operating loss

The Company did not generate any revenue in 2014. For the year ended December 31, 2015, the Company generated €59,650 of revenue corresponding to:

- €50,000 for the revenue in relation to the license agreements with ENYO PHARMA SA (see Note 1.2 "Significant Events");
- €10,000 for the revenue in relation to the second agreement with ENYO PHARMA SA.

In the same period, operating income was as follows:

REVENUE AND OPERATING INCOME (Amounts in euros)	12/31/2015	12/31/2014
Revenue	59.650	0
Research and development		
Research Tax Credit	1.918.071	1.977.120
Subsidies FEDER/Grand Lyon/Région Rhône-Alpes	1.000	1.455
Other incomes	0	0
Total revenue and operating income	**1.978.721**	**1.978.575**

Outside of revenue recognized from licensed and partnership arrangements, operating loss is also comprised of the subsidies presented in the table above, which have been classified as a reduction of operating expenses.

Note 16: Detail of operating expenses by function

16.1 Research and development

RESEARCH AND DEVELOPMENT (Amounts in euros)	12/31/2015	12/31/2014
Personnel costs	1,115,618	998,664
Share-based payments	234,259	331,647
Sub-contracting, studies and research	6,126,711	4,785,060
Intellectual property fees	526,586	393,494
Payments to intermediaries and professonal fees	593,282	279,354
Purchase of active pharmaceutical ingredients for CROs	385,000	0
Insurance premiums	21,985	80,146
Licensing fees	137,298	64,325
Rent	65,514	47,948
Documentation, training	1,754	6,312
Depreciation of assets	0	0
Other taxes	29,813	9,158
Various	0	0
Research and development expenses (excluding subsidies received)	**9,237,820**	**6,996109**
Research Tax Credit	1,918,071	1,977,120
Other subsidies	1,000	1,455
Subsidies	**1,919,071**	**1,978,575**

Research and development expenses mainly relate to studies and clinical trials for Imeglimin and PXL770. The Company conducted its studies through its network of subcontracted service providers. Compensation related to these contracts constitutes the majority of the Company's operating expenses in terms of research. Most expenses are eligible for the Research Tax Credit. The amount of the Research Tax Credit was stable between 2014 and 2015 despite an increase in research expenditure. This is due to the fact that some expenses are not eligible for the research tax credit, for example, because of their geographic location.

The amount of benefits related to the Young Innovative Enterprise (*Jeune Entreprise Innovante*) status in 2014 and 2015 amounted to €167,141 and €130,611 respectively, and recognized as a reduction of research and development expenses for €117,784 and €86,639 for 2014 and 2015 respectively, and as a reduction of general and administrative expenses for €49,357 and €43,971 for 2014 and 2015 respectively). The tax credit for competitiveness and employment (*Crédit d'Impôt pour la Compétitivité et l'Emploi*), or CICE, is immaterial for the periods presented.

16.2 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in euros)	12/31/2015	12/31/2014
Personnel costs	740,134	418,966
Share-based payments	944,931	460,886
Rents	33,249	17,620
Travel and entertainment expenses	474,965	260,449
Maintenance and repairs	25,188	23,211
Postage and telecomunications expenses	29,319	26,467
Insurance premiums	21,529	11,503
Advertising and public relations	519,852	20,672
Payments to intermediaries and professional fees	1,591,910	594,535
Documentation, training	766	2,117
Banking services and similar services	10,259	6,703
Subcontracting, studies and researches	0	0
Depreciation of software and intangible assets	22,975	12,343
Other taxes	15,530	3,838
Other general and administrative expenses	31,246	19,137
General and administrative expenses	**4,461,852**	**1,878,447**

In relation to the initial public offering been completed in February 2015, the Company incurred various costs which represent an aggregate amount of approximately €3,140,000. These costs have been allocated to general and administrative expenses and a deduction of equity to the extent that they are incremental costs directly attributable to the equity transaction, on a basis of allocation that is rational and reasonable.

Costs that are clearly associated with the issue of shares (such as share registration and other regulatory fees relating to the issuance of shares) have been recognized as a deduction in equity.

Promotional and other direct listing expenses or allocated expenses have been recognized as operating expenses.

For costs that relate jointly to both components of the transaction (i.e., to obtaining a listing and to issuing shares), expenses have been allocated using an appropriate basis of allocation, considering the extent to which the costs can be considered to be incremental costs directly attributable to the equity transaction, in accordance with IAS 32 paragraphs 27 and 28.

Based on these principles, out of the €3,140,000 incurred (€1,320,000 and €1,820,000 for the financial years ended December 31, 2014 and 2015, respectively), €2,294,000 (€1,031,000 and €1,263,000 for the years ended December 31, 2014 and 2015, respectively) have been recognized as a reduction of equity in accordance with IAS 32. The remaining amount for €846 thousand has been recognized as general and administrative expense (€288,000 and €558,000 for the years ended December 31, 2014 and 2015, respectively).

The CICE tax credit for competitiveness and employment was not significant (< €1,000).

Note 17: Employees

The Company's average workforce during the years ended December 31, 2014 and 2015 was as follows:

AVERAGE HEADCOUNS	2015	2014
Executives	13	12
Non-executives	1	0
Total	**14**	**12**

Note 18: Financial income (loss)

FINANCIAL INCOME (LOSS) (Amounts in euros)	12/31/2015	12/31/2014
Changes in the fair value of financial liabilities	124,236	(6,858,141)
Of which convertible bonds	*0*	*(2,049,160)*
Of which derivative financial instrument	*72,022*	*(72,022)*
Of which Merck Serono financial liability	*52,214*	*(4,736,958)*
Interest expense related to the Kreos liability	(856,556)	(371,376)
Other financial expenses	(52,019)	(28,677)
Financial income	29,939	71,938
Foreign currency exchange gains (losses)	(29,662)	(212)
Financial income (loss)	**(520,061)**	**(7,186,467)**

Financial income (loss) for the year ended December 31, 2015, is mainly due to interest incurred in relation to the Kreos liability (Note 11.5). For the year ended December 31, 2014, financial income (loss) was mainly due to changes in the fair value of the liabilities relating to convertible bonds and the Merck Serono agreement. These liabilities expired following the completion of the initial public offering of the Company.

Other financial expenses primarily reflect the discounting impact of conditional advances.

Note 19: Income taxe

As at December 31, 2015, the amount of accumulated tax loss carried forward since incorporation was €64,526,902 with no expiration date.

The tax rate applicable to the Company is the applicable rate in France, i.e., 33.33%. In accordance with the principle described in Note 2.21, the Company has not recognized deferred tax assets in addition to the deferred tax liabilities in the financial statements of the Company.

Reconciliation between the theoretical and the effective tax

	12/31/2015	12/31/2014
Net income (loss)	(12 241 013)	(14 082 448)
Consolidated tax	0	0
Income (loss) before taxe	**(12 241 013)**	**(14 082 448)**
Statutory tax rate in France	33,33%	33,33%
Nominal income tax expense (benefit) under statutory French tax rate	**(4 080 334)**	**(4 694 145)**
Permanent differences	-1 885 170	69 516
Share-based payment	393 063	264 177
Unrecognized deferred tax assets on tax losses carryforwards	5 572 441	4 360 451
Consolidated income/expense tax	**0**	**0**
Effective tax rate	*0,0%*	*0,0%*

The permanent differences primarily include the impact of the Research Tax Credit (which is a non-taxable operating income).

Nature of deferred taxes

Deferred taxes balances by nature	12/31/2015	12/31/2014
Temporary differences related to liabilities measured at fair value	0	1 468 778
Other temporary difference (asset)	43 319	28 138
Tax losses carryforwards	21 508 946	14 597 844
Total	**21 552 265**	**16 094 760**

Temporary differences related to conditional grants	33 660	50 999
Other temporary difference (liability)	92 886	21 341
Total	**126 545**	**72 340**

Deferred tax assets, net	**21 425 720**	**16 022 420**
Unrecognized deferred taxes	(21 425 720)	(16 022 420)
Total deferred taxes, net recognized in the statement of financial position	**0**	**0**

Note 20: Loss per share

Basic loss

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

All existing instruments giving deferred rights to capital (e.g.,BSAs, BSPCEs or convertible bonds) are considered to have an antidilutive effect as they reduce loss per share. Accordingly, diluted loss per share is identical to Basic Loss per share.

BASIC LOSS PER SHARE (Amounts in euros)	31/12/2015	31/12/2014*
Weighted average number of outstanding shares	17,918,891	9,976,856
Net loss for the year	(12,241,013)	(14,082,448)
Basic loss per share (€/share)	**(0.68)**	**(1.41)**
Diluted loss per share (€/share)	**(0.68)**	**(1.41)**

** after the 20-to-1 share split that occurred on March 28, 2014*

Note 21: Related parties

No post-employment benefit is granted to the members of the board of directors.

Compensation to directors is presented below (in euros):

Corporate directors compensation	12/31/2015	12/31/2014
Fixed compensation owed	131,752	121992
Variable compensation owed	24,108	20,165
Contributions in-kind	5,149	5,199
Employer contributions	45,684	39,961
Attendance fees (Board)	109,500	22,500
Share-based payments	242,152	227,848
Consulting fees	50,000	58,104
TOTAL	**608,345**	**495,769**

Terms for the allocation of variable compensation are defined based on qualitative objectives set at 85% for Company-level objectives and 15% for individual objectives.

The methods for assessing benefits relating to share-based payments is presented in Note 10.

Note 22: Commitments

22.1 Pledges

The Company benefits from a €1.7 million overdraft facility as well as a pledged term deposit account of the same amount. However the Company has not drawn down on these facilities at both December 31, 2014 and December 31, 2015.

22.2 Commitments related to leases agreements

Real estate leases

The Company entered into an operating lease for its registered office in Lyon on January 15, 2009 under a commercial lease. As a result of moving to new premises, the Company entered into a new lease with an effective date of July 1, 2015. Its duration is nine complete and consecutive years, until June 30, 2024 and the Company has the possibility to provide notice to terminate the lease only every three years.

The Company also sublet an office in Paris for a 12-month term that is renewable annually, effective January 1, 2013.

Contractual obligations and commitments

The following table summarizes our commitments to settle contractual obligations as at December 31, 2015:

Contractual obligations and commitments	Less than 1 year	1 to 3 year	3 to 5 years	More than 5 years	Total
Kreos loan payable	€2 274 972	€871 085	__	__	€3 146 057
Conditional advances	€88 906	€330 179	€352 662	__	€771 746
Operating leases(1)	€102 032	€390 710	__	__	€492 742
Total	€2 465 910	€1 591 974	€352 662	__	€4 410 545

(1) We lease office space in Lyon, France under a non-cancelable operating lease that expires in August 2024, subject to our earlier right of termination every three years. We also lease office space in Paris, France pursuant to a lease that is renewable annually until the expiration of the main lease on June 2021.

22.3 Commitment in respect of the agreement with Merck Serono at the creation of the Company

In accordance with the MS Agreement, Merck Serono transferred certain patents and granted a license for other patents and know-how to the Company for the research and development, and the marketing of pharmaceutical products. This license is exclusive covering a list of 25 molecules, by program, selected by the Company.

In order to support its research and development activities and given Merck Serono's economic interest in the development of the Company, at the incorporation of the Company, Merck Serono provided the Company with a total non-repayable amount of €7.2 million.

In exchange for the rights that were granted under the MS Agreement, the Company agreed to provide Merck Serono with:

- royalties on net sales of the products covered by the patents granted or granted under license by Merck Serono ;

- a percentage of the earnings from any partnership agreement relating to the products covered by the patents granted or granted under license.

22.4 Obligation under Kreos contract

In order to guarantee all obligations entered into by the Company in respect of the Venture Loan Agreement (see paragraph 1.2), the Company has granted various security rights relating to its intellectual property and its cash position: pledges of bank accounts, receivables and certain intellectual property rights as collateral.

22.5 Obligation under other contracts

In the ordinary course of business, the Company regularly uses the services of subcontractors and enters into research and partnership arrangements with various contract research organizations, or CROs, who conduct clinical trials and studies in relation to the drug candidates, primarily Imeglimin and to a lesser extent, PXL770. The cost of services performed by CROs is recognized as an operating expense as incurred. Under these arrangements, no reciprocal commitment binds the Company and its subcontractors. There is no other commitment related to research and development agreements that the Company has entered into.

Note 23: Management and assessment of the financial risks

The principal financial instruments held by the Company are cash and cash equivalents. The purpose of holding these instruments is to finance the ongoing business activities of the Company. The principal risks to which the Company is exposed to are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk. When appropriate, the Company uses simple ways proportionate to its size in order to minimize potentially adverse effect of these risks on the financial performance. It is not the Company's policy to invest in financial instruments for speculative purposes.

Interest rate risk

The Company has a very low exposure to interest rate risk, considering that:

- investment securities consisting of short-term money market funds ;
- Liquid assets include term deposits ;
- the conditional advances are not subject to interest rate risk ;
- no liability at a variable interest rate was taken.

Credit risk

The credit risk related to the Company's cash and cash equivalents is not significant in light of the quality of the co-contracting financial institutions.

Foreign currency risk

The Company has generated a limited amount of revenue to date (€59,650 in 2015) and does not currently have revenue in any currency other than the euro. The Company is exposed to foreign exchange risk inherent in certain services which are denominated in foreign currencies such as U.S. dollar, Singapore dollar, Japanese Yen and British pound. However, the Company's exposure to currencies other than the euro is negligible. Due to the relatively low level of these expenditures, the exposure to foreign exchange risk did not have a material adverse impact on the results of operations or financial position of the Company for either of the years ended December 31, 2014 or 2015.

In light of these insignificant amounts, the Company has not adopted, at this stage, a hedging mechanism in order to protect its business activity against fluctuations in exchange rates. The Company enters only, from time to time, into forward purchases of foreign currencies in order to meet its commitment in relation to services purchased and denominated in foreign currencies.

As the Company further increases its business, particularly in the United States, the Company expects to face greater exposure to exchange rate risk and would then consider adopting an appropriate policy for hedging against these risks.

Equity risk

The Company does not hold any equity investments or marketable securities on a regulated market.

Liquidity risk

The Company does not believe that it is exposed to short-term liquidity risk, considering the cash and cash equivalents of €42.4 million that it had available as of December 31, 2015. Management believes that this amount is sufficient to fund the Company's planned operations through the next twelve months.

Note 24: Auditors' fees

AUDITOR'S FEES (Amounts in €thousand)	2015 Financial Year				2014 Financial Year			
	Mazars		Pwc		Mazars		Pwc	
	Amount (excluding tax)	%	Amount (excluding tax)	%	Amount (excluding tax)	%	Amount (excluding tax)	%
Auditors	20.8	57%	20.8	57%	103.5	74%	106.8	75%
Due diligence directly related to the mission of the Auditors	15.5	43%	15.5	43%	36.5	26%	36.5	25%
Other due diligence		0%		0%	0,0	0%	0,0	0%
Total fees	36.3	**100%**	36.3	**100%**	140.0	**100%**	143.3	**100%**

19.2. Audit of historical annual financial information

Auditors' report on the accounts established in accordance with IFRS standard as adopted by the European Union

To the Chairman of the Board of Directors

Sir,

In our capacity as Auditors of Poxel S.A. and in response to your request, we have audited the financial statements of Poxel S.A. drawn up under IFRS standards, as adopted by the European Union, related to the year ended December 31, 2015 ("the financial statements"), as attached to this report.

These financial statements were prepared under the responsibility of your Board of Directors. Our role is to express an opinion on these annual accounts, based on our audit.

We carried out our audit according to the professional rules applicable in France; these rules require the implementation of due diligence in order to obtain the reasonable insurance that the annual statements do not include significant anomalies. An audit includes examining, on a test basis or through other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also involves assessing the accounting principles used, any significant estimates made and the overall presentation of the financial statements. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2015 and of the result of its operations for the year then ended in accordance with IFRS, as adopted in the European Union.

Done at Lyon and Courbevoie on March 31, 2016

The Auditors

MAZARS	PricewaterhouseCoopers Audit
Frédéric MAUREL	Elisabeth L'HERMITE

19.3. Date of the latest financial information

The latest financial information is dated March 31, 2016.

19.4. Quarterly financial information as of March 31st 2016

19.4.1. Statement of financial situation

POXEL Statements of financial position	Notes	03/31/2016 €	12/31/2015 €
ASSETS			
Intangible assets	3	481	540
Property, plant and equipment	4	147,815	152,748
Other financial assets	5	592,974	533,428
Deffered tax assets	19	-	-
Total non-current assets		741,270	686,715
Trade receivables	6	11,580	11,580
Other receivables and related accounts	6	4,034,931	3,736,414
Cash and cash equivalents	7	37,347,121	42,413,402
Total current assets		41,393,632	46,161,396
Total assets		**42,134,902**	**46,848,112**

LIABILITIES AND EQUITY

Equity			
Share capital	9	390,625	389,648
Premiums related to share capital	9	81,315,198	81,923,707
Reserves	9	(43,810,577)	(32,044,525)
Net loss	9	(6,247,534)	(12,241,013)
Total shareholders' equity		**31,647,712**	**38,027,817**
Non-current liabilities			
Employee benefit obligations	12	140,379	129,958
Financial liabilities	11	887,929	1,553,926
Total non-current liabilities		**1,028,308**	**1,683,884**
Current liabilities			
Financial liabilities	11	2,527,195	2 397,150
Provisions	13	-	-
Trade payables and related accounts	14.1	6 441,524	4 336,522
Tax and employee-related payables and other current liabilities	14.2	436,472	379,739
Other creditors and other liabilities	14.3	53,691	23,000
Total current liabilities		**9,458,882**	**7,136,411**
Total liabilities and equity		**42,134,902**	**46,848,112**

19.4.2. Statement of comprehensive income

POXEL Statements of loss	Notes	03/31/2016 €	03/31/2015 €
Revenue	15	-	-
Cost of sales		-	-
Gross margin		**-**	**-**
Research and development			
Research and development expenses	16.1	(5,589,671)	(1,633,471)
Subsidies	16.1	1,046,457	468,206
General and administrative	16.2	(1,580,579)	(1,243,086)
Operating loss		**(6,123,793)**	**(2,408,350)**
Financial expenses	18	(170,899)	(254,880)
Financial income	18	86,471	92,388
Foreign currency exchange loss	18	(39,313)	120
Net loss before tax		**(6,247,534)**	**(2,570,722)**
Income taxes	19	-	-
Net loss		**(6,247,534)**	**(2,570,722)**

Earnings loss per share	Notes	03/31/2016	03/31/2015

Weighted average of shares in circulation		19,509,499	15,727,011
Basic loss per share (€/share)	20	**(0.32)**	**(0.16)**
Diluted loss per share (€/share)	20	**(0.32)**	**(0.16)**

19.4.3. Other comprehensive income

POXEL – IFRS Statements of loss	Notes	03/31/2016 €	03/31/2015 €
Net loss for the period		(6 247 534)	(2 570 722)
Actuarial gains and losses		(3 301)	1 820
Effects of taxes relating to these items			
Other comprehensive income (loss)		(3 301)	1 820
Total comprehensive loss		**(6 250 835)**	**(2 568 902)**

19.4.4. Changes in equity

POXEL Statement of changes in shareholders' equity	Number of shares	Share capital	Premium related to share capital	Reserves and net income	Accumulated comprehensive loss	Shareholders equity
		€	€	€	€	€
At December 31, 2014	**12 508 156**	**250 163**	**30 366 675**	**(33 151 439)**	**(12 904)**	**(2 547 504)**
Net loss for the period				(2 570 722)		(2 570 722)
Other comprehensive income					1 820	1 820
Total comprehensive income (loss)				(2 570 722)	1 820	(2 568 902)
Dividends						
1-to-20 share split						
Issuance of shares (1)	5 119 779	102 396	33 995 333			34 097 728
Subscription of share warrants (BSA)			25 500			25 500
Equity-settled share-based payment				52 214		52 214
Capital decrease						
Treasury shares held				(77 415)		(77 415)
Costs incurred in relation to equity transactions (1)			(1 139 540)			(1 139 540)
At March 31, 2015	**17 627 935**	**352 559**	**63 247 967**	**(35 747 360)**	**(11 084)**	**27 842 082**
At December 31, 2015	**19 482 394**	**389 648**	**81 923 707**	**(44 263 088)**	**(22 450)**	**38 027 817**
Net loss for the period				(6 247 354)		(6 247 354)
Other comprehensive loss					(3 301)	(3 301)
Total comprehensive income (loss)				(6 247 534)	(3 301)	(6 250 835)
Dividends						
Issuance of shares (2)	48 834	977	191 959			192 936
Subscription of share-warrants (BSA)						
Equity-settled share-based payment				465 299		465 299
Capital decrease						
Treasury shares held				12 963		12 963
Costs incurred in relation to equity transactions (3)			(800 469)			(800 469)
At March 31, 2016	**19 531 228**	**390 625**	**81 315 198**	**(50 032 360)**	**(25 751)**	**31 647 712**

(1) During the three-month period ended March 31, 2015, shares have been issued for total gross proceeds of €33,995,333 in relation to (i) the initial public offering of the Company on Euronext Paris completed in February 2015 (€26,767,487) and to (ii) the exercise of Merck Serono warrants (€7,249,616). Costs incurred in relation to these equity transactions amounts to €1,139,540

(2) During the three-month period ended March 31, 2016, shares have been issued for in relation to the exercise of 45,834 warrants issued to Kreos Capital IV UK and exercise of 150 Founders' share warrants (*Bons de souscription de parts de créateur d'entreprise*, or BSPCE) by an employee (see Note 1.2)

(3) During the three-month period ended March 31, 2016, costs have been incurred in relation to a capital increase that is expected to happen during the second quarter of 2016. These costs have been recognized as a deduction in equity as at March 31, 2016 for a total amount of €800,469 (see Note 16).

19.4.5. Cash flow statements

Cash flows from operating activities			
Net loss from continuing operations		(6,247,534)	(2,570,722)
Net loss from discontinued operations			
Net loss for the period		(6,247,534)	(2,570,722)
(+) Amortizaton of intangible assets	3	59	279
(+) Amortization of property, plant and equipment	4	7,021	2,398
(+) Change in employee benefits	12	7,120	5,663
(+) Expenses associated with share-based payments	10	465,299	52,214
(+) Interest expense		86,051	140,625
(-) Interest income		(85,891)	(39,531)
(+) Changes in the fair value of the financial liability related to Merck Serono	11.4		(52,214)
(+) Changes in the fair value of the derivative and effect of unwinding the discount related to Kreos	11.5	77,155	84,892
(+) Grants transferred to income	11.2	7,650	29,362
Other		13,006	961
Cash flows from operating activities before change in working capital requirements		(5,670,063)	(2,346,073)
(-) Changes in working capital requirements		1,893,909	(446,704)
Cash flows from operating activities		(3,776,154)	(2,792,777)
Cash flows from investing activities			
Acquisition of intangible assets	3	-	(504)
Capitalization of development costs	3		-
Acquisitions of property, plant and equipment	4	(2,088)	(1,975)
Interest received		85,891	39,531
Other cash flows from investing activities	5	(59,546)	(6)
Cash flows from investing activities		24,257	37,046
Cash flows from financing activities			
Share capital increase, including premium, net and expenses (1)	10	(607,533)	25,708,572
Subscription of share warrants (BSA)	10		25,500
Liquidity agreement			(250,000)
Interest paid		(90,675)	(141,487)
Conditional advances and grants	11.2		0
Issuance of bonds			0
Repayment of loans and conditional advances	11.2	(616,176)	(7,500)
Cash flows from financing activities		(1,314,384)	25,335,085
Impact of foreign currency exchange fluctuations			
Increase (decrease) in cash and cash equivalents		(5,066,282)	22,579,354
Cash and cash equivalents as of the opening date (including short-term bank overdrafts)		42,413,402	10,253,635
Cash and cash equivalents as of the closing date (including short-term bank overdrafts)		37,347,121	32,832,988
Increase (decrease) in cash and cash equivalents		(5,066,281)	22,579,354

(1) "Share capital increase, including premium, net of expenses" for the three-month period ended March 31, 2015 (€25,708,572) reconciles with "issuance of shares" (€34,097,729) in the statement of changes in equity after deduction of "Costs incurred in relation to equity transactions" (€1,139,540) as well as non-cash activities such as the exercise of MS Share Purchase Warrants (€7,249,616)

"Share capital increase, including premium, net of expenses" for the three-month period ended March 31, 2016 (€607,533) reconciles with the exercise of 45,834 warrants issued to Kreos Capital IV UK (€183,336) and the exercise of 150 BSPCE by an employee (€9,600) after deducting "Costs incurred in relation to equity transactions" (€800,469) related to a capital increase that is expected to happen during the second quarter of 2016

19.4.6. Detailed analysis of the changes in working capital (*BFR*)

Detail of the changes in working capital	03/31/2016	03/31/2015
Other receivables	(298,517)	(321,978)
Trade payables and related accounts	2 105,002	(4,767)
Tax and social security liability	56,733	(119,959)
Other creditors and other liabilities	30,691	-
Total changes in working capital	1,893,909	(446,704)

19.4.7. Notes to the IFRS financial statements

Note 1: Presentation of the activity and major events

Summarized financial statements under IFRS for the period from January 1st to March 31, 2016 were drawn up by the Board of Directors of May 11, 2016 and authorized for issue.

1.1 General information about the Company

Incorporated in March 2009 as a result of a spin-off of the Merck Serono pharmaceutical company, Poxel S.A. is a French joint stock company (*société anonyme*) governed by French law and developing molecules for the potential treatment of type 2 diabetes.

The Company has incurred losses and negative cash flows from operations since its inception. Such losses result principally from internal and external research and development expenses for conducting numerous pre-clinical and clinical trials, primarily as part of the development of Imeglimin.

The Company's future operations are highly dependent on a combination of factors, including: (i) the success of its research and development; (ii) regulatory approval and market acceptance of the Company's proposed future products; (iii) the timely and successful completion of additional financing; and (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies. As a result, the Company is and should continue, in the short to mid-term, to be financed through partnership agreements for the development and commercialization of its drug candidates and through the issuance of new equity instruments.

Head office address:

259/261 Avenue Jean Jaurès – Immeuble le Sunway – 69007 Lyon

Number under which the Company is registered with the *Registre du Commerce et des Sociétés*: 510 970 817 RCS de LYON

POXEL S.A is hereinafter referred to as the "Company".

The Company had no subsidiary or holdings as at December 31, 2015.

1.2 Significant events of the first quarter of 2016

Capital increases

On February 9, 2016, Kreos Capital IV (UK) exercised 45,834 warrants at an exercise price of €4.00 per warrant representing a capital increase of €916.68 plus a premium of €182,419.

On February 17, 2016, an employee exercised 150 BSPCE which corresponds to 3,000 ordinary shares at an exercise price of €3.20 representing a capital increase of €60 plus a premium of €9,540.

As at March 31, 2016, share capital of the Company is set at €390,624.56 divided into 19,531,228 ordinary shares with a par value of €0.02.

1.3 Post-balance-sheet events

None.

Note 2: Principles, rules and accounting policies

The Financial statements are presented in euros, unless stated otherwise.

2.1 Statement of compliance and significant accounting policies

Statement of compliance

The Company prepared its Financial Statements drawn up by the Board of Directors, in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards board (IASB) and adopted by the European Union on the date of the preparation of the financial statements and for all periods presented.

These accounting standards, available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm), include the IAS and IFRS international accounting standards, the interpretations from the Standing Interpretations Committee (SIC) and the interpretations from the International Financial Reporting Interpretations Committee (IFRIC).

The principles and accounting methods and options chosen by the Company are described below. In some cases, IFRS provides an option between the application of a standard treatment or other authorized treatment.

Principle for the preparation of the Unaudited Interim Condensed Financial Statements

The quarterly financial statements, presented in a consolidated format, were prepared in accordance with IAS 34 ("Interim financial reporting").

The quarterly financial statements do not incorporate all the information and appendices as presented in the annual financial statements. As a result, they must be read in conjunction with the financial statements of the Company drawn up under IFRS on December 31, 2015, except for certain interim reporting treatments as described below.

The financial statements were prepared on a historical cost basis except for certain assets and liabilities, as allowed by IFRS. The categories of assets and liabilities not measured at historical cost are disclosed in the following notes.

Going concern

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

Accounting policies

The accounting policies and measurement principles adopted are the same used for the year ended December 31, 2015, with the exception of the application of the following new accounting standards, amendments of standards and interpretations adopted by the European Union, mandatory for the Company as of January 1st, 2016:

Standards, amendments to standards and interpretations mandatory as of January 1st 2016

The Company complied with the new standards, amendments to standards and interpretations mandatory as of January 1st, 2016. There was no significant impact following the application of these new texts.

Standards and interpretations issued but not yet effective for 2016 quaterly accounts

- IFRS 9: Financial instruments
- IFRS 14: Regulatory deferral accounts
- IFRS 15: Revenue from contracts with customers
- IFRS 16: Leases

The Company is evaluating the impact of the application of the new standards, amendments of standards and interpretations issued. There is no significant impact expected on the financial statements.

2.2 Use of judgements and estimates

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

These estimates are based on the assumption of the Company continuing as a going concern and are prepared in accordance with information available at the date of the Unaudited Interim 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 estimates or significant judgments made by the Company's management to prepare the Unaudited Interim Consolidated Financial Statements are the same as the estimates or significant judgments used for the year ended December 31, 2015, which are described in Note 3 to the Financial Statements for the year ended December 31, 2015.

2.3 Change in accounting policy

Except for the new texts identified above, the Company has not perform any changes in its accounting policy during the first quarter of 2016.

Note 3: Intangible assets

GROSS VALUE OF INTANGIBLE ASSETS (Amounts en euros)	Softwares	Other	Total
Statement of financial position as of December 31, 2014	**10,171**	**0**	**10,171**
Capitalization of development costs	0	0	**0**
Acquisition	504	0	**504**
Scrapping	0	0	**0**
Transfer	0	0	**0**
Statement of financial position as of March 31, 2015	**10,675**	**0**	**10,675**
Statement of financial position as of December 31, 2015	**10,283**	**0**	**10,283**
Capitalization of development costs			**0**
Acquisition			**0**
Scrapping			**0**
Transfer			**0**
Statement of financial position as of March 31, 2016	**10,283**	**0**	**10,283**

DEPRECIATION			
Statement of financial position as of December 31, 2014	**9,261**	**0**	**9,261**
Increase	279	0	**279**
Decrease	0	0	**0**
Statement of financial position as of March 31, 2015	**9,540**	**0**	**9,540**
Statement of financial position as of December 31, 2015	**9,743**	**0**	**9,743**
Increase	59		**59**
Decrease			**0**
Statement of financial position as of March 31, 2016	**9,802**	**0**	**9,802**

NET BOOK VALUES			
As of March 31, 2015	**1,135**	**0**	**1,135**
As of March 31, 2016	**481**	**0**	**481**

Due to the risks and uncertainties related to the research and development process, the six capital criteria for intangible assets were not considered to be fulfilled for any development project under way. Consequently, all development costs incurred by the Company are recorded as expenses.

Note 4: Property, plan and equipment

GROSS VALUE (Amounts in euros)	Installations and fixtures	Computer hardware	Furniture	Total
Statement of financial position as of December 31, 2014	**25,587**	**46,610**	**21,066**	**93,263**
Acquisition		1,975		1,975
Scrapping				0
Transfer				0
Statement of financial position as of March 31, 2015	**25,587**	**48,585**	**21,066**	**95,238**
Statement of financial position as of December 31, 2015	**109,157**	**50,739**	**40,458**	**200,354**

Acquisition		2,088		2,088
Scrapping				0
Transfer				0
Statement of financial position as of March 31, 2016	**109,157**	**52,827**	**40,458**	**202,442**

ACCUMULATED DEPRECIATION

Statement of financial position as of December 31, 2014	**14,341**	**39,289**	**18,298**	**71,928**
Increase	711	1,458	229	2,398
Decrease				0
Statement of financial position as of March 31, 2015	**15,052**	**40,747**	**18527**	**74,326**
Statement of financial position as of December 31, 2015	**2,081**	**25,799**	**19,726**	**47,606**
Increase	3,033	2,859	1,129	7,021
Decrease				0
Statement of financial position as of March 31, 2016	**5,114**	**28,658**	**20,855**	**54,627**

NET BOOK VALUES

As of March 31, 2015	**10,535**	**7,838**	**2,539**	**20,912**
As of March 31, 2016	**104,043**	**24,169**	**19,603**	**147,815**

The Company does not have any finance leases.

There has been no recognition of impairment losses in application of IAS 36.

Note 5: Other non-current financial assets

Non current financial assets are presented below:

	03/31/2016	12/31/2015
Kreos agreement	278,325	278,325
Cash paid in relation to the liquidity agreement	213,135	200,171
Deposits paid in relation top operating leases	28,267	28,267
Other deposits paid	73,247	26,665
Other non-current financial assets	**592,974**	**533,428**

Note 6: Other receivables

Other receivables and related accounts (Amounts in euros)	03/31/2016	12/31/2015
Research tax credit	2,964,528	1,918,071
Value added tax ("**VAT**")	884,034	586,984
Credit note to be received	518	26,321
Prepaid expenses	183,090	1,203,786
Receivables from suppliers	0	226
Other	2,761	1,026
Total other receivables and related accounts	**4,034,931**	**3,736,414**

All trade receivables, other receivables and related accounts have a maturity below one year.
Research tax credit (*Credit d'impôt recherche* or "**CIR**") include balance as at December 31, 2015 (€1.9 million) plus the CIR for the three-month period ended March 31, 2016 (€1.1 million). As at March 31, 2016, Credit is estimated on a basis of the expenses incurred and eligible for the tax credit.

Prepaid expenses are related current expenses.

Note 7: Cash and cash equivalents

Cash and cash equivalents are presented below:

CASH AND CASH EQUIVALENTS (amounts in euros)	**03/31/2016**	**12/31/2015**
Bank accounts (cash at hand)	3,697,106	1,787,516
Fixed term deposits	33,515,069	35,477,148
Money market funds	134,946	5,148,738
Total cash and cash equivalents	**37,347,121**	**42,413,402**

Note 8: Financial assets and liabilities and effects on income

The Company's assets and liabilities are valued as follows as at December 31, 2015 and as at March 31, 2016:

(Montants en euros)	**31/03/2016**		**Value – statement of financial position in application of IAS 39**			**Non financial instruments**
	Amount recognized in the statement of financial position	**Fair value (3)**	**Fair value through profit and loss**	**Loans and receivables (2)**	**Liabilities at amortized cost (1)**	
Non-current financial assets	592,974	592,974		592,974		
Receivables and related accounts	11,580	11,580		11,580		
Other receivables	4,034,931	4,034,931		4,034,931		
Cash and cash equivalents	37,347,121	37,347,121	134,946	37,212,175		
Total financial assets	**41,986,606**	**41,986,606**	**134,946**	**41,851,660**	**0**	**0**
Financial liabilities – current portion	2,527,195	2,527,195			2,527,195	
Financial liabilities – non-current portion	887,929	887,929			887,929	
Trade payables and related accounts	6,441,524	6,441,524			6,441,524	
Autre creditors and other liabilities	53,691	53,691			53,691	
Total financial liabilities	**9,910,339**	**9,910,339**	**0**	**0**	**9,910,339**	**0**

(Amounts in euros)	**31/12/2015**		**Value – statement of financial position in application of IAS 39**			**Non financial instruments**
	Amount recognized in the statement of financial position	**Fair value (3)**	**Fair value through profit and loss**	**Loans and receivables (2)**	**Liabilities at amortized cost (1)**	
Non-current financial assets	533,428	533,428		533,428		
Receivables and related accounts	11,580	11,580		11,580		
Other receivables	3,736,414	3,736,414		3,736,414		
Cash and cash equivalents	42,413,402	42,413,402	5,148,738	37,264,664		
Total financial assets	**46,694,824**	**46,694,824**	**5,148,738**	**41,546,086**	**0**	**0**
Financial liabilities – current portion	2,397,150	2,397,150			2,397,150	
Financial liabilities – non-current portion	1,553,926	1,553,926			1 553,926	
Trade payables and related accounts	4,336,522	4,336,522			4,336,522	
Autre creditors and other liabilities	23,000	23,000			23,000	
Total financial liabilities	**8,310,598**	**8,310,598**	**0**	**0**	**8,310,598**	**0**

(1) The carrying amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.
(2) The fair value of "loans and receivables" corresponds to the value reported in the statement of financial position (value at the transaction date and then tested for impairment on each year-end date).
(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 9: Capital

Share capital issued

Share capital of the Company is set at €390,624.56 divided into 19,531,228 ordinary shares that are fully subscribed and paid up with a par value of €0.02 each, after taking into consideration the two capital transactions of the first quarter of 2016 (see paragraph 1.2).

Distribution of dividends

The Company did not distribute any dividends during the first quarter of 2016.

Note 10: Share warrants

Share purchase warrants (« *Bons de souscription d'actions* » or « *BSAs* »)

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

						Underlying assumptions used for the measurement of the compensationexpense under IFRS 2							
Grant date	**Type**	**Number of warrants issued**	**Number of lapsed warrants**	**Number of warrants outstanding**	**Maximum number of shares to be issued***	**Fair value of the underlying share***	**Fair value of the warrants***	**Expected term**	**Strike price (in euros)***	**Duration**	**Volatility**	**Risk-free rate**	**Total value IFRS2 (Black&Scholes)**
Board of July 5, 2010	BSA directors	4 500	0	4 500	90 000	€3,33	€1,50	5 years	€3,33	10 years	45%	3,5%	€135 125
As at December 31, 2010		**4 500**	**0**	**4 500**	**90 000**								
As at December 31, 2011		**4 500**	**0**	**4 500**	**90 000**								
As at December 31, 2012		**4 500**	**0**	**4 500**	**90 000**								
CA du 20 février 2013	BSA 31/10/2012	2 500	0	2 500	50 000	€4,23	€2,04	5 years	€4,00	10 years	52%	2,2%	€71 843
Au 30 juin 2013 et 31 décembre 2013		**7 000**	**0**	**7 000**	**140 000**								
CA du 12 mars 2014	BSA 31/10/2012	2 500	0	2 500	50 000	€8,00	€5,16	4,5 years	€4,00	10 years	55%	1,8%	€227 848
As at December 31, 2014		**9 500**	**0**	**9 500**	**190 000**								
Board of January 8, 2015	BSA 25-07-2014	42 500	0	42 500	42 500	€8,20	€5,76	6 years	€4,00	10 years	57%	0,0%	€219 468
Board of April 29, 2015	BSA 16-06-2015	42 500	0	42 500	42 500	€13,57	€8,17	6 years	€9,37	10 years	57%	0,0%	€287 591
Board of May 7, 2015	BSA 16-06-2015	240 000	0	240 000	240 000	€13,57	€7,91	6 years	€9,62	10 years	57%	0,1%	€1 550 959
As at December 31, 2015		**334 500**	**0**	**334 500**	**515 000**								

Board of January 29, 2016	BSA 01-29-2016	42 500	0	42 500	42 500	€9,07	€4,44	6 years	€9,05	10 years	53%	0,2%	€120 779
Board of January 29, 2016	BSA 01-29-2016	42 500	0	42 500	42 500	€9,07	E4,44	6 years	€9,05	10 years	53%	0,2%	€120 779
Board of March 31, 2016	BSA 01-29-2016	42 500	0	42 500	42 500	€12,23	E5,19	6 years	€9,26	10 years	53%	0,0%	€220 460
As at March 31, 2016		**462 000**	**0**	**462 000**	**642 000**								

*after the 1:20 share split

For warrants issued before the 1:20 share split that was effective in March 2014, each warrant is convertible into 20 ordinary shares. As a result, fair values of the underlying shares, warrants and strike prices have been adjusted accordingly.

The strike price for grants after the initial public offering on Euronext Paris is based on the average closing price of our ordinary shares for the 20 trading days preceding the date of grant.

The exercise rights for the "BSA directors" granted during the period are acquired annually on the grant date in increments of one-third.

The exercise rights for the "BSA 10/31/2012" are acquired immediatly on the grant date by the gneral meeting of the shareholders. The subscription price was €12 each, for a total of €30,000 recognized by the Company as issue premium in 2013.

Exercice is not subject to performance conditions but it is subject to an attendance condition.

The exercise rights for the "BSA 07/25/2014" granted during the period are acquired annually on the grant date in increments of one-third.

The exercise rights for the share purchase warrants issued during the first quarter of 2016 are acquired annually on the grant date in increments of one-third.

These plans are qualified as "equity settled" under IFRS 2. The Company does not have an obligation to purchase these instruments from employees in the event of departure or if a specific event does not occur.

Furthermore, the Company also issued share warrants to the benefit of Kreos, and for which the accounting treatment is detailed in paragraph 11.3.

Share options

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

						Underlying assumptions used for the measurement of the compensationexpense under IFRS 2							
Grant date	**Type**	**Number of warrants issued**	**Number of lapsed warrants**	**Number of warrants outstanding**	**Maximum number of shares to be issued***	**Fair value of the underlying share***	**Fair value of the warrants***	**Expected term**	**Strike price (in euros)***	**Duration**	**Volatility**	**Risk-free rate**	**Total value IFRS2 (Black&Scholes)**
Board of March 31, 2016	Stock-options	80 000	0	80 000	80 000	€12,55	€5,88	5,5 years	€12,55	10 years	53%	0,0%	€470 616

The exercise rights for the share options granted during the period are acquired annually on the grant date in increments of one-third.

These plans are qualified as "equity settled" under IFRS 2. The Company does not have an obligation to purchase these instruments from employees in the event of departure or if a specific event does not occur.

Employee share warrants (« *Bons de souscription de parts de créateur d'entreprise* » ou « *BSCPEs* »)

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

Date	Transaction type	Capital in €	Share premium in €	Number of shares created	Number of shares makin up the capital	Nominal value in €	Share capital in €
	As of December 31, 2013	**194 997**	**352 773**		**389 990**		**194 997**
March 2014	Capital reduction (March 2014)	-39 001					155 996
March 2014	Division of the nominal value (March 2014)				7 409 810		155 996
March 2014	Capital increase (conversion of the CB, march 2014)	12 914	5 141 589		645 722		168 910
July 2014	Capital increase (Bpifrance Participations, July 2014)	25 000	4 975 000	1 250 000	1 250 000		193 910
July 2014	Capital increase (conversion of the CB)	56 253	20 897 979	2 812 634	2 812 634		250 163
	Costs related to capital increase		-1 030 667				
	Subscription to BSA/BSPCE		30 001				
	As of December 31, 2014	**250 163**	**30 366 675**	**4 062 634**	**12 508 156**	**0,02**	**250 163**
February 2015	Capital increase (initial public offering, February 2015)	80 625	26 767 487	4 031 248	16 539 404		330 788
February 2015	Capital increase (conversion of the BSA MS, February 2015)	21 771	7 227 845	1 088 531	17 627 935		352 559
July 2015	Capital increase, July 2015	35 256	19 972 445	1 762 793	19 390 728		387 815
October 2015	Exercise of BSA Kreos, October 2015	917	182 415	45 833	19 436 561		388 731
November 2015	Exercise of BSA Kreos, November 2015	917	182 415	45 833	19 482 394		389 648
	Costs related to capital increase		-2 861 000				
	Subscription to BSA/BSPCE		85 424				
	As of December 31, 2015	**389 648**	**81 923 707**	**6 974 238**	**19 482 394**	**0,02**	**389 648**

For warrants issued before the 1:20 share split that was effective in March 2014, each warrant is convertible into 20 ordinary shares. As a result, fair values of the underlying shares, warrants and strike prices have been adjusted accordingly.

The strike price for grants after the initial public offering on Euronext Paris is based on the average closing price of our ordinary shares for the 20 trading days preceding the date of grant.

The exercise rights for the employee share options granted during the period are acquired annually on the grant date in increments of one-third.

Exercice is not subject to performance conditions but it is subject to an attendance condition.

These plans are qualified as “equity settled” under IFRS 2. The Company does not have an obligation to purchase these instruments from employees in the event of departure or if a specific event does not occur.

Breakdown of the compensation expenses accounted for under IFRS 2 for the three month period ended March 31, 2015 and 2016

The total share-based compensation expense amounts to €52,214 (recognized in “General and administrative expense”) for the three-month period ended March 31, 2015 and €465,299 (€48,467 in “Research and development” and €416,832 in “General and administrative expense”, respectively) for the three month period ended March 31, 2016 and breaks down by nature of equity instrument granted as follows:

		As at March 31, 2015					As at March 31, 2016				
Type	**Date of award by the Board of directors**	**Number of warrants outstanding**	**IFRS 2 cost of the plan**	**Accumulated compensation expense at the beginning of the period**	**Compensation expensed recognized as at March 31, 2015**	**Accumulated compensation expense as at March 31, 2015**	**Number of warrants outstanding**	**IFRS 2 cost of the plan**	**Accumulated compensation expense at the beginning of the period**	**Compensation expensed recognized as at March 31, 2016**	**Accumulated compensation expense as at March 31, 2016**
BSA administrateurs	July 5, 2010	4,500	€135,125	€135,125	€0	€135,125	4,500	€135,125	€135,125	€0	€135,125
BSA 31/10/2012	February 20, 2013	2,500	€71,843	€71,843	€0	€71,843	2,500	€71,843	€71,843	€0	€71,843
BSA 31/10/2012	March 12, 2014	2,500	€227,848	€0	€0	€0	2,500	€227,848	€227,848	€0	€227,848
BSA 25-07-2014	January 8, 2015	42,500	€219,468	€0	€52,214	€52,214	42,500	€219,468	€146,955	€18,842	€165,797
BSA 16-06-2015	April 29, 2015	0	€0	€0	€0	€0	42,500	€287,591	€95,198	€43,937	€139,135
BSA 16-06-2015	May 7, 2015	0	€0	€0	€0	€0	240,000	€1,550,959	€702,778	€193,870	€896,648
BSA 29-01-2016	January 29, 2016	0	€0	€0	€0	€0	42,500	€120,779	€0	€30,112	€30,112
BSA 29-01-2016	January 29, 2016	0	€0	€0	€0	€0	42,500	€120,779	€0	€20,516	€20,516
BSA 29-01-2016	March 31, 2016	0	€0	€0	€0	€0	42,500	€220,460	€0	€582	€582
Total - BSA		**52,000**	**€654,285**	**€206,968**	**€52,214**	**€259,182**	**462,000**	**€2,954,852**	**€1,379,747**	**€307,859**	**€1,687,607**

As at March 31, 2015	As at March 31, 2016

Type	Date of award by the Board of directors	Number of warrants outstanding	IFRS 2 cost of the plan	Accumulated compensation expense at the beginning of the period	Compensation expensed recognized as at March 31, 2015	Accumulated compensation expense as at March 31, 2015	Number of warrants outstanding	IFRS 2 cost of the plan	Accumulated compensation expense at the beginning of the period	Compensation expensed recognized as at March 31, 2016	Accumulated compensation expense as at March 31, 2016
Share Options	March 31, 2016	0	€0	€0	€0	€0	80,000	€470,616	€0	€157,440	€157,440

		As at March 31, 2015					As at March 31, 2016				
Type	Date of award by the Board of directors	Number of warrants outstanding	IFRS 2 cost of the plan	Accumulated compensation expense at the beginning of the period	Compensation expensed recognized as at March 31, 2015	Accumulated compensation expense as at March 31, 2015	Number of warrants outstanding	IFRS 2 cost of the plan	Accumulated compensation expense at the beginning of the period	Compensation expensed recognized as at March 31, 2016	Accumulated compensation expense as at March 31, 2016
BCE 10-06-2010-1	June 20, 2010	2 250	€176 537	€176 537	€0	€176,537	2,250	€176,537	€176,537	€0	€176,537
BCE 10-06-2010-2	December 17, 2010	3 000	€102 951	€102 951	€0	€102,951	3,000	€102,951	€102,951	€0	€102,951
BCE 10-06-2010-2	September 20, 2011	1 500	€59 996	€59 996	€0	€59,996	1,500	€59,996	€59,996	€0	€59,996
BCE 31-10-2012	March 12, 2014	5 000	€558 351	€0	€0	€0	5,000	€558,351	€558,351	€0	€558,351
Total - BSPCE		**11,750**	**€897,835**	**€339,484**	**€0**	**€339,484**	**11,750**	**€897,835**	**€897,835**	**€0**	**€897,835**

Note 11: Borrowings and financial liabilities

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (amount in euros)	03/31/2016	12/31/2015
Conditional advances	661,156	682,841
Kreos debt (Tranche A)	226,773	871,085
Financial liabilities – Non-current portion	**887,929**	**1,553,925**

Conditional advances	105,741	88,906
Kreos debt (Tranche A)	2,392,764	2,274,972
Interest accrued on Kreos debt	26,482	31,064
Interest accrued on bank overdrafts	2,208	2,209
Financial liabilities – Current portion	**2,527,195**	**2,397,151**

Total financial liabilities	**3,415,124**	**3,951,076**

Breakdown of financial liabilities by maturity

The maturities of financial liabilities are presented below for the period presented:

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (amount in euros)	03/31/2016			
	Gross amount	Less than 1 year	From 1 to 5 years	Longer than 5 year
Conditional advances	766,897	105,741	661,156	0
Interest accrued on bank overdrafts	2,208	2,208	0	0
Interest accrued on Kreos Debt	26,482	26,482	0	0
Kreos debt (Tranche A)	2,619,537	2,392,764	226,773	0
Total financial liabilities	**3,415,124**	**2,527,195**	**887,929**	**0**

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (amount in euros)	12/31/2015			
	Gross amount	Less than 1 year	From 1 to 5 years	Longer than 5 year
Conditional advances	771,746	88,906	682,841	0
Interest accrued on bank overdrafts	2,209	2,209	0	0
Interest accrued on Kreos Debt	31,064	31,064	0	0
Kreos debt (Tranche A)	3,146,057	2,274,972	871,085	0
Total financial liabilities	**3,951,076**	**2,397,151**	**1,553,925**	**0**

11.1 Liability with financial institutions

The Company did not subscribe to any bank loans in the first quarter of 2016.

The Company benefits from a €1.7 million overdraft facility as well as a pledged term deposit account of the same amount with a financial services institution. This overdraft has not been used by the Company as at March 31, 2015, nor as at March 31, 2016.

11.2 Conditional advances and subsidies

The following table presents changes in conditional advances and subsidies:

Changes in conditional advances OSEO/FEDER (amounts in euros)	**PXL770**	**Imeglimin (New Formulation)**	**Total**
As at December 31, 2015	**159 993**	**611 754**	**771 746**
(+) Increase			
(-) Decrease	(12 500)		(12 500)
Subsidies			
Financial expenses	1 938	5 713	7 650
(+/-) Other movements			
As at March 31, 2016	**149 430**	**617 466**	**766 897**

Breakdown of conditional advances and subsidies by maturity

	PXL770	**Imeglimin (New Formulation)**	**Total**
As of March 31, 2016	**149 430**	**617 466**	**766 897**
Portion less than 1 year	58 749	46 991	105 741
From 1 year to 5 years	90 681	570 475	661 156
Portion above 5 years			

The Company did not receive new conditional advances or additional amounts related to existing conditional advances during the three-month period ended March 31, 2016.

11.3 Liability to Kreos

Changes in the liability to Kreos since December 31, 2015 are as follows:

Changes in the liability to KREOS (Tranche A) (Amount in thousand euros)	**Liability to Kreos**
As at December 31, 2015	**3 146 057**
(+) Payment received	0
(+) Effect of unwinding the discount	77 155
(-) Repayment	(603 675)
(-) Equity component	0

As at March 31, 2016	**2 619 537**

Additional information related to the measurement of the liability to Kreos, including assumptions used, is provided in Note 11.5 to the Financial Statements for the year ended December 31, 2015.

11.4 Liability to Merck Serono

On February 6, 2015, following the initial public offering, the liability to Merck Serono expired and was recalculated at fair value on the basis of the issuance price of €6.66 and it has been reclassified at that date into equity for a total amount of €7,249,000.

Note 12: 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. The main actuarial assumptions used to measure the post-employment benefits are as follows:

ACTUARIAL ASSUMPTIONS	**03/31/2016**	**12/31/2015**	**03/31/2015**
Retirement age	Voluntary retirement at 65/67 years old		
Collective agreements	Pharmaceutical industry		
Discount rate (IBOXX Corporates AA)	1,59%	2,03%	1,56%
Mortality table	INSEE 2014	INSEE 2014	INSEE 2012
Salary adjustment rate	2%	2%	2%
Turnover rate	Low	Low	Low
Rate for social security expenses	50%	50%	50%

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

EMPLOYEE BENEFIT (Amounts en euros)	**Post-employment benefits**
As at December 31, 2015	**129 958**
Service cost	6 461
Interest cost	660
Actuarial gains and losses	3 301
As at March 31, 2016	**140 379**

Note 13: Provisions

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

No provision has been recognized for the three-month period ended March 31, 2016.

Note 14: Payables and other current liabilities

14.1. Trade payables

TRADE PAYABLES (Amounts in euros)	03/31/2016	12/31/2015
Accounts payable	4 109 270	2 824 481
Accrued invoices	2 332 254	1 512 041
Total trade payables	**6 441 524**	**4 336 522**

No discount was applied to payables and related accounts since the amounts did not have a maturity exceeding one year as at March 31, 2016.

14.2 Tax and employee-related payables and other current liabilities

Tax and employee-related payables are presented below:

TAX AND EMPLOYEE-RELATED PAYABLES (Amounts in euros)	03/31/2016	12/31/2015
Accrued personnel costs	135 452	154 277
Social security and other social agencies	262 770	165 545
Other tax and related payments	38 250	59 917
Total tax and employee related payables	**436 472**	**379 739**

14.3. Other current liabilities

As at March 31, 2016, other current liabilities primarily includes board attendance fees to be paid to the directors of the Company.

Note 15: Operating loss

OPERATING REVENUES AND INCOME (Amounts in euros)	03/31/2016	03/31/2015
Revenue	0	0
Research and development		
Research Tax Credit	1 046 457	467 206
FEDER/Grand Lyon/Région Rhône-Alpes subsidies	0	1 000
Other income	0	0
Total revenue and income	**1 046 457**	**468 206**

The Company did not generate any revenue for the three-month periods ended March 31, 2015 and 2016.

Besides patent income, operating income also includes the above detailed subsidies, recognized in deduction of the research and development expenses.

Note 16 Detail of operating expenses by function

16.1 Research and development

RESEARCH AND DEVELOPMENT (amounts in euros)	03/31/2016	03/31/2015
Personnel costs	491 540	104 086
Share-based payments	48 467	0
Sub-contracting, studies and research	4 747 880	1 212 045
Intellectual property fees	104 298	231 972
Payments to intermediaries and professional fees	142 100	51 777
Purchase of active pharmaceutical ingredients for CROs	8 262	3 552
Insurance premiums	20 138	14 461
Licensing fees	21 608	11 968
Rents	134	0
Documentation, training	0	0
Depreciation	5 243	3 609
Research and development expenses	**5 589 671**	**1 633 471**
Research Tax Credit	1 046 457	467 206
FEDER/Grand Lyon/Région Rhône-Alpes subsidies	0	1 000
OSEO subsidy	0	0
OSEO subsidies/advances	0	0
Subsidies	**1 046 457**	**468 206**

Research and development expenses mainly relate to studies and clinical trials for Imeglimin and PXL770. The Company conducted its studies through its network of subcontracted service providers. Compensation of these contracts constitutes the majority of its operating expenses in terms of research. The increase in the period ended March 31, 2016 relates primarily to the conduct of Phase II clinical trials in Japan, which are not eligible for the Research Tax Credit. As a portion of these expenses have not been paid as at March 31, 2016, there is a corresponding increase in trade payables as noted in Note 14.1.

16.2 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in euros)	03/31/2016	03/31/2015
Personnel costs	333 930	67 845
Share-based payments	416 832	52 214
Rents	9 322	4 265
Travel and entertainment expenses	154 568	62 614
Maintenance and repairs	5 503	5 798
Postage and telecommunications expenses	8 285	5 731
Insurance premiums	6 214	6 115
Advertising and public relations	53 649	303 557
Payment to intermediaries and professional fees	565 247	720 439
Documentation, training	159	338
Banking services and similar services	2 710	1 800

Depreciation of tangible and untangible assets	7 080	2 677
Other taxes	12 512	1 286
Other general and administrative expenses	4 569	8 407
General and administrative expenses	**1 580 579**	**1 243 086**

In relation to the initial public offering on Euronext Paris, the Company incurred various costs in 2015, which represent an aggregate amount of approximately €3,007 thousand as at March 31, 2015. These costs have been recognized as general and administrative expenses as well as a deduction in equity for the proportionate part directly linked to the capital increase, on a reasonable allocation basis.

Costs that are clearly associated with the issue of shares (such as share registration and other regulatory fees relating to the issuance of shares) have been recognized as a deduction in equity.

Costs such as promotional and other direct listing expenses have been recognized as operating expenses.

For costs that relate jointly to both components of the transaction, expenses have been allocated using an appropriate basis of allocation, considering the extent to which the costs can be considered to be incremental costs directly attributable to the equity transaction, in accordance with IAS 32 Financial Instruments: Presentation ("IAS 32") (see paragraphs 27 and 28).

Based on these principles, out of the €3,007 thousand of aggregate costs incurred (€1,661 thousand in 2015), €2,195 thousand (€1,139 thousand in 2015) have been recognized as a reduction of equity in accordance with IAS 32. The remaining amount of €812 thousand has been recognized as general and administrative expenses (€522 thousand in 2015).

During the three-month period ended March 31, 2016, the Company incurred €800 thousand of costs in order to prepare an equity offering that is expected to be completed during the second quarter of 2016. All costs incurred have been recognized as a reduction in shareholders' equity as at March 31, 2016.

Note 17: Employees

The Company's average workforce as at March 31, 2015 and as at March 31, 2016 was as follows:

AVERAGE HEADCOUNTS	**03/31/2016**	**03/31/2015**
Executives	16	11
Non-executives	1	0
Total	**17**	**11**

Note 18: Financial income (loss)

FINANCIAL INCOME (LOSS) **(Amounts in euros)**	**03/31/2016**	**03/31/2015**

Changes in the fair value of financial liabilities	0	52 214
Of which Merck Serono financial liability	*0*	*52 214*
Interest expense related to the Kreos liability	(163 206)	(225 517)
Other financial expenses	(7 692)	(29 362)
Financial income	86 471	40 175
Foreign currency exchange gains (losses)	(39 313)	120
Total produits et (charges financiers)	**(123 741)**	**(162 371)**

Financial income (loss) as at March 31, 2015 and 2016 is mainly impacted by interest related to Kreos (note 11.3). In 2015, it was also impacted by changes in the fair value of Merck Serono financial liability, which has been extinguished following the completion of the initial public offering of the Company on Euronext Paris.

Other financial expenses primarily reflect the discounting impact of conditional advances.

Note 19: Income taxes

As at December 31, 2015 and March 31, 2016, the Company did not recognize deferred tax assets in relation to tax loss carried forward. Considering its stage of development, the Company is not in a position to present a taxable income projection from which unused tax losses could be deducted. There is no taxable income in any of the periods presented.

Note 20: Loss per share

Basic loss per share

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

All existing instruments giving deferred rights to capital (e.g. BSAs, BSPCEs, share options or convertible bonds) are considered to have an antidilutive effect as they reduce loss per share. Accordingly, diluted earnings per share is identical to basic earnings per share.

BASIC LOSS PER SHARE (Amounts in euros)	**03/31/2016**	**03/31/2015**
Weighted average number of outstanding shares	19 509 499	15 727 011
Net loss for the year	(6 247 534)	(2 570 722)
Basic loss per share (€/share)	**(0,32)**	**(0,16)**
Diluted loss per share (€/action)	**(0,32)**	**(0,16)**

Note 21: Related parties

No post-employment benefit is granted to the members of the Board of Directors.

Compensation to directors is presented below (in euros):

Corporate directors compensation	**03/31/2016**	**03/31/2015**
Fixed compensation owed	35 012	30 498

Variable compensation owed	33 727	0
Contributions in-kind	1 417	1 300
Employers contributions	27 370	8 083
Attendance fees (Board)	61 190	22 750
Share-based payments	113 407	52 214
Consulting fees	12 500	12 500
TOTAL	**284 624**	**127 344**

Terms for the allocation of variable compensation are defined based on qualitative and quantitative objectives set at 85% for Company-level objectives and 15% for individual objectives.

The methods for assessing benefits relating to share-based payments is presented in Note 10.

Note 22: Segment information

The Company operates in one segment: the development of molecules for the potential treatment of type 2 diabetes.

The assets, liabilities and operating loss realized are located in France and the Company does not have any subsidiaries.

Accordingly, the Company's performance is currently analyzed at the Company level.

Note 23: Off-balance-sheet commitments

From December 31, 2015, there has been no significant change in off-balance sheet commitments existing on March 31, 2016.

19.5. Distribution of dividends policy

19.5.1. Distribution of dividends and reserves by the Company over the last two financial years

None

19.5.2. Distribution policy

There is no present plan to pay any cash dividends on our equity securities in the foreseeable future, as the Company is not in a sufficiently advanced stage of development.

19.6. Legal and arbitration proceedings

As of the date of this *document de référence*, there is no other governmental, legal or arbitration procedure, or any procedure of which the Company is aware, which is unresolved or outstanding,

which might have, or has had over the last twelve months, a significant effect on the financial situation or profitability of the Company.

19.7. Significant changes in the financial or commercial situation

As far as the Company is aware, there were no significant changes in the financial or the commercial situation of the Company since March 31, 2016.

19.8. Auditors' fees

AUDITOR'S FEES	2015 Financial Year				2014 Financial Year			
	Mazars		Pwc		Mazars		Pwc	
(Amounts in €thousand)	Amount (excluding tax)	%	Amount (excluding tax)	%	Amount (excluding tax)	%	Amount (excluding tax)	%
Auditors	20.8	57%	20.8	57%	103.5	74%	106.8	75%
Due diligence directly related to the mission of the Auditors	15.5	43%	15.5	43%	36.5	26%	36.5	25%
Other due diligence		0%		0%	0,0	0%	0,0	0%
Total fees	36.3	**100%**	36.3	**100%**	140.0	**100%**	143.3	**100%**

20. ADDITIONAL INFORMATION

20.1. Share capital

20.1.1. Amount of the share capital

As at the date of this *document de référence*, the share capital is €390,624.56 and is divided into 19,531,228 shares of €0.02 par value each, fully paid.

As at the date of opening of the year ended December 31, 2015, the share capital was €250,163.12 and was divded in 12,508,156 shares of €0.02 par value each, fully paid.

20.1.2. Securities non representing capital

None

20.1.3. Number, book value and nominal value of the shares held by the Company or on its behalf

On June 16, 2015, the general meeting of the shareholders authorized, for a period of eighteen months from the date of the meeting, the Board of Directors to put into motion a buy-back program in accordance with the provisions of Article L. 225-209 of the French commercial code and in accordance with this general regulations of the AMF, under the conditions described below:

Maximum number of shares that can be repurchased: 10% of the share capital on the date of the repurchase. When shares are acquired in order to promote the liquidity of the securities, the number of shares taken into consideration to calculate the above provided 10% limit will correspond to the number of shares purchased, after deduction of the number of shares resold during the term of this authorization.

Share buy-back objectives:

- promotion of an active and liquid market of the Company's securities pursuant to a liquidity agreement to conclude with an independent investment services provider, in accordance with the AMAFI code of ethics of March 8, 2011, recognized by a decision of the French Financial Markets Authority (AMF) of March 21, 2011 ; and/or

- to honor obligations under the stock option programs, allocation of free shares, employee savings or other allocations of shares to employees of the Company or an associated company, including (i) the implementation of any plan of options to purchase shares of the Company under the provisions of articles L. 225-177 *et seq* of the French commercial code, (ii) the allocation of shares to employees as part of their participation in the Company's profit-sharing and the implementation of any company savings plan as provided by law, in particular Articles L. 3332-1 to L. 3332-8 and following of the Labour Code, or (iii) the allocation of free shares under the provisions of Articles L. 225-197-1 *et seq* of the French commercial code ; and/or

- deliver shares upon exercise of rights attached to securities giving access to the capital by redemption, conversion, exchange, presentation of a warrant or any other manner, in compliance with current regulations; and/or

- purchase shares for retention and subsequent remittance in exchange or as payment for potential future mergers, divisions, transfers or acquisitions; and/or

- cancellation of all or part of the shares purchased.

Maximum purchase price: €19.98 (excluding acquisition costs), to take into account, subject to adjustments, the impact of new transactions in the capital of the Company, including modification of the nominal share capital increase by incorporation of reserves, the free allocation of shares, stock splits or reverse stock split, distribution of reserves or other assets, amortization of capital, or any other transaction involving equity.

Maximum amount of funds that can be allocated to the repurchase: €10,000,000

The number of shares acquired by the Company to be held and subsequently delivered in payment or exchange in relation with a merger, split or contribution may not exceed 5% of its capital.

Repurchased shares may be cancelled.

The implementation of the share repurchase programwill be the subject of communications in accordance with laws and regulations.

Furthermore, on the basis of a resolution of the shareholders meeting of April 15, 2014, the Company entered into a liquidity contract dated March 16, 2015 with Oddo et Cie Bank. An amount of €250,000 was initially allocated to the liquidity contract.

At March 31, 2016, 6,267 shares were in the liquidity account for a remaining cash balance of €213,138.59.

20.1.4. Convertible or exchangeable securities or securities with warrants

As of the date of this *document de référence*, securities conferring access to the share capital are as presented below:

20.1.4.1. Stock option plan

	Directors BSA[1]	**BSA 10.31.2012**[2]		**BSA 07.25.2014**[3]	**BSA 06.16.2015**[5]		**BSA 01.29.2016**	
Date of shareholders' meeting	06/23/2010	10/31/2012		07/25/2014	06/16/2015		01/29/2016	
Date of board of directors	07/05/2010	02/20/2013	03/12/2014	01/08/2015	04/29/2015	05/07/2015	01/29/2016	03/31/2016

	Directors BSA[1]	BSA 10.31.2012[2]		BSA 07.25.2014[3]	BSA 06.16.2015[5]		BSA 01.29.2016	
meeting								
Number of BSA authorized	6,200	5,000		(4)	(6)		(7)	
Number of BSA issued	4,500	2,500	2,500	42,500	42,500	240,000	85,000	42,500
Beneficial owner : - Thierry Hercend - Mohammed Khoso Baluch - Richard Kender - Pascale Boissel - Noah Beerman - Yohijo Itoh - Janice Bourque - Pierre Legault	4,500	1,000 1,500	1,875 625	42,500	42,500	180,000 60,000	42,500 42,500	42,500
Beginning of exercise period	06/23/2011	02/20/2013	03/12/2014	07/25/2015	06/16/2016	01/29/2017	01/29/2017	03/31/2017
Expiration date	06/23/2020	10/31/2022		07/25/2024	06/16/2025		01/29/2026	01/29/2026
Exercise price	€3.335	€4.00		€4.00	€9.37	€9.62	€9.05	€9.26
BSA exercised	0	0	0	0	0		0	0
BSA cancelled	0	0	0	0	0		0	0
Number of BSA currently existing	4,500	2,500	2,500	42,500	42,500	240,000	85,000	42,500
Number of shares represented by the BSA	90,000	50,000	50,000	42,500	42,500	240,000	85,000	42,500

[1] *Attached to each Directors BSA is the right to subscribe in cash for twenty (20) shares at a strike price of €3.3335.*

The Directors BSAs are exercisable by the holder at any time from the date of purchase, subject to the requirement that the holder is on the Board of Directors of the Company and has not, at the date of exercise of the warrants, expressed to the Company his will to resign or be subject to its revocation procedure. Notwithstanding the foregoing, the Board of Directors may determine that the Directors BSA may remain exercisable for a period of time, which may not exceed 6 months from the date on which the holder ceases to be a member of the

Board of Directors. This decision must be made at least 3 months from the date on which the holder ceases to be a member of the Board of Directors and will be notified by the Company to the beneficiary by registered letter or by a hand delivered letter.

[2] Attached to each BSA 10 31 2012 is the right to subscribe in cash for twenty (20) shares at a strike price of €4.00.

The BSA 10 31 2012 are exercisable at any time after their subscription, subject to the requirement that the holder is on the Board of Directors of the Company and has not, at the date of exercise of the warrants, expressed to the Company his will to resign or be subject to its revocation procedure. Notwithstanding the foregoing, the Board of Directors may decide that the BSA 10 31 2012 may remain exercisable for a period of time, which may not exceed 6 months from the date on which the holder ceases to be a member of the Board of Directors. This decision must be made at least 3 months from the date on which the holder ceases to be a member of the Board of Directors and will be notified by the Company to the beneficiary by registered letter or by a hand delivered letter.

[3] Attached to each BSA 07 25 2014 is the right to subscribe in cash for one (1) share.

The BSA 25.07.2014 are exercisable by the holder at any time from the date of purchase, subject to the requirement that the holder is on the Board of Directors of the Company and has not, at the date of exercise of the warrants, expressed to the Company his will to resign or be subject to its revocation procedure. Notwithstanding the foregoing, the Board of Directors may decide that the BSA 07.25.2014 may remain exercisable for a period of time, which may not exceed 6 months from the date on which the holder ceases to be a member of the Board of Directors. This decision must be made at least 3 months from the date on which the holder ceases to be a member of the Board of Directors and will be notified by the Company to the beneficiary by registered letter or by a hand delivered letter.

[4] The maximum nominal amount of capital increases that may be realized immediately or in the future pursuant to the delegation will be (i) 15,500 euros and (ii) may not exceed, with the securities that may be issued by exercise of warrants Subscription entrepreneurs shares and warrants of existing share subscription July 25, 2014, date of the General meeting having authorized the delegation, 5% of capital on a fully diluted basis, provided that the maximum nominal amount global capital increases likely to be performed under this resolution shall be included automatically on the overall cap; being specified that this maximum nominal amount above will be increased securities issued to preserve the rights of holders of securities giving access to capital pursuant to the provisions of the French commercial code.

[5] The BSA 06 16 2015 were issued under condition that the shareholders' meeting of 16 June 2015 vote for the delegation of authority in favor of the Board. This authorization was given by the shareholders' meeting in its 18th resolution.

Attached to each BSA 06 16 2015 is the right to subscribe for in cash to one (1) share

The BSA 06 16 2015 are exercisable by the holder at any time from the date of purchase, subject to (i) Mrs. Boissel is on the Board of Directors of the Company and has not, at the date of exercise of the warrants, expressed to the Company of her intention to resign or be subject to its revocation procedure. Notwithstanding the foregoing, the Board of Directors may decide that the BSA 06 16 2015 may remain exercisable for a period of time, which may not exceed 6 months from the date on which the holder ceases to be a member of the Board of Directors. This decision must be made at least 3 months from the date on which the holder ceases to be a member of the Board of Directors and will be notified by the Company to the Beneficiary by registered letter or by a hand delivered letter; and (ii) Mr. Beerman and Mr. Itoh being employed by the Company and acting in accordance with their non-competite and confidentiality obligations.

[6] The maximum nominal amount of capital increases that may be realized immediately or in the future pursuant to the delegation will be (i) € 15,000 and (ii) may not exceed, with the securities that may be issued by exercise of BSPCE and existing share warrants at June 16, 2015, date of the General meeting having authorized the delegation, 7.5% of the capital on a fully diluted basis, provided that the amount nominal aggregate maximum of share capital increases likely to be performed under this resolution shall be included automatically on the overall cap; being specified that this maximum nominal amount above will be increased securities issued to preserve the rights of holders of securities giving access to capital pursuant to the provisions of the French commercial code.

[7] The maximum nominal amount of capital increases that may be realized immediately or in the future pursuant to the delegation and delegations for the issuance of warrants to shares of entrepreneurs, stock options and free shares, will (i) € 15,000 and (ii) may not exceed, with the securities that may be issued by exercise of the BSPCE, BSA, subscription options and free shares that may be granted, 7.5% of the share capital on a fully diluted basis recognized at the date of the decision to award vouchers; it being specified that the maximum amounts referred to in (i) and (ii) above will be increased securities issued to preserve the rights of holders of securities giving access to capital pursuant to the provisions of the French commercial code.

20.1.4.2. Warrants for subscription for founder shares (*BSPCE*) plan

	BSPCE 06.10.2010[1]	BSPCE 06.10.2010-2[1]		BSPCE 10.31.2012[2]
Date of shareholders' meeting	10/06/2010	10/06/2010		31/10/2012
Date of board of directors meeting	N/A	17/12/2010	20/09/2011	12/03/2014
Number of BSCPCE authorized	5.000	5.200		5.000
Number of BSCPE issued	5.000	3.000	1.500	5.000
Beginning of exercise period	10/06/2011	10/06/2011	10/06/2012	N/A
Expiration date	10/06/2020	10/06/2020		31/10/2022
Exercise price	2,50€	2,50€		3,20€
Shares subscribed	0	0	0	3.000
BSPCE expired	2.750	0	0	0
BSPCE exercised	0	0	0	150
Number of BSPCE currently existing	2.250	3.000	1.500	4.850
Number of shares represented by the BSPCE	45.000	60.000	30.000	97.000

[1] Each BSPCE 06 10 2010 entitles the holder to subscribe for twenty (20) common shares at a price of €2.50. As of June 10, 2011, one third of the holder's BSPCE 06 10 2010 can be exercised, by holders who are employees at the date of exercise.

BSPCE 06 10 2010 are exercisable as of their subscription, by employees or officer submitted to employee tax treatment at the date of exercise of such warrants, subject to the requirement that the holder has not at the exercise date, informed the Company of his/her intention to resign or be under a procedure of dismissal or removal.

Notwithstanding the foregoing, the Board of Directors may decide that the BSPCE 06 10 2010 remain exercisable during the period it shall determine and which may not exceed 6 months from the date the beneficiary ceases to be a Company employee or officer submitted to the taxation of employees. This decision must be made no later than three months from the date the beneficiary ceases to be a Company employee or officer submitted to the tax treatment of employees and shall be notified by the Company to the beneficiary by registered letter or by a hand delivered letter.

[2] Each BSPCE 10 31 2012 entitles the holder to subscribe for twenty (20) common shares at the price of €3.20. The BSPCE 10 31 2012 can be exercised at any time, subject to the requirement that the holder is an employee at the exercise date.

The BSPCE 10 31 2012 are exercisable as of their subscription, subject to the requirement that always Company employee or officer submitted to the tax treatment of employees at the date of exercise of such warrants, and not having, in the exercise date, informed the Company of his intention to resign or be under a procedure of dismissal or removal.

Notwithstanding the foregoing, the Board of Directors may decide that the BSPCE 10 31 2012 remain exercisable during the period it shall determine, which may not exceed 6 months from the date the beneficiary ceases to be employed by the Company or the officer submitted to employee tax treatment. This decision must be made no later than three months from the date the beneficiary ceases to be a Company employee or officer is subject to employee tax treatment and shall be notified by the Company to the beneficiary by registered letter or by a hand delivered letter.

20.1.4.3. Stock options plan

	SO 29.01.2016

	SO 29.01.2016
Date of shareholder's meeting	01/29/2016
Date of Board of directors meeting	03/31/2016
Number of stock options issued	80 000
Beginning of exercise period	03/31/2016
Expiration date	03/31/2026
Exercise price	12,55 euros
Stock Options exercised	0
Stock Options expired	0
Number of Stock Options currently existing	80 000
Number of shares represented by the Stock Options	80 000

[1] *The maximum nominal amount of capital increases that may be realized immediately or in the future pursuant to the delegation on options and delegations for the issuance of warrants to shares of entrepreneurs, of warrants shares and bonus shares will be (i) € 15,000 and (ii) may not exceed, with the securities that may be issued by exercise of the BSPCE, BSA, stock options and free shares that may be granted, 7.5% of the share capital on a fully diluted basis recognized at the date of the option grant decision; it being specified that the maximum amounts referred to in (i) and (ii) above will be increased securities issued to preserve the rights of holders of securities giving access to capital in accordance with the Commercial Code.*

20.1.4.4. Summary of dilutive instruments as of 31 march 2016

	BSA	BSPCE	SO
Number of BSA/BSPCE/SO allocated	462 000	14 500	80 000
Potential total number of shares that could be subscribed for or purchased by exercise of the BSA/BSPCE/SO allocated	642 500	290 000*	80 000
Number of BSA/BSPCE/SO cancelled or obsolete	0	2 750	0
Number of BSA/BSPCE/SO exercised	0	150	0
Number of BSA/BSPCE/SO remaining	462 000	11 600	80 000
Potential total number of shares that could be subscribed for by exercise of the BSA/BSPCE/SO remaining	642 500	232 000*	80 000

* After the 20:1 stock split approved on March 28, 2014.

Dilution may arise as a result of the exercise of all of the securities conferring access to the share capital (i.e. the exercise of 553,600 BSA/BSPCE/SO conferring the right to 954,500 of the Company's shares), corresponding to a share capital of €409,714.56 on a fully diluted basis.

20.1.5. Acquisition rights and/or obligations attached to the capital issued but not paid-in and capital increase commitment

The resolutions of the extraordinary general meetings of the shareholders approving the issuances of share capital, dated April 15, 2014, June 16, 2015 and January 29, 2016, are summarized below:

Date of the shareholders meeting	Purpose, content and scope of the delegation	Duration	Cap (in nominal value when in euros)	Date and method of utilization by the Board of directors
15/04/2014	Authorization to the Board of directors to repurchase its own shares (8th résolution)	18 months	10% of the share capital as at the date of the repurchase by the Company	**Board of March 5, 2015** Use of the delegation through a liquidity contract with Banque Oddo et Cie with an allocated amount of €250 000.
16/06/2015	Delegation of authority to the Board of Directors to carry out a capital increase, up to a limit of 20% of the share capital per year, by issuing shares and/or securities conferring access to the Company's capital and/or an issue of securities conferring the right to an allotment of debt securities, cancelling preferred subscription rights, by making an offer to qualified investors or a restricted group of investors, within the meaning of Article L. 411-2, paragraph II, of the Monetary and Financial Code (Code monétaire et financier) (private placement) (14th résolution)	Replaced by delegation of the shareholders meeting of 01/29/2016	€175 000 (shares and securities giving access to the share capital) and 100.000.000 € (debt securities)	**Board of July 23, 2015** Use of the delegation to increase share capital, cancelling preferred subscription rights, by making an offer to qualified investors or a restricted group of investors, within the meaning of Article L. 411-2, paragraph II, of the Monetary and Financial Code (Code monétaire et financier) (private placement) of a nominal amount of €35 255,86 by issuance of 1 762 793 shares of a par value of €0,02 each at the price of €11,35 each.
16/06/2015	Delegation of authority to the Board of Directors to issue and allot ordinary share warrants ("Warrants"), cancelling preferred subscription rights in favor of a class of persons (18th résolution)	Replaced by delegation of the shareholders meeting of 01/29/2016	€15,000 and 7.5 % of the share capital on a fully diluted basis	**Board of April 29, 2015** Use of the delegation, subject to the authorization of the shareholders meeting, for the allocation of 42 500 BSA to be subcribed for a capital increase of €850 in favor of Mrs Boissel, Director. **Board of May 7, 2015**

Date of the shareholders meeting	Purpose, content and scope of the delegation	Duration	Cap (in nominal value when in euros)	Date and method of utilization by the Board of directors
				Use of the delegation, subject to the authorization of the shareholders meeting, for the allocation of 240,000 BSA to be subcribed for a capital increase of €4,800 in favor of Mr. Beerman and Mr. Itoh.
01/29/2016	Delegation of authority to the Board of Directors to reduce share capital by cancelling treasury shares (2nd resolution)	18 months	10% of the share capital by 24 months period	None
01/29/2016	Delegation of authority to the Board of Directors to carry out a capital increase by issuing shares and/or securities conferring access to the Company's capital and/or to issue securities conferring the right to an allotment of debt securities, maintaining preferred subscription rights (3rd resolution)	26 months	€180 000[1], €275 000[2] and €100 000 000[3]	None
01/29/2016	Delegation of authority to the Board of Directors to carry out a capital increase by issuing shares and/or securities conferring access to the Company's capital and/or to issue securities conferring the right to an allotment of debt securities, cancelling preferred subscription rights, by making a public offering (4th resolution)[5]	26 months	€200 000[1], €275 000[2] and €100 000 000[3]	None
01/29/2016	Delegation of authority to the Board of Directors to increase capital by capitalizing premiums, reserves, profits or other items (5th resolution)	26 months	€275 000[2]	None
01/29/2016	Delegation of authority to the Board of Directors to carry out a capital increase by issuing shares and/or securities conferring access to the Company's capital and/or to issue securities conferring the right to an allotment of debt securities, cancelling preferred subscription rights in favor of a specific class of persons (defined as : (1) French or foreign individuals or legal entities or UCITS (i) who customarily invest (a) in the pharmaceutical sector, or (b) in growth securities that are listed on a regulated market or	18 months	€200,000[1], €275,000[2] and €100,000,000[3]	None

Date of the shareholders meeting	Purpose, content and scope of the delegation	Duration	Cap (in nominal value when in euros)	Date and method of utilization by the Board of directors
	multilateral trading facility (such as Alternext), considered as "Community SMEs" within the meaning of Annex I to European Commission Regulation (EU) No. 651/2014 of June 17, 2014, (ii) for a unit subscription amount greater than €50,000 (issue premium included) for legal entities and UCITS, and greater than €10,000 (issue premium included) for individuals; and/or (2) one or more strategic partners of the Company, located in France or abroad, who has (have) entered into or will enter into one or more partnership agreements (development, co-development, distribution, manufacturing, etc.) or commercial agreements with the Company (or a subsidiary) and/or companies they control, that control them or are controlled by the same person(s), directly or indirectly, within the meaning of Article L. 233-3 of the Commercial Code; and/or (3) any credit institution or investment service provider with an authorization to provide the investment services set forth in paragraph 6 of Article L. 321-1 of the French Monetary and Financial Code) (6th resolution)[6]			
01/29/2016	Delegation of authority to the Board of Directors to carry out a capital increase, within the limit of 20% of the share capital per year, by issuing shares and/or securities conferring access to the Company's capital and/or an issue of securities conferring the right to an allotment of debt securities, cancelling preferred subscription rights, by making an offer to qualified investors or a restricted group of investors, within the meaning of Article L. 411-2, paragraph II, of the Monetary and Financial Code (Code monétaire et financier) (private placement) (7th resolution)[5]	26 months	€200,000[1], €275,000[2] and €100,000,000[3] In a 20% of the share capital limit per year, appreciated as of the day of the decision of the Board of directors using the delegation	None

Date of the shareholders meeting	Purpose, content and scope of the delegation	Duration	Cap (in nominal value when in euros)	Date and method of utilization by the Board of directors
01/29/2016	Authorization to be granted to the Board of Directors pursuant to the provisions of Article L. 225-136 1°, paragraph 2, and R. 225-119 of the Commercial Code to set the issue price of securities to be issued, cancelling preferred subscription rights, under the delegations of authority that are the subject of the 4th and 7th resolutions (8th resolution)	26 months	10% of the share capital per year appreciated as of the day of the decision of the Board of directors using the delegation	None
01/29/2016	Delegation of authority to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without preferred subscription rights (9th resolution)	26 months	15% of the initial issuance and €275 000[2]	None
01/29/2016	Delegation of authority to to the Board of Directors to increase the number of shares through an issue of shares and securities as a compensation of contributions in kind (10th resolution)	26 months	€30 000 or 10% of the share capital of the Company existing as of the date of the transaction and €18 000 000 for the debt securities that may be issued pursuan to the delegation	None
01/29/2016	Delegation of authority to the Board of Directors to issue shares and securities carrying out a capital increase in the event of a public exchange offer initiated by the Company (11th resolution)	26 months	€125 000[1] €275 000[2] and €100 000 000	None
01/29/2016	Authorization to the Board of Directors to grant share subscription and/or purchase options ("Options"), cancelling shareholders' preferred subscription rights in favor of a class of persons (defined as : employees and/or corporate officers (or some of them) of the Company or of companies or groups affiliated with it in accordance with the conditions set out in Article L. 225-180, paragraph 1, of the Commercial Code) (12th resolution)[7]	38 months	€15 000[4] and 7.5% of the share capital on a fully diluted basis	None
01/29/2016	Authorization to the Board of Directors to issue and allot ordinary	18 months	€15 000[4] and 7.5% of the share capital on a	**Board of January 29, 2016**

Date of the shareholders meeting	Purpose, content and scope of the delegation	Duration	Cap (in nominal value when in euros)	Date and method of utilization by the Board of directors
	share warrants ("Warrants"), cancelling preferred subscription rights in favor of a class of persons (defined as : (i) individuals or legal entities who are strategic partners of the Company, industrial or commercial entities in the pharmaceutical sector, or persons who have entered into a service or consulting contract with the Company or any of its subsidiaries ; (ii) the shareholders, executives or employees of such persons in the case of legal entities ; (iii) the executives, corporate officers or employees of the Company or its subsidiaries) (13th resolution)[7]		fully diluted basis	Use of the delegation for the allocation of 85 000 BSA to be subcribed for a capital increase of €1 700 in favor of Mrs Bourque and Mr. Legault directors.
01/29/2016	Delegation of authority to the Board of Directors to issue and allot founder warrants ("Founder Warrants"), cancelling preferred subscription rights in favor of a class of persons (defined as : employees and executives subject to the tax regime applicable to employees of the Company in office on the date the Founder Warrants are granted, as well as in favor of any other beneficiaries that are or may be allowed by the laws in force on the date this delegation of authority is implemented) (14th resolution)[7]	18 months	€15 000[4] and 7.5% of the share capital on a fully diluted basis	None
01/29/2016	Authorization to the Board of Directors to allot free shares, whether existing or to be issued ("Free Shares"), cancelling preferred subscription rights in favor of a specific class of persons (defined as : employees, or certain categories of them, of the Company and/or entities directly or indirectly affiliated with it within the meaning of Article L. 225-197-2 of the Commercial Code, as well as corporate officers of the aforementioned companies or entities, as determined by the Board of Directors in accordance with the provisions of Article L. 225-197-1 et seq. of the Commercial Code, or some of them, and who, in addition, meet the conditions and, if applicable, the allotment criteria that may have been set by the Board of Directors) (15th resolution)	38 months	€15 000[4] and 7.5% of the share capital on a fully diluted basis	None

[1.] Maximum nominal cap of the concerning resolution.

[2.] Global nominal cap of the capital increases that may be carried out pursuant to 3th to 7th, 10th and 11th resolutions.

[3.] Global nominal cap of the debt securities that may be carried out pursuant to 3th, 4th, 6th, 7th and 10th resolutions.

[4.] Global nominal cap of the capital increases that may be carried out pursuant to 12th to 15th resolutions.

[5.] The issue price of the securities that may be issued pursuant to this delegation of authority shall be determined by the Board of Directors in accordance with the following provisions: the sum that the Company receives or should receive for each share issued or created by subscription, conversion, exchange, redemption, exercise of warrants or otherwise shall be at least equal to an amount determined in accordance with the laws applicable on the issue date (as of this date, the weighted average of the share price over the last three trading days prior to the date the price is set, less a possible discount of no more than 5%, in accordance with Article R. 225-119 of the French commercial code), subject to the exception set out in the 8th resolution,that authorizes the Board of Directors to set the issue price of the securities issued pursuant to the delegations of authority that are the subject of the 4th and 7th resolutions, and up to the limit of 10% of the share capital per year as determined on the date of the Board of Directors' decision, as adjusted based on transactions that may subsequently affect this resolution, at the price it shall determine based on a multi-criteria method, provided the subscription price is not less than 70% of the weighted average of the share price over the five (5) trading days preceding the date on which the issue price is set, and that the issue price of securities conferring access to capital is such that the sum received immediately by the Company at the time of such issue, plus, if applicable, any sum it may subsequently receive for each share issued as a result of issuing such securities, is not less than 70% of the weighted average of the share price over the five (5) trading days preceding the date on which the issue price is set and that the issue price of securities conferring access to capital is such that the sum received immediately by the Company at the time of such issue, plus, if applicable, any sum it may subsequently receive for each share issued as a result of issuing such securities, is not less than 70% of the weighted average of the share price over the five (5) trading days preceding the date on which the issue price is set.

[6.] Resolves that the issue price of the securities issued pursuant to this delegation of authority shall be set by the Board of Directors using a multi-criteria method, provided the share subscription price is not less than 80% of the weighted average of the share price over the twenty (20) trading days preceding the date the issue price is set, and the issue price of securities conferring access to capital is such that the sum immediately received by the Company at the time of this issue, plus, if applicable, any sum that it may subsequently receive for each share issued as a result of the issue of such securities, is not less than 80% of the weighted average of the share price over the twenty (20) trading days preceding the date the issue price is set.

[7.] The subscription or purchase price of shares resulting from exercising the Options shall be determined by the Board of Directors on the date that the Options will be granted, as follows:

- in the case of options to subscribe for new shares, the price shall not be less than 80% of the average of the share prices quoted over the twenty (20) trading days preceding the date on which the Option is granted;
- in the case of options to purchase existing shares, the price shall not be less than 80% of the average of the share prices quoted over the twenty (20) trading days preceding the date on which the Option is granted, nor of the average purchase price of shares held by the Company in accordance with Articles L. 225-208 and L. 225-209 of the Commercial Code

Share warrants and Founder warrants price will be set the same way provided the provisions of Article 163 bis G of the General Tax Code are complied with.

20.1.6. Information relating to the share capital of the Group companies which is the subject of an option or a conditional agreement considering its placement under option

As far as the Company is aware, there are no call options, put options or other commitments owed to the shareholders of the Company or made by them on the Company's shares.

20.1.7. Changes in share capital

20.1.7.1. Table showing changes in share capital over the last two financial years

Nature of transactions	Movements on the share capital in €	Premium related to share capital in €	Number of shares issued	Number of shares	Nominal value in €	Share capital in €
Au 31 décembre 2013	**194,997**	**352 773**		**389 990**		**194 997**
Capital decrease (March 2014)	-39,001					155,996
20-to-1 share split (March 2014)				7,409,810		155,996
Capital increase (conversion of the convertible bonds)	12,914	5,141,589		645,722		168,910

Capital increase to Bpifrance Participations (July 2014)	25,000	4,975,000	1,250,000	1,250,000		193,910
Capital increase (conversion of the convertible bonds)	56,253	20,897,979	2,812,634	2,812,634		250,163
Costs incurred in relation to equity transactions		-1,030,667				
Subscription of share warrants		30,001				
Total as at December 31, 2014	**250,163**	**30,366,675**	**4,062,634**	**12,508,156**	**0.02**	**250,163**
Capital increase in relation to the initial public offering on Euronext Paris (February 2015)	80,625	26,767,487	4,031,248	16,539,404		330,788
Capital increase in relation to the exercise by Merck Serono of its MS Share Warrants (February 2015)	21,771	7,227,845	1,088,531	17,627,935		352,559
Capital increase, july 2015	35,256	19,972,445	1,762,793	19,390,728		387,815
Exercise of BSA Kreos, October 2015	917	182,415	45,833	19,436,561		388,731
Exercise of BSA Kreos, November 2015	917	182,415	45,833	19,482,394		389,648
Costs incurred in relation to equity transactions		-2,861,000				
Subscription of share warrants		85,424				
Total as at December 31, 2015	**389,648**	**81,923,707**	**6,974,238**	**19,482,394**	**0.02**	**389,648**

20.1.7.2. Company's shares ownership over the last three financial years

Shareholders	31/12/2013	31/12/2014	31/12/2015
Thomas Kuhn	19,23 %	11,99 %	7,68 %
Other managers	19,23 %	11,99 %	7,68 %
Total Management	*38,46 %*	*23,98 %*	*15,36 %*
BPIfrance Investissement (FCPR Innobio)	19,23 %	20,63 %	12,71 %
BPIfrance Participations	-	9,99 %	8,69 %
Sub total BPI	*19,23 %*	*30,62 %*	*21,40 %*
Fonds OMNES CAPITAL	11,54 %	12,36 %	8,33 %
Fonds Edmond de Rothschild Investment Partners	30,77 %	33,03 %	22,54 %
Merck Serono	-	-	5,57 %
JP Morgan Asset Management (UK) Limited	-	-	5,12 %
Treasury share	-	-	0,03 %
Public float	-	-	21,69 %
Total	**100 %**	**100 %**	**100 %**

20.2. Constitutive instrument of the Company and bylaws

20.2.1. Corporate purpose (article 2 of the Company's bylaws)

The purpose of the Company, in France and any other country, is as follows:

- Research and development of new therapeutic strategies for humans, contract manufacturing and sale and marketing in all its forms of specialty pharmaceuticals previously tested in pre-clinical and clinical trials, as well as all applied research and medical development activities, filing and acquisition of all patents, trademarks and industrial property rights;

- Consultation and conduct of market surveys and studies relating to pharmaceutical regulations and pharmaceutical and clinical development;

- Participation of the Company, by any means, directly or indirectly, in all operations which may be related to its purpose through the incorporation of new companies, contribution, subscription or purchase of shares or share rights, merger or otherwise, creation, acquisition, rental, or taking of a lease over any businesses or establishments; the taking, acquisition, exploitation or transfer of all processes and patents related to such activities.

And generally, all industrial, commercial, financial or non-trading transactions, in movable or immovable property, that may be directly or indirectly related to the corporate purpose or any similar or related purpose.

20.2.2. Statutory provisions and other provisions relating to members of administrative and executive bodies

20.2.2.1. Board of directors

20.2.2.1.1. Appointment of the Board of directors's members

The Company is managed by a Board of Directors composed of between 3 and 18 members, who may be natural persons or legal entities, subject to the derogation provided for by law in case of a merger.

Any legal entity must, at the time of its appointment, appoint a natural person as its permanent representative on the Board of Directors. The length of the term of office of the permanent representative is the same as that of the legal entity that is a director that it represents. When the legal entity removes its permanent representative from office, it must immediately arrange to replace him/her. The same provisions apply in the event of the death or resignation of the permanent representative.

No one may be a director if he/she is over the age of 70. When directors exceed this age limit during the course of their term of office, thus bringing the number of directors aged over 70 to more than one-third, then the oldest director is deemed to have automatically resigned.

Directors may or may not be shareholders of the Company.

During the life of the Company, the directors are appointed by a decision of the ordinary general meeting of shareholders. The length of the term of office of the directors is three (3) years; it ends at

the close of the ordinary general meeting called to approve the financial statements for the previous financial year and held in the year during which their term of office expires.

In the event of a vacancy due to death or resignation of one or more seats, the Board of Directors may make provisional appointments by co-optation between two collective decisions of the shareholders. These appointments are then submitted to the next ordinary general meeting of shareholders for ratification. A director appointed to replace another director performs his/her duties for the remainder of his/her predecessor's term of office.

Directors are eligible for re-election. They can be removed from office at any time by a decision of the ordinary general meeting of shareholders.

20.2.2.1.2. Deliberations of the Board of Directors

The Board of Directors meets as often as the interest of the Company requires and at least four times a year, when a meeting is called by its Chairman. The Chief Executive Officer at any time, or one-third of the directors if the Board of Directors has not held a meeting for over two months, may ask the Chairman to convene a board meeting with regard to a specified agenda.

Notices of the meeting are sent in writing (by fax, ordinary letter, e-mail) at least five business days prior to the Board of Directors' meeting when it is called for the first time or two business days prior to the board's meeting when the meeting is called for the second time. In the event of an emergency or if all the directors agree, the above-mentioned periods for calling the meeting may be shortened.

Meetings shall be held at the registered office or in any other place mentioned in the meeting notice. Within the limits provided for by law, the Board of Directors may meet and deliberate by any means, including in particular video, telex, fax, telephone conference, videoconference, via the Internet or by any other means. The Directors participating in the Board meeting by videoconference or other means of telecommunication allowing the identification of participants and ensuring their effective participation in accordance with the conditions defined by the internal regulations of the Board of Directors are deemed to be present for the calculation of the quorum and majority.

The presence of at least half the members in office is necessary for the validity of the deliberations. An attendance register is kept and signed by the directors attending the meeting.

Decisions are made by a majority of the votes of the members present or represented. The Chairman of the Board of Directors has a casting vote.

The deliberations of the Board of Directors are recorded in minutes included in a special minute-book and signed by the Chairman of the meeting and at least one director or, in the event that the Chairman is unable to do so, by at least two directors.

Copies or extracts of the minutes of the deliberations are validly certified by the Chairman of the Board of Directors, the Chief Executive Officer, or a duly empowered representative authorized for such purpose.

20.2.2.1.3. Powers of the Board of directors

The Board of Directors determines the direction of the Company's business activities and oversees the implementation thereof.

Subject to the powers expressly attributed to general meetings of shareholders and within the limit of the corporate purpose, it addresses any matters affecting the proper governance of the Company and settles the matters that concern it through its deliberations.

The Board of Directors performs the checks and verifications that it considers appropriate.

Each Director must receive the necessary information for the performance of his/her duties and can obtain all the documents he/she considers useful from the General Management.

In dealings with third parties, the Company is bound even by the acts of the Board of Directors which do not fall within the scope of the corporate purpose or exceed the limitations on the powers provided for in the bylaws and articles of incorporation applicable to it, if it cannot prove that the third party was aware that the act exceeded such purpose or limitations, or that it could not fail to be aware of it given the circumstances.

The Chairman represents the Board of Directors. He/She organizes and directs the Board of Directors' work on which he/she reports to the general meeting of shareholders and executes its decisions.

He/She makes sure that the Board of Directors functions properly and ensures that the directors are in a position to carry out their duties.

Security, endorsements and guarantees given by the Company are mandatorily subject to authorization by the Board of Directors.

The Board of Directors has the capacity to decide on the issuance of bonds.

The provisions of Article L. 225-38 of the French commercial code apply to agreements entered into, directly or via an intermediary, between the Company and one of its directors or chief executive officers.

20.2.2.2. General management

20.2.2.2.1. Chief executive officer (*Directeur Général*)

Appointment - Dismissal

Depending on the choice made by the Board of Directors, the general management is carried out either by the Chairman or by a natural person appointed by the Board of Directors and with the title of Chief Executive Officer, who may be a director or not.

If the Board of Directors choose to separate the duties of Chairman from those of Chief Executive Officer, it shall proceed with the appointment of the Chief Executive Officer, set the length of

his/her term of office, determine his/her remuneration and, where applicable, the limitations on his/her powers.

For the performance of his/her duties, the Chief Executive Officer must be less than 65 years of age. When this age limit is reached during the course of his/her duties, the Chief Executive Officer will be deemed to have automatically resigned.

The Chief Executive Officer may be removed from office at any time by the Board of Directors. When the Chief Executive Officer does not perform the duties of Chairman of the Board of Directors, his/her removal from office may give rise to damages, if it is decided without due cause.

Powers

When the general management of the Company is carried out by the Chairman of the Board of Directors, the provisions apply to him.

The Chief Executive Officer has the broadest powers to act in any circumstances in the name of the Company. He/She exercises these powers within the limit of the corporate purpose and subject to the powers that the law, the bylaws and articles of incorporation expressly attribute to general meetings of shareholders and to the Board of Directors and any limitations on the powers that are imposed on him by the Board of Directors.

The Chief Executive Officer represents the Company in its dealings with third parties. The Company is bound even by the acts of the Chief Executive Officer which do not fall within the scope of the corporate purpose, unless it proves that the third party was aware that the act exceeded such purpose or that it could not fail to be aware of it given the circumstances, it being specified that the publication of the bylaws and articles of incorporation alone is not sufficient to constitute such proof.

20.2.2.3. Deputy Chief Executive Officers (*Directeurs généraux délégués*)

On the proposal of the Chief Executive Officer, whether such duties are carried out by the Chairman of the Board of Directors or by another person, the Board of Directors may appoint one or more natural persons responsible for assisting the Chief Executive Officer with the title of Deputy Chief Executive Officer (*Directeur général délégué*).

With regard to third parties the Deputy Chief Executive Officer(s) have the same powers as the Chief Executive Officer subject, where applicable, to the specific limitations on powers that may be imposed on them by the Board of Directors.

In the event of termination or the duties of the Chief Executive Officer or his/her inability to act, the Deputy Chief Executive Officers shall retain their duties and their responsibilities until the appointment of a new Chief Executive Officer unless otherwise decided by the Board of Directors.

20.2.2.4. Rules of procedure

The rule of procedure of the Board of directors has been adopted by the Board of directors on March 12, 2014 and updated on April 15, 2014.

The rule of procedure of the Board of directors, as well as the specialized Committes it describes, completes legal and regulatory provisions, in compliance with the French commercial code and the corporate governance code Middlenext.

It sets out the role, the powers, the composition functioning of the Board of directors, deontological duties and obligations of its members, the conditions of their compensation and of their good informaiton.

20.2.3. Rights, privileges and limits attached to the Company's shares

20.2.3.1. Forms of the securities

The shares shall be in registered or bearer form, at the option of the shareholder, subject to the provisions of laws and regulations in force. Shares that have not been paid up in full shall be in registered form.

20.2.3.2. Voting rights

The voting right attached to shares is proportionate to the capital represented by the shares and each shares carites the right to at least one vote, subject to compliance with the legal and regulatory provisions in force.

20.2.3.3. Dividends and profits rights

Each share entitles the holder to ownership of the corporate assets, to a share of the profits and the liquidating dividend *pro rata* to the percentage of the share capital that it represents.

20.2.3.4. Preferential subscription rights

All of the Company's shares carry preferential subscription rights in the event of any capital increases.

20.2.3.5. Limits on voting rights

None.

20.2.3.6. Identification of the shareholders

The Company is entitled, under legal and regulatory provisions in force, to request at any time, at its own cost, from the central depository which is responsible for keeping its share issue account, the name or corporate name, nationality, year of birth or year of incorporation, and address of the holders of securities granting voting rights at its own general meetings of shareholders immediately or in future, together with the quantity of securities held by each of them, and where applicable, the restrictions to which the securities may be subject and, more generally, to make use of the provisions of Article L. 228-2 of the French commercial code with regard to identification of the

holders of securities granting voting rights at its own general meetings of shareholders immediately or in future.

20.2.3.7. Company's repurchase of its own shares

Refer to section 21.1.3 "Number, book value and nominal value of the shares held by the Company or on its behalf" of this *document de référence*.

20.2.4. Changes in the shareholders' rights

Only the extraordinary general meeting is empowered to make decisions with the effect of changing the rights of the shareholders provided by the bylaws.

20.2.5. General meetings of shareholders

20.2.5.1. Common rules that apply to all general meetings of shareholders

General meetings of shareholders are called under the conditions provided for by law.

General meetings of shareholders are held at the registered office or in any other location indicated in the notices or letters calling them to the meeting, in France or in any other country.

The agenda is set in accordance with the provisions of laws and regulations in force.

Participation in general meetings, in any form whatsoever, shall be subject to registering or recording shares under the conditions and within the time periods provided for by regulations in effect.

A shareholder may give a proxy in order to be represented at any general meeting in accordance with the legal provisions in force. The specific proxy for each general meeting is signed by the person granting the proxy who states his/her last name, first names and address.

For any proxy from a shareholder without an indication of the proxy, the chair of the general meeting casts a vote in favor of adoption of the draft resolutions presented or approved by the Board of Directors and a vote against the adoption of all other draft resolutions.

Correspondence voting takes place in accordance with the terms and conditions set by the provisions of the laws and regulations. Legal entities participate in general meetings through their legal representatives or any other person duly and properly authorized by them.

General meetings are chaired by the Chairman of the Board of Directors. In his/her absence, the general meeting elects its chair itself.

The duties of vote-tellers are carried out by the two members of the general meeting present and accepting such duties who hold the largest number of votes either in their own name or as proxy holders. If they do not accept, the general meeting elects its vote-tellers itself.

The officers of the meeting appoint the secretary, who can be chosen from outside the shareholders.

An attendance sheet is kept under the conditions provided for by law.

The deliberations of the general meeting are recorded in minutes signed by the officers of the meeting; these minutes must be included in a minute-book kept in accordance with regulatory provisions.

20.2.5.2. Special provisions applicable to ordinary general meetings

The ordinary general meeting is composed of all the shareholders regardless of the number of shares they hold, on condition that all the amounts due thereon have been paid up.

In order to validly deliberate when called for the first time, the general meeting must be composed of a number of shareholders representing at least one-fifth of the shares with voting rights.

If this condition is not met, the general meeting is adjourned and called again in accordance with the above provided forms. At this second meeting and, where applicable, any subsequent meetings, the deliberations made with regard to the same agenda as the previous meeting are valid regardless of the number of shares represented

The deliberations of the ordinary general meeting are taken by a majority of the votes of the shareholders present or represented.

The ordinary general meeting can make any decisions other than those with the effect of amending the bylaws and articles of incorporation either directly or indirectly.

It is held at least once a year, within six months of the end of the Company's fiscal year, to approve the annual financial statements, unless this time period is extended by an order of the President of the Commercial Court deciding upon an application by the Board of Directors.

20.2.5.3. Special provisions with regard to extraordinary general meetings

Only the extraordinary general meeting is empowered to make decisions with the effect of amending the bylaws and articles of incorporation either directly or indirectly.

The extraordinary general meeting is composed of all shareholders regardless of the number of shares they hold, on condition that all the amounts due thereon have been paid up.

In order to validly deliberate when called for the first time, the general meeting must be composed of a number of shareholders representing at least one-fourth of the shares with voting rights.

If this condition is not met, the general meeting shall be adjourned and called again in accordance with the above provided forms. At this second meeting and, where applicable, any subsequent

meetings, the deliberations made with regard to the same agenda as the previous meeting are valid if the general meeting is composed of a number of shareholders representing at least one-fifth of the shares with voting rights. If no quorum is reached, the second general meeting may be extended until a date no more than two months later than that on which it was called.

The deliberations of the extraordinary general meeting are taken by a majority of two-thirds of the votes of the shareholders present or represented.

By way of exception, the extraordinary general meeting may decide under the quorum and majority requirements provided for ordinary general meetings when the increase in capital takes place via the capitalization of reserves, profits or issue premiums.

20.2.6. Mechanisms allowing to delay, defer or prevent a change of control

The Company's bylaws do not provide any mechanism that may delay, defer or prevent a change of control.

20.2.7. Crossing of ownership thresholds

In addition to the legal obligations of declaration of crossing of thresholds, any natural person or legal entity, acting alone or in concert, who becomes the holder, in any manner whatsoever within the meaning of Articles L. 233-7 *et seq.* of the French commercial code, of a fraction equal to 2% of the share capital or voting rights, or any multiple of this percentage, must inform the Company of the total number of shares and voting rights of the Company that it owns (or that it may subsequently own in accordance with the meaning of Article L. 233-7 of the French commercial code), before and after the transaction that led to the crossing of such threshold, and the nature of this transaction. This declaration shall be made via a registered letter with return receipt requested (or by any equivalent means for persons who are resident outside France) sent to the registered office, at the latest, prior to the close of trade on the fourth trading day following the day on which the shareholding threshold is crossed.

This obligation applies under the same conditions as those provided for in the first paragraph of this section, whenever the fraction of the capital or voting rights held falls below one of the thresholds provided for in the above paragraph.

In the event of non-compliance with the above provisions, a shareholder who has not duly and properly made the declaration shall be deprived of the voting rights attached to the shares exceeding the fraction that has not been duly declared for any general meeting of the shareholders that may be held, until the expiration of the time period provided for by French law and regulations in force following the date on which the notification is duly made. This sanction will only be applied upon a request, recorded in the minutes of the general meeting, of one or more shareholders holding at least three percent (3%) of the Company's capital.

20.2.8. Specific conditions governing changes to the share capital

In the Company's bylaws, there is no specific provision governing the change in its share capital that would be stricter than the legal provisions.

21. MATERIAL CONTRACTS

Except for the contract described below, the Company only entered into contracts that are inside the normal framework of its affairs.

21.1. Merck Serono agreement and related amendments

The Company entered into a transfer and license agreement with Merck Serono on March 19, 2009, amended on July 30, 2009, June 22, 2010 and May 23, 2014 (the "MS Agreement"), as part of the spin-off of Merck Serono's research and development activities in the cardiometabolic field. The MS Agreement was amended on July 30, 2009, in order to include an additional patent to the list of patents for which Merck Serono granted a license to the Company.

In accordance with this MS Agreement, Merck Serono transferred certain patents and granted a license for other patents and know-how to the Company for the research and development, and the marketing of pharmaceutical products. This license is exclusive covering a list of 25 molecules, by program, selected by the Company.

In order to support its research and development activities and given Merck Serono's economic interest in the development of the Company, at inception of the Company, Merck Serono provided the Company with a total non-repayable amount of €7.2 million.

In exchange for the rights that were granted under the MS Agreement, Merck Serono was entitled to the following compensation:

a. royalties on net sales of the products covered by the patents granted or granted under license by Merck Serono at a rate equivalent to a high single digit in the higher portion of the range for Imeglimin, and at a low single digit rate in the lower part of the range for the other products;

b. a percentage of the revenue from any partnership agreement relating to the drug candidates covered by the patents, granted or granted under license, sold or licensed, at a low double-digit rate near the bottom of the range.

In the event that the Company would be sold, Merck Serono was entitled to an amount corresponding to a percentage of sales price of the Company's shares. This commitment is valued in the financial statement presented in accordance with IFRS standards (cf. note 11.4 of appendices to the IFRS financial statements presented in section 20.1 "IFRS financial statements drawn up for the years ending December 31 2014 and December 31 2015" of this *document de reference*).

In preparation for the Company's initial public offering on Euronext Paris, on May 23, 2014, Merck agreed to waive its rights in the case of the sale of the Company, but only in the event the initial public offering on Euronext Paris is successful, and in exchange received from the Company 1,088,531 ordinary shares representing 7.69% of the Company's share capital on a fully-diluted basis prior to the initial public offering.

The term of the MS Agreement continues on a country-by-country, and product-by-product basis until the later of: (i) the final expiration date of any patent right relating to our pharmaceutical

products that contain or comprise substances covered by patents assigned or licensed to us by Merck Serono in such country (the last of which expires in June 2023); or (ii) ten years from the first sale for monetary value for use or consumption by the general public of such pharmaceutical product in such country following regulatory approval for such product in such country.

21.2. Venture Loan with Kreos Capital IV (UK) Limited

Issue of bonds to Kreos

On July 25, 2014, the Company entered into a venture loan agreement (the "**Venture Loan Agreement**") intended to allow the Company to benefit from financing in the form of non-convertible bonds representing a loan for a maximum amount of €8 million for which Kreos Capital IV (UK) Limited, or Kreos, agreed to subscribe in two tranches as follows:

- €5 million (Tranche A) subscribed as of July 25, 2014, repayable over 33 months (no repayment of capital for the first 9 months); and
- €3 million (Tranche B), in one or several drawdowns, subject to the condition that the Company obtains additional financing of at least €12 million (in capital, by the issue of convertible bonds, a subordinated shareholders loan or a license agreement with a pharmaceutical company) by March 31, 2015 and repayable over 36 months.

The bonds have a fixed 11.25% coupon and include various fees to be paid by the Company.

Under the Venture Loan Agreement, the Company must also issue to Kreos Capital IV (Expert Fund) Limited, a subsidiary of Kreos, a maximum of 220,000 share warrants for class A preferred shares, 137,500 of which were issued at the time Tranche A was released, and a maximum of 82,500 shall be issued upon the full release of Tranche B (Note 4 in section 21.1.4.1 "Stock option plan" of this *document de référence* for a detailed description of the procedure for the exercise of this share warrants).

Finally, in order to guarantee all obligations entered into by the Company in respect of the Venture Loan Agreement, it has granted various security rights relating to its intellectual property and its cash position such as pledges of bank accounts, receivables and certain intellectual property rights as collateral (Section 11.2.4 "Patents subject to a pledge" and section 11.4 "Other elements of the intellectual property" of this *document de référence* for the detail of this pledges).

22. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

None.

23. DOCUMENTS ON DISPLAY

Copies of this *document de référence* are available without charge at the registered office of the Company, 259/261 Avenue Jean Jaurès – Immeuble le Sunway – 69007 Lyon.

This *document de référence* is also available the the Company's website (www.poxel.com) and the website of the AMF (www.amf-france.org).

The Company's articles of incorporation and bylaws, the minutes of shareholders' meetings and other corporate documents, as well as past financial statements and all expert valuations and statements issued at the Company's request and which must be made available to its shareholders under applicable laws can be examined without charge at the registered office of the Company.

From the date of inscription of the shares on the Company on the Euronext market in Paris, regulated information within the meaning of the provisions of the *Règlement général de l'AMF* will also be available on the Company's website (www.poxel.com).

24. INFORMATION ON HOLDINGS

As of the date of this *document de référence*, the Company does not hold any interest in the share capital of any other Company.