2016

ANNUAL REPORT

Financial year ended December 31, 2016

Quantum Genomics
Limited Company (Société Anonyme)
With capital of €3,496,752.91
Registered office: Tour Maine Montparnasse
33, avenue du Maine, 75015 Paris
Paris Trade & Companies Register 487 996 647

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

2016 was an eventful year in which we strengthened our financial resources and confirmed major advances in each of our indicators.

On the financial front, in March 2016 Quantum Genomics successfully carried out a capital increase of €8 million, from U.S. institutional investors and its own shareholders in Europe. This capital increase could rise to €14.1 if the redeemable share subscription warrants (BSAR) attached to the new shares are exercised in full. Paralleling this, August 2016, Bpifrance granted the company an €800k "innovation advance".
These funds boosted our cash position, closely managed in 2016, allowing us to grow our R&D programmes both in arterial hypertension and heart failure, and to prepare our next developments for 2017 and 2018.

In arterial hypertension, in April we completed our Phase IIa trial on our drug candidate QGC001, and in September 2016 published the initial positive results for this first trial in humans. The data shows positive signs, primarily a drop in diurnal systolic blood pressure in hypertensive patients treated with QGC001 compared to placebo. We are awaiting impatiently the presentation by the principal investigator, of the full results of this clinical trial at the annual meeting of the European Society of Hypertension (ESH) to be held in Milan, Italy, in June 2017.

On the strength of these promising results, we have already initiated preparations for our next Phase II trial in hypertension (NEW HOPE) which this time will be run in the United States on a population of 250 target patients in more than 25 hospitals across the country. With this in mind, in the third quarter of 2016 we met with the U.S. Food & Drug Administration (FDA) in Washington as part of our Pre-IND (Investigational New Drug) meeting. After reviewing the entire drug candidate QGFC001 dossier, including all the preclinical and clinical data, the FDA gave us its recommendations regarding this trial to be carried out in the United States, in particular regarding patient targeting.

We will be filing the IND application with the FDA in mid-2017 and aim to recruit the first patients in the second half of 2017. This large-scale trial, conducted by Dr Keith Ferdinand, Professor of Medicine at Tulane University in New Orleans, is expected to run until the end of 2018, with its results published in the first half of 2019.

Another essential element in our development strategy, in the summer of 2016 we launched a Phase IIa pan-European clinical trial with our drug candidate in heart failure.

This ambitious trial is run by Professor Faiez Zannad. QUID HF (QUantum genomics Incremental Dosing in Heart Failure) is a randomised, double-blind study in 75 patients in more than 10 university hospitals across Europe, to test the effects of multiple doses of our product in chronic heart failure sufferers with altered cardiac ejection fraction. In late 2016, we opened what were the first six centres for this trial, which have now expanded to ten.

The clinical part of this QUID HF trial is expected to be completed by the end of 2017 and the results are expected to be available in the first half of 2018.

To sum up, like 2016, the year 2017 will be marked by further major stages for our Company:

- June 2017: Presentation of the full results of the Phase IIa trial in hypertension;
- Mid-2017: IND application to the FDA for the Phase II targeted trial in hypertension in the United States (NEW HOPE);
- 2nd half 2017: Recruitment of the first patient for the NEW HOPE trial;
- End 2017: Completion of the clinical part of the Phase IIa QUID HF pan-European trial in heart failure.

Lastly, will are continuing our discussions with a number of pharmaceutical players in the United States, Europe and Asia, with the goal of signing a licensing or partnership agreement to pursue the clinical development and marketing of our drug candidates.

To date, various options are possible, such as setting up of a global partnership or signing an agreement for a specific region while preserving our rights for the rest of the world.

Thank you for your trust and loyalty.

Lionel SEGARD
Chairman of the Board of Directors

COMPANY PROFILE

1. DESCRIPTION OF THE COMPANY'S ACTIVITY:

Formed on 23 December 2005, QUANTUM GENOMICS ("**QUANTUM GENOMICS**" or the "**Company**") is a biotechnology firm specialising in the development of innovative drugs to combat cardiovascular diseases.

Run by professionals in creating and managing technological start-ups and drug development, as well as internationally renowned researchers and inventors, QUANTUM GENOMICS has established contractual relations with institutions of academic excellence in France (Inserm, Collège de France, CNRS and University of Paris Descartes), currently prioritising the development of a highly innovative product against arterial hypertension, QGC001, the first of a new class of drugs acting on the inhibition of Aminopeptidase A (APA) in the brain.

QUANTUM GENOMICS' economic model is not to market its products directly. The Company intends using its own resources to develop them until the completion of Phase IIa/IIb clinical trials, to be able to form an alliance with a pharmaceutical laboratory that can carry out additional clinical trials to be able to market the drug.

With this mind, QUANTUM GENOMICS has defined the following strategic priorities.

- Build a diversified portfolio of drug candidates at an advanced stage of development with the goal of marketing them through partnerships, licensing or alliances.
- Manage its cash resources effectively by carefully monitoring the development of its activities and potentially be able to invest in new products.
- Manage its existing and future partnerships to support the Company's growth.

Its license agreements with the manufacturer(s) concerned allow QUANTUM GENOMICS to:

- stop financially supporting the clinical and regulatory phases once the license is signed;
- benefit from product marketing and distribution expertise;
- receive upfront/milestone revenues at each advance during the development phase on pre-established terms, and then receive royalties during the product marketing phase.

These upfront and milestone revenues could be substantial.

Once QGC001 is on the market, the Company is hoping for double-digit royalties during the commercial life of the product.

2. PERSONS RESPONSIBLE

2.1 Person responsible for the 2016 annual report

Lionel SEGARD
Chairman & Chief Executive Officer

Quantum Genomics
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75015 Paris

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2.2 Statement of the person responsible for the 2016 Annual Report

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards in France and accurately represent the assets, financial position and earnings of QUANTUM GENOMICS, and that this Annual Report presents a fair and true picture of the progress of the business, earnings and financial position of the issuer and all the companies included in its consolidation scope as well as a description of the main risks and uncertainties they face.

Issued in Paris on 29 March 2017

QUANTUM GENOMICS

Lionel SEGARD
Chairman & Chief Executive Officer

MANAGEMENT REPORT

3. COMPANY ACTIVITY AND HIGHLIGHTS OF FISCAL YEAR

In 2016, the Company passed major milestones in its business development and its financial structure, notably carrying out a further capital increase via private placement in the United States and a public offering in France on the Euronext Alternext Market in Paris, ("the **Transaction**"), completing Phase IIa clinical trials in arterial hypertension, and starting the Phase IIa trial in heart failure.

In March 2016, the Company carried out a capital increase of €8.58 million including €5.54 million as a private placement with institutional investors in the United States and €3.04 million as a public offering in Europe with a priority period for all its shareholders. The amount raised could reach €14.1 million if all the attached warrants are exercised.

In its international development, and with a view to the next multicentric clinical trials that will be carried out in the United States, the Company set up an American Clinical Ethics Committee and also opened an office in New York where the first meeting of that committee was held on 3 March 2016.

In January and in May, three patents were granted in the United States, protecting until October 2031 and 2033 the industrial manufacturing process for the drug candidate QGC001, the crystalline form of the trihydrate of QGC001 (product currently in development) and a new form associated with L-Lysine. These patents were also granted in several other major countries.

The Company started its Phase IIa clinical trial in chronic heart failure in humans, which it calls QUID HF. It is a randomised, double-blind trail on 75 patients suffering from heart failure. By the end of 2016, the Company had opened the six first centres for this study: in France (Louis Pradel Hospital in Lyon, Laennec Hospital in Nantes and Charles Nicolle Hospital in Rouen), in Norway (Stavanger University Hospital) and the Netherlands (Groningen University Medical Centre and the Maastricht University Medical Centre).

For the development of this trial, in August Bpifrance granted the company an €800k "innovation advance". This advance will be used to support the Phase IIa clinical development of QUID HF against heart failure. The first installment of €480k was received at the end of September 2016.

The Phase IIa trial in arterial hypertension (QGC001) which had started in March 2015 was completed in April 2016. On 29 September 2016, the Company announced positive results for this clinical trial. The Company will therefore be able to conduct a Phase II trial in the United States on a target population. A first meeting was held with the FDA (Food & Drug Administration) to approve the continuation of development on QGC001. The IND (Pre-Investigtional New Drug) application is expected to be filed in mid-2017.

On the legal front, the Company's management bodies took certain decisions, to permit the capital increase in March 2016.

Accordingly, since 1st January, the following actions were taken:

- on 2 March 2016, the Company's Compensation Committee announced (i) the Chief Executive Officer's

compensation, (ii) the total amount of directors' attendance fees, and (iii) the allocation of free shares to the Company's employees and/or executives;

- on 2 March 2016, the Board of Directors announced:
  - the Chief Executive Officer's compensation,
  - the total amount of attendance fees to be allocated to directors,
  - an update on Company activities
  - a review of the 2016 Budget and the 2016-2017 Business Plan,
  - a review of financing alternatives, and
  - the allocation of free shares to the Company's employees and/or executives, the use of the delegation of authority granted by the Combined Ordinary and Extraordinary General Meeting of 22 December 2015;
- on 14 March 2016, the Board of Directors decided to use the authorisation granted by the Shareholders' General Meeting of 22 December 2015, in particular Resolutions 2 and 4 of that General Meeting, to increase capital on two separate occasions relating to the Transaction, on the following terms:
  - regarding the "private placement" portion of the Transaction:
    - the envisaged capital increase would include the waiver of preferential subscription rights and would not be offered to the public, in accordance with Article L. 411-2 II of the French Monetary and Financial Code, and would therefore be reserved for qualified investors in the sense of Article D.411-1 of the that Code, and/or for a restricted circle of investors in the sense of Article D.411-4 of that Code, and would be in the form of an issue, to their benefit, of 923,644 shares with redeemable equity warrants attached (" **ABSARs**") with no nominal value;
    - each of the 923,644 ABSARs would have a subscription price of €6.00 (issue premium included), making a total subscription price of €5,541,864. This issue price of the issued ABSARs would be equal to the weighted average share price of Quantum Genomics over the twenty (20) trading days immediately preceding the date on which the issue price was set, reduced by a discount of approximately 15%;
    - the 461,822 shares to which the 923,644 redeemable share subscription warrants attached to the ABSARs give entitlement, would be subscribed at €7.75 per share (issue premium included), making a total subscription price of €3,579,120.50;
  - regarding the "public offering" portion of the Transaction:
    - the envisaged capital increase would include a waiver of preferential subscription rights and would be in the form of a public offering on the Euronext Alternext Market in Paris (the "**Offer**") of 490,686 ABSARs, to which would be attached 490,686 redeemable share subscription warrants, which would increase to 506,329 ABSARs if the increase option is exercised in full, as explained below;
    - each shareholder registered on 15 March 2016, would be entitled to subscribe, irreducibly in proportion to his/her percentage shareholding, to 1 ABSAR for every 16 existing shares, as a priority over other investors, during a period of three trading days from the opening date of the

Offer, it being understood that the Company's treasury shares would not benefit from this priority period. Any new shares not absorbed by subscribers on an irreducible basis will be distributed and allocated to the shareholders who subscribed on a reducible basis. If not all the ABSARs are subscribed irreducible or reducibly during the priority period, the unsubscribed shares would be allocated to the persons who had placed subscription orders as part of the Offer. The priority subscription period for the ABSARs would only benefit persons who are listed in the Company's shareholder register on the opening date of the Offer. The exercise of this priority period would be conditional on the locking-in until the close of the priority subscription period, i.e., for a period of three trading days counting from the opening date of the Offer, of the corresponding shares of the shareholder concerned, at the Company for fully registered shares and at the financial intermediary account for administered registered shares and bearer shares;

- the Offer would be managed by Invest Securities, as the entity in charge of placement and centralisation. No guarantee of placement success or completion would be given in this capital increase, the Board of Directors reserving the right to rescind and/or exercise any other option provided in Article L. 25-134 of the French Commercial Code;

- the capital increase, in the nominal amount of €2,944,116, would be carried by issuing 490,686 ABSARs to which would be attached 490,686 redeemable share subscription warrants, with preferential subscription rights waived, and by a public offering on the Euronext Alternext Market in Paris, that may increase to 506,329 ABSARs if the increase option is exercised in full, as explained below;

- each of the 490,686 ABSARs would have a subscription price of €6.00 (issue premium included), making a total subscription price of €2,944,116 which may increase to €3,037,974 if the increase option is exercised in full, as explained below, the ABSAR issue price being the weighted average share price of Quantum Genomics over the twenty (20) trading days immediately preceding the date on which the issue price was set, reduced by a discount of approximately 15%;

- the 245,343 shares to which the 490,686 redeemable share subscription warrants attached to the ABSARs give entitlement, would be subscribed at €7.75 per share (issue premium included), making a total subscription price of €1,901,408.25, which would increase to €1,962,021 if the increase option referred to below is exercised in full, thus giving the right to 253,164 shares for 506,329 share subscription warrants exercised;

- under the increase option authorised by Resolutions 2 and 7 or the Combined Ordinary and Extraordinary Meeting of the Company's shareholders held on 22 December 2015, in accordance with Article L. 225-135-1 of the French Commercial Code, the number of new shares may, at the discretion of Invest Securities, be increased by 3.19%, i.e., by a maximum 15,643 ABSARs, making the Offer a maximum 506,329 ABSARs while remaining below the €5,000,000 ceiling;

- in accordance with the powers granted to him by the Board of Directors at its meeting of 14 January 2016, the Company's Chairman & Chief Executive Officer announced, on 16 March 2016, the final completion of the capital increase with preferential subscription rights waived and without a public offering, in accordance with Article L. 411-2 II of the French Monetary and Financial Code, reserved for qualified investors in the sense of Article D.411-1 of that Code, and/or for a restricted circle of investors in the sense of Article L.411-2.II and Article D.411-4 of that Code, in the amount of €5,541,864 (issue premium included), by the issue of a maximum number of 923,644 ABSARs at a price of €6.00 each (issue premium included);

- in accordance with the powers granted to him by the Board of Directors at its meeting of 14 January 2016, the Company's Chairman & Chief Executive Officer decided on 24 March 2016 that (i) based on the requests received by the Company, the ABSAR offer was fully subscribed, and (ii) consequently to

proceed with a capital increase in the nominal amount of €202,438.49 by issuing 506,329 ABSARs with 506,329 redeemable share subscription warrants attached, at a price of €6.00 per ABSAR (issue premium included), representing a total subscription amount of €3,037,974 (issue premium included), to be paid in cash in full at time of subscription, (iii) to proceed with creating 506,329 ABSARs and 506,329 redeemable share subscription warrants attached to them, through competent entities, and (iv) to give all powers to the company Invest Securities to accomplish the envisaged issuance and organise the issue of 506,329 ABSARs and the 506,329 redeemable share subscription warrants attached to them, with the new Company shares to be created either through this issue or through the exercise of the redeemable share subscription warrants attached to them being immediately assimilated with the Company's existing shares and listed on the Euronext Alternext Market in Paris from 30 March 2016;

- in accordance with the powers granted to him by the Board of Directors at its meeting of 14 January 2016, the Company's Chairman & Chief Executive Officer announced, on 29 March 2016, the final completion of the capital increase with preferential subscription rights waived and via a public offering on the Euronext Alternext Market in Paris in the amount of €3,037,974 (issue premium included) by issuing 506,329 ABSARs at a price of €6.00 each (issue premium included) with the use of the increase option clause referred to above.

As a result of the Transaction, the Company's share capital was set at €3,341,385.90 divided into 8,357,307 shares.

The following events transpired:

- on 13 April 2016 the Board of Directors approved the financial statements for the fiscal year ending 31 December 2015 and made the necessary decisions for the preparation and convocation of the Annual Ordinary General Meeting held to approve the financial statements for that year. It also decided to submit to that General Meeting new delegations of authority to the Board of Directors;

- on 19 May 2016, the Board of Directors announced the exercise of 132,054 BSA_{2009} issued by decision of the Board on 13 May 2009, the Company's share capital thereby being increased by €13,199.20 by the creation and issue of 33,013 new shares;

- the Meetings of the holders of the six categories of share subscription warrants issued by the Company (i.e., BSA_{2009}, $BSA_{06\text{-}2010}$, $BSA_{06\text{-}2012}$, $BSA_{11\text{-}2013}$, $BSA_{11\text{-}2013\text{-}02}$ and $BSAR_{2016}$), held on 15 June 2016, each approved, in principle, all the delegations of authority that the Shareholders' General Meeting held that same day wanted to grant to the Board of Directors;

- the Combined Extraordinary and Annual Ordinary General Meeting of shareholders held on 15 Jun 2016:

  - reviewed and approved the financial statements for the year ended 31 December 2015,

  - discharged the Directors,

  - allocated the results of the fiscal year,

  - approved the agreements referred to in Articles L 225-38 et seq of the French Commercial Code,

  - the total amount of attendance fees to be allocated to Directors,

- announced the reconstitution of shareholders' equity,
- authorised the Board of Directors to trade in Company shares in accordance with Article L. 225-209 of the French Commercial Code,
- authorised the Board of Directors to proceed with the capital increase, with preferential subscription rights waived, and offer securities to the public,
- authorised the Board of Directors to decide to increase share capital by issuing, with preferential subscription rights maintained, shares and/or transferable securities giving access to the Company's capital and/or by issuing transferable securities giving the right to the allocation of debt securities,
- authorised the Board of Directors to decide to increase share capital by issuing, with preferential subscription rights waived, shares and/or transferable securities giving access to the Company's capital and/or by issuing transferable securities giving the right to the allocation of debt securities via an offer in accordance with Article L. 411-2 of the French Monetary and Financial Code, to qualified investors or a restricted circle of investors,
- authorised the Board to Directors to decide to increase capital by incorporating premiums, reserves, profits or other sources
- authorised the Board of Directors to increase, in the event of a capital increase, the number of securities to be issued with preferential subscription rights waived or maintained.
- authorised the Board of Directors to decide to increase share capital by issuing shares or transferable securities giving access to capital, reserved for members of a savings plan with preferential subscription rights waived to the benefit of such members,
- authorised the Board of Directors to grant share subscription or purchase options,
- authorised the Board of Directors to grant existing or future shares free to all of some corporate officers and paid employees of the Group,
- authorised the Board of Directors to reduce capital by cancelling repurchased shares.

- the Chairman & Chief Executive Officer, under the terms of the decisions of 5 July 2016, announced the exercise of 402 $BSARs_{2016}$ issued by decision of the Board of Directors on 14 March 2016, the Company's share capital thereby being increased by €80,36 by the creation and issue of 201 new shares;
- on 8 July 2016, the Board of Directors announced a new allocation of free shares to the Company's employees and/or executives, and the use of the delegation of authority granted by the Combined Ordinary and Extraordinary General Meeting of 15 June 2016;
- on 12 October 2016, the Board of Directors issued an update on the Company's business since 1 January 2016 and approved the financial statements for the first half of 2016;
- the Chairman & Chief Executive Officer, under the terms of the decisions of 13 October 2016, announced

the exercise of 580 $BSARs_{2016}$ issued by decision of the Board of Directors on 14 March 2016, the Company's share capital thereby being increased by €115,95 by the creation and issue of 290 new shares;

As a result of the transactions referred to in section 3 of this report, the Company's share capital at 31 December 2016 was set at €3,354,781.41divided into 8.390.811 shares.

4. ECONOMIC RESULTS AND FINANCIAL POSITION IN 2016

4.1 Operating result

Total operating income amounted to €17,132 versus €167,394 in 2015, and operating expenses amounted to €6,233,117 versus €4,477,446 the previous year, resulting in an operating loss of €6,215,985.

Gross wages and salaries were €1,284,076 and the corresponding social security charges amounted to €539,052 for a paid workforce of 12 people at 31 December 2016.

4.2 Financial Income

Financial income was €31,334 versus €29,351 the previous year and financial expenses were €3,911 versus €222,219 the previous year, resulting in a positive financial result of €27,422, making the result from ordinary operations before taxes a loss of €6,188,562.

4.3 Non-recurring result

Non-recurring results were a loss of €10,724 million.

4.4 Profit or loss for fiscal year

The fiscal year ended 31 December 2016 showed a net loss of €5,241,359, after including the credit research tax amounting to €957,927.

4.5 Change in share capital and shareholders' equity

Shareholders' equity was positive at €10,534k at the end of 2016, a €2,501k improvement on the previous year end, due to the capital increases carried out during the period. Taking into account the Bpifrance conditional advances of €1,268k, shareholders' equity amounted to €11,791.

4.6 Change in debt

The Company's debt is insignificant (€1,203 at the end of 2016 versus €647 the previous year).

4.7 Change in working capital requirement (WCR)

The working capital requirement increased by €318k in 2016.

5. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

5.1 Scientific and economic progress

In February 2017, a key patent was granted for the QGC001 programme, associating the drug candidate QGC001 with the main antihypertensive drugs already prescribed on the market. This patent offers protection until 2032.

In March 2017, the Company announced positive results from new preclinical studies on QGC001. The results of these FDA-recommended studies, confirmed the photosafety of QGC001 and the absence of toxicity in animals, even at high doses.

As part of the QUID HF trial, Quantum Genomics increased to ten the number of clinical centres participating in the trial, with the opening of the Ninewells Hospital in Dundee (United Kingdom), the Wroclaw Military Hospital (Poland), the Hannover School of Medicine (Germany) and the Klinik für Innere Medizin III in Hamburg (Germany).

5.2 Legal Transactions

Since 1st January 2017, the following actions were taken:

- on18 January 2017, the Company's Compensation Committee announced (i) the Chief Executive Officer's compensation and (ii) the allocation of free shares to the Company's employees and/or executives;
- on 18 January 2017, the Board of Directors announced:
  - the Chief Executive Officer's compensation,
  - the allocation of free shares to the Company's employees and/or executives, and the use of the delegation of authority granted by the Combined Ordinary and Extraordinary General Meeting of 15 June 2016;
  - the allocation of free shares to the Company's employees and/or executives, and the use of the delegation of authority granted by the Combined Ordinary and Extraordinary General Meeting of 15 June 2016;
  - a review of the 2017 Budget and the 2017-2019 Business Plan,
  - the 2017 financial agenda;
- the Chairman & Chief Executive Officer, under the terms of the decisions of 20 January 2017, announced the exercise of 484 $BSARs_{2016}$ issued by decision of the Board of Directors on 14 March 2016, the Company's share capital thereby being increased by €96.76 by the creation and issue of 242 new shares;
- on 10 February 2017, the Board of Directors announced the exercise of 1,980,000 BSA_{06} issued by decisions of the Board on 30 June 2010 and 5 July 2011, the Company's share capital thereby being increased by €43,979.77 by the creation and issue of 110,000 new shares;
- on 2 March 2017 the Board of Directors announced (i) the expiry of the vesting period for 244,850 free shares granted by a Board decision on 2 March 2016, (ii) the vesting of said Companies shares to the benefit of Company employees and executives, and (iii) the completion of the corresponding capital

increase by incorporation of reserves, by drawing the sum of €97,894.97 from the "Unavailable reserves" account created for that purpose.

As a result of the transactions listed above, the Company's share capital was set at €3,496,752.91 divided into 8.745.903 shares.

Lastly, on 29 March 2017 the Board of Directors approved the financial statements for the fiscal year ending 31 December 2016 and made the necessary decisions for the preparation and convocation of the Annual Ordinary General Meeting held to approve the financial statements for that year. It also decided to submit to that General Meeting new delegations of authority to the Board of Directors;

6. FORESEEABLE DEVELOPMENTS AND OUTLOOK

With a view to launching, in the second half of 2017, the Phase II trial in arterial hypertension in the United States on a targeted population of hypertensive patients, Quantum Genomics intends to file an IND application with the FDA in the middle of 2017, after finalizing the toxicology study currently underway. The preclinical genotoxicity study – which will be included in the IND application – has already demonstrated the absence of genotoxicity and the non-phototoxicity of QGC001 in animals.

This large-scale study, which will be led by Dr. Keith Ferdinand (a member of the Quantum Genomics American Ethics Committee) will include 250 patients, across 25 clinical centres throughout the United States. The first clinical centres are expected to be opened and the first patients enrolled, in the second half of 2017.

Based on these parameters and the timeline established, the trial is expected to run until the end of 2018, and the first results published in the first half of 2019.

In the QGC101 heart failure programme, Quantum Genomics' objective is to finish the QUID HF Phase IIa pan-European trial in the fourth quarter of 2017. The results of this trial are expected to be available in the first half of 2018.

7. OBJECTIVE AND EXHAUSTIVE REVIEW OF THE COMPANY'S BUSINESS PROGRESS, FINANCIAL POSITION AND EARNINGS, PARTICULARLY ITS DEBT POSITION IN LIGHT OF BUSINESS VOLUMES AND COMPLEXITY

At the end of March 2017, the Company had sufficient cash and equity to achieve its budgeted objectives for the current year, particularly in terms of spending and R&D.

8. KEY NON-FINANCIAL INDICATORS OF THE COMPANY'S SPECIFIC ACTIVITY (AND INFORMATION ON ENVIRONMENTAL AND PERSONNEL ISSUES)

The focus is on successfully passing the various stage milestones necessary for marketing new drugs, which in Phase II would mean signing a licensing agreement or a buyout by a pharmaceutical laboratory.

This process is long and stringently regulated.

The key milestones for the Company are the preclinical studies (in animals), the Phase I trials (good tolerance and absence of toxicity for a healthy volunteer), and the Phase II trials (absence of toxicity and proof of

efficacy on ill subjects).

9. INFORMATION ON THE RISKS AND THE UNCERTAINTIES WITH WHICH THE COMPANY IS CONFRONTED

The risks presented below are the ones that the Company considers, in the date of the present annual report, as being susceptible to have a significant unfavorable effect on the Company, its activity, its financial situation, its results or its development. The Company proceeded to a review of the risks which could have a significant unfavorable effect on its activity, its financial situation or its results and considers that there are no other significant risks except those presented.

9.1 Strategic risks

Risks related to historical and projected losses

Since beginning its activities in 2006, the Company has reported operating losses. As of 31 December 2016, cumulative net losses amounted to €17,170 including a net loss of €5,241 in 2016. These losses result mainly from major expenditure on R&D programmes and the absence of significant revenues.

The Company expects operating losses to continue over the next few years, in line with its development activities and in particular its continuing expenditure on developing its drugs (Phase IIa and preclinical phases).

As of the date hereof, none of the Company's products have been placed on the market or licensed and therefore have not generated revenues. The Company's ability to generate profits will depend on its ability to establish a partnership with a pharmaceutical laboratory.

The main sources of revenue known to the Company are public subsidies (Bpifrance and ANR) and the system of research tax credits Crédit d'Impôt Recherche (CIR).

The Company cannot guarantee that it will, in the near future, generate revenues from the sale of licenses for its products to achieve profitability. Should any of these sources of revenue be interrupted, it would have a significant adverse impact on the Group, its activity, financial position, income, growth and outlook.

Specific risks related to preclinical and clinical trials

The Company conducts comprehensive preclinical[1] and clinical trials on animals and humans for which it must ensure the quality of its products as well as demonstrate their safety and efficacy in the targeted indications.

In general, the development time for a human health drug is long, 12 to 15 years between the discovery of the molecule (drug candidate) and its availability to patients.

Typically, the selection and preclinical phases take 2 to 3 years, then Phase I (1-2 years), Phase IIa (1-2 years), Phase IIb (1-2 years), Phase III (2-3 years), followed by the Marketing Authorization process (2-3 years). These approximate timelines, however, can vary greatly depending on the type of drug candidate (new chemical entity, biological product) and the targeted pathologies (rare diseases, or acute or chronic therapeutic treatment).

Since beginning its activities in 2006, the Company has developed four research programmes. The durations of the stages already completed by the Company as of the date hereof are as follows:

- Programme no.1 (QGC001) started in 2006. The Company selected the drug candidate during the course of 2008 and then carried out complementary pharmacological trials in animals (lasting approximately one year), and regulatory trials in the preclinical stage (lasting approximately 2.5 years). The Company conducted a number of Phase I clinical trials between 2012 and 2013 (lasting approximately 2 years). It defined the clinical Phase IIa protocol during the course of 2014 and obtained all the approvals necessary from health authorities in late 2014. The clinical part of phase IIa was completed in April 2016 and the positive results were published in September of the same year

- Programme no.2 (QGC011) started in 2010. The Company launched preclinical pharmacological trials in spontaneously hypertensive rats and was able to select the drug candidate in 2013. The Company expects to complete the preclinical pharmacological trials in rats and launch regulatory preclinical trials on the bioavailability and safety of QGC011 in rats and dogs (estimated duration approximately two years).

- Programme no.3 (QGC006) started in 2007. This programme has remained in research stage in close collaboration with the academic teams whose work led to the founding of the BAPAI approach. The Company selected the second drug candidate during the course of 2013.

- Programme no.4 (QGC101) started in 2013 with the selection of the drug candidate on the basis of preclinical pharmacological trials conducted by the academic team led by Dr Llorens-Cortès. In 2014 the Company prepared a programme of preclinical trials to demonstrate the efficacy of the product as repeated doses in post-infarct dogs and rats (estimated duration approximately two years). Phase IIa clinical trials were initiated in mid-2017.

Some stages have been longer than those generally observed in big international pharmaceutical laboratories, as the Company has paced its trials to match its resources which has sometimes meant slowing down the programmes.

[1] For the record:
Preclinical phase: Laboratory tests on animals to evaluate the key effects of the molecule and its toxicity.
Phase I: Study of molecule behaviour tested in the body over time (kinetic absorption and elimination) and analysis of safety and tolerance in humans. This phase is conducted on a small number of healthy volunteers;
Phase IIa: Estimation of the efficacy and safety of the molecule on a small number of patients.
Phase IIb: Determination of the therapeutic dose of the molecule when administered broadly
Phase III: Comparison of the efficacy of the new drug compared to the leading treatment. This phase covers a large number of patents. Patients are selected in accordance with precise criteria designed to determine the efficacy and benefits of the drug being tested as a new standard treatment for the disease concerned.

The following chart shows the state of progress of the drug candidates QGC001, QGC011, QGC006 and QGC101 selected by Quantum Genomics in each program.

Each clinical trial requires prior authorization, and then post-trial analysis of all development data, by the competent regulatory authorities.
These regulatory authorities may prevent the Company from undertaking clinical trials or continuing clinical development if the data presented is shown not to have been produced in compliance with applicable regulations or if the regulators consider the ratio between the expected product benefits and potential risks to be insufficient to justify the trial. Also, the Company may opt, or the regulators may require it, to suspend or halt clinical trials if the patients had been exposed to unforeseen and serious risks. Deaths and other serious adverse reactions, whether or not connected with the treatment involved in the trial, may occur and force the Company to delay or interrupt that trial and thus prevent the continuing development of its product in the targeted indication or indeed in other indications.

Furthermore, Quantum Genomics' ability to carry out clinical trials and to enrol patients for those trials depends on many factors, such as:
- the nature of the targeted indication;
- the number of patients affected and eligible for treatment;
- how the disease develops in the patients included in the trials;
- the existence of other clinical trials targeting the same population;
- the Company's ability to convince clinical investigators to recruit patients for its trials;
- the possibility of recruiting and treating patients at a given clinical investigation centre; and
- the availability of sufficient quantities of the product.

Having outsourced the trials, the Company depends on the ability of external providers to carry out the trials in accordance with the agreed terms and timelines. The geographical remoteness or dispersion of the clinical investigation centres may create operational and logistical problems, which may entail costs and delays.

Clinical and preclinical trials are costly. If the results of these trials are unsatisfactory or inconclusive, the Company may be forced to choose between abandoning the programme, resulting in the loss of the corresponding financial investment and time, or continuing it without any guarantee that the additional costs incurred in doing so would lead to a successful outcome.

Should the Company be unable to carry out and complete the clinical trials successfully, it would have a significant adverse impact on the Group, its activity, financial position, income, growth and outlook. Although these risks are common to all the players in its industry, they are all the more significant for the Company as its financial and human capacities are limited.

This risk is managed mainly through the choice of providers and subcontractors, the monitoring of compliance with regulations being the responsibility of a project manager or other manager at Quantum Genomics.

Risk of dependency on development programmes

Drug development requires major investment in time and financial resources as well as the involvement of highly qualified personnel. The Company’s future success and its ability to generate long-term revenues will depend on the success of the development as well as on the commercial success of its antihypertensive products and in particular on numerous factors, such as:
- the success of the Phase IIa trials for the hypertension development programme and, to a lesser extent, on the success of the trials in animals or the Phase I trials for the development programme for the other products developed by the Company (heart failure, combination of treatments for hypertension);
- the setting up of partnerships and/or license agreements;
- marketing authorization (MA) granted by regulatory authorities;

- industrial-scale production, and in sufficient quantities, of pharmaceutical lots of constant and reproducible quality;
- acceptance of the Company's products by the medical community, care prescribers and third-party payment bodies (such as social welfare systems); and
- their commercial success.

Quantum Genomics' strategy is to develop its drug candidate until its therapeutic efficacy in humans is demonstrated in Phase II clinical trials, and then form an alliance with a pharmaceutical laboratory able to complete the clinical development, obtain the MA for the product, and market it.

To date, the Company's objective is to launch and manage the Phase IIa trial of its flagship product for hypertension in order to confirm the results obtained in Phase I, and then to sign a partnership with a pharmaceutical laboratory for the next trials that should lead to the MA. The Company also intends to launch, on its own or with partners, other preclinical trials of QGC011, a combination of two drugs (QGC001 and a converting enzyme inhibitor), as well as of QGC001 alone in animal health.

The Company also has a preclinical project in the field of heart failure, particularly for patients suffering from heart failure due to a heart attack. The drug used, QGC101, is the same as QGC001. The Company is finalizing trials in dogs with an industrial partner in animal health, as well as in rats.

Should the Company not succeed in developing its drugs for one or more clinical applications, its activity, outlook, financial position, income and growth could be significantly affected.

Risks related to the need to finance activity

The Company has made major investments since beginning its activities in December 2005. Total cumulative operating expenses amounted to €6,233k in 2016. They were, €1,934k in 2013, and €2,759K in 2014, and 4,477 in 2015 with no recurrent revenues.

At December-end 2016, the Company's cash position was more than €11 million. The Company believes that its available cash should allow it to fund its current operating expenses and all its R&D programmes until beginning of 2018.

It is therefore necessary for the Company to obtain new sources of financing to continue its clinical trials and its long-term growth. The goal is to rapidly establish license agreements with pharmaceutical companies, with an initial payment, stage payments, and royalties when the products developed by the Company are put on the market. Otherwise, the Company will consider further capital increases and/or additional shareholder loans.

Future capital needs will depend on numerous factors, such as:
higher costs and slower progress than envisaged for its development programmes, whether in Phase IIa or preclinical;
faster development will by its very nature increase the Company's financing needs;
higher costs and longer lead times than envisaged to obtain regulatory authorizations and approvals, including the time to prepare submissions and applications to the competent authorities;
the cost of preparing, filing, defending and maintaining its patents and other intellectual property rights;
the cost of responding to technological and market developments, to form collaboration agreements within the envisaged timelines and maintain them, and to ensure effective manufacturing and marketing of its products;
further opportunities to develop new products or acquire technologies, products or companies.

It may be that, in the period covered by the Company's cash, these costs may prevent the Company from continuing its operations or the Company may not be able to raise sufficient funds on acceptable terms, or

even not be able to raise any funds at all. If the necessary funds are not available, the Company may need to:
delay, reduce, or even abandon development programmes;
obtain funds through partnership agreements that may force it to waive its rights to some of its technologies or products, rights which in a different context it would not have to waive;
acquire licenses or draw up new collaboration agreements that may be less attractive for it than those it would be able to obtain in a different context; or
consider selling assets, or even a merger with another company.

Furthermore, to the extent that the Company succeeds in raising capital by issuing new shares, the holdings of its shareholders may be diluted. Debt financing (financing through debt), should it be available, may also include restrictive terms.

Should one or more of these risks materialise, they could have a significant adverse impact on the Company's activity, financial position, profits, outlook and growth.

The Company incorporates financing-risk into its management thinking. The signing of partnerships including payments on signing as well as throughout the product development process, and then royalties on sales, is aimed at reducing, over time, the Company's financing risk and its need to resort to capital financing. Nonetheless, the Company regards its exposure to the economic and stock market environment as being substantial.

Risk related to the license agreement

As of the date hereof, the Company has obtained an exclusive worldwide license from Inserm, CNRS and Paris Descartes University for the following three patents:
1) BAPAI concept for treating hypertension
2) Use of QC001 for the treatment of hypertension and associated hypertensive diseases
3) Use of QC006 for the treatment of hypertension and associated hypertensive diseases

These patents protect the use of aminopeptidase A inhibitors, including QGC001 and QGC006 products, for the treatment of hypertension and associated diseases (such as heart failure) in humans and animals.

The license will expire on the later of the following two date: (i) expiry of the last patent regardless of country or (ii) 10 years counting from the date of first marketing of a product in a country.

This license will terminate if Quantum Genomics:

- breaches its contractual obligations,
- goes into liquidation or court-ordered administration (subject to applicable laws),
- does not carry out any trial on products covered by the patents relating to this license for six months.

Taking into account the three necessary conditions explained above, the Company believes that it is highly unlikely to lose this license. However, should it do so, its loss may have a significant adverse impact on the Company’s activity, profits, financial position and outlook.

In early November 2013, Inserm, CNRS and Paris Descartes University, in an amendment to the exclusive license agreement of May 25, 2009, granted to Quantum Genomics, extended the exclusive license to any application for the treatment of cardiovascular diseases in humans and animals. The amendment extends the scope of animal health, the milestone payments, and royalties.

This exclusive worldwide license is essential to the development of all of the Company’s R&D programmes.

Risk related to the absence of therapeutic benefit

The development of a drug candidate is a long, costly and uncertain multi-stage process with the objective of demonstrating the therapeutic benefit provided by that drug candidate in one or more indications. The Company may be unable to demonstrate the tolerance or efficacy of one or more of its products at the preclinical or clinical stage. Any delay in the preclinical development of a drug candidate would cause a delay in initiating any clinical development of the candidate. A failure in the preclinical development of a drug candidate would entail abandoning the development of that candidate. Any failure at any clinical stages for a given indication could delay the development of the product or even lead to discontinuing its development. If the Company is unable to demonstrate a therapeutic benefit from an entire product class in development, it may be forced to halt all development for that class.

If its products prove to be ineffective or if they entail unacceptable side-effects, it would be impossible to market them, which could lead to a significantly adverse impact on the activity, outlook, financial position, profits and growth of Quantum Genomics.

The risk related to product development failure is closely linked to the drug candidate's stage of maturity. Given the relatively early stage of development of the Company's portfolio of drug candidates, it considers that there is a non-insignificant risk that some of them will not reach Marketing Authorization (MA) stage.

Risks related to research and to dependency on existing and future partnerships

To develop and market its products, the Company will seek to sign collaboration and license agreements with pharmaceutical companies able to help it develop drugs and its financing. As of the date hereof, the Company has not signed any agreements with pharmaceutical laboratories or protocols of any kind or, consequently, for future registration and marketing.

The Company may be unable to find partners or good partners to develop its products. If it does find partners, it may decide to withdraw from any resulting agreements. The Company may also not succeed in signing further agreements on other drugs. Moreover, existing and future collaboration and license agreements may end up being unproductive.

If the Company were unable to maintain its existing collaboration agreements in force or to sign new agreements, it might be forced to consider alternative development terms, including completely abandoning or selling certain programmes, thereby hampering or limiting its growth.
The Company may not be able to control the size or timing of the resources that its existing or future partners will devote to the development, manufacturing and marketing of its products. Those partners may be unable to fulfil their obligations as the Company would wish. This is why it may be faced with significant delays or not succeed in introducing its products in certain markets.

Furthermore, although it strives to include non-compete clauses into its collaboration and license agreements, such restrictions may not offer the Company sufficient protection. Its partners may pursue alternative and rival technologies, on their own or in collaboration with others.

To accomplish certain tasks involved in product development, the Company relies on a network of scientific experts acting as external consultants, including researchers attached to academic institutions. To build and maintain such a network on acceptable terms, it faces fierce competition. These external collaborators could terminate their commitments at any time. The Company exerts only limited control over their activities. Nonetheless, the Company regards the experience and professional networks of its directors as a means of attracting and retaining high-quality scientific partners.

Should one or more of these risks materialise, they would have a significant adverse impact on the Company's

activity, financial position, profits, outlook and growth. To limit the risks related to its existing and future partnerships, it operates strategies for partnerships, growth, and the acquisition of new candidates.

Risks related to the competitive environment

The pharmaceutical market is characterized by fast technological change, the dominance of products protected by intellectual property rights, and fierce competition. Numerous entities, pharmaceutical laboratories, biotechnology companies, academic institutions and other research bodies are actively engaged in the discovery, research, development and commercialization of drugs, including products aimed at reducing blood pressure in humans or to combat heart failure. The Quantum Genomics product may also compete with a certain number of therapies currently in development or recently commercialized.

Many of the Company's competitors have more extensive resources and experience in management, research, access to patients in clinical trials, manufacturing and marketing that it has. In particular, the big pharmaceutical laboratories have much greater experience in conducting clinical trials and obtaining regulatory authorizations. Smaller or younger companies, particularly in the field of cardiovascular diseases, may also turn out to be not-insignificant competitors. All these companies may also compete with Quantum Genomics to acquire rights on promising products and on other complementary technologies.

Lastly, the Company cannot guarantee that its products:
will remain competitive against other products developed by its rivals or that they will turn out to be safer, more effective or less costly;
will be commercially successful; or
are not rendered obsolete or unprofitable by technological progress or other therapies developed by its competitors.

Such events could have a very significant adverse impact on the Company's activity, financial position, profits, outlook and growth.

Quantum Genomics considers the commercial risk for its activity to be high, particularly given the size of some of its potential competitors. The competition issue is incorporated into the Company's development choices. It continually analyzes the market and the drug candidates in development.

Risks related to uncertain protection of patents and other intellectual property rights

It is important for the success of its activity that Quantum Genomics and its future license holders be able to obtain, maintain and enforce its patents and intellectual property rights in Europe, the United States and other countries.

The Company has exclusive worldwide licenses to exploit three families of patents held by Inserm, CNRS and Paris Descartes University[2]. Similarly, Quantum Genomics has extended its portfolio of patents by adding three families of complementary patents (held directly or jointly with Inserm)[3] aimed at protecting the manufacturing process for, and use of, its molecule QGC001 in combination with other antihypertensive drugs.

[2] Patent family 1 is held by Inserm and CNRS. The patents have been granted by the competent authorities in the countries concerned.
Patent families 2 & 3 are held by Inserm, CNRS and Paris Descartes University. The patents have been granted by the competent authorities in the countries concerned.
[3] Patent families 4 & 6 are held by Quantum Genomics. The patents are currently being reviewed by the competent authorities in the countries concerned.
Patent family 5 is held by Quantum Genomics and Inserm. The patents are currently being reviewed by the competent authorities in the countries concerned.

It cannot exclude the possibility that:
the Company may not succeed in developing new inventions that are patentable;
the patents for the patent applications currently being reviewed, including certain important patents in multiple jurisdictions, may not be granted;
the patents granted or licensed to its partners or to the Company may be challenged, ruled invalid, or Quantum Genomics may be unable to enforce them in practice;
the extent of the protection conferred by a patent may be inadequate to protect the Company from its competitors; or
third parties may claim rights to the patents or to other intellectual property rights that the Company holds outright or exploits via a license.

The granting of a patent does not guarantee its validity or applicability and third parties may challenge both these aspects. The granting and applicability of a patent in the biotechnology field are highly uncertain and raise complex legal and scientific issues. To date, no uniform policy has emerged at global level regarding the content of patents granted in the biotechnology field and the extent of authorized claims. Legal action may prove necessary to enforce the Company's intellectual property rights, protect its trade secrets or determine the validity and extent of its intellectual property rights. Any litigation may entail considerable expense, reduce profits, and the outcome may not provide the protection the Company sought. Quantum Genomics' competitors might successfully challenge its patents, which it had been granted or licensed, in court or via other legal proceedings, consequently reducing the scope of its patents. Its patents may also be counterfeited or misappropriated by inventive methods.

Should any of these events occur concerning the Company's intellectual property rights, it could have a significant unfavourable impact on its activity, financial position, profits, growth and outlook.

These risks are all the greater for the Company given its limited financial capacities and human resources. To limit this risk the process for managing the Company's patents and rights is placed under the responsibility of the R&D Director with the involvement of Senior Management and an external consulting firm which compiles the rights held directly and indirectly by the Company.

Risks related to patents and intellectual property rights held by third parties

The surge in the biotechnology industry and the proliferation of patents issued, increase the risk that third parties will regard the Company's products as infringing their intellectual property rights. In general, patent applications are published only 18 months after the date of priority requests. In the United States, some patent applications are not published until the patent itself is issued. Furthermore, still in the United States, patents may be granted on the basis of their date of invention, which does not always mean that a patent is issued to the party that was the first to file the application. Discoveries sometimes are not published, or have patent applications filed, until months or sometimes even years later. This is why the Company cannot be certain that third parties were not the first to invent products or file patent applications relating to inventions also covered by its own patent applications or those of its partners. In such a case, the Company may be forced to obtain licenses to the patents from those third parties (licenses that may not be obtainable on reasonable terms, if at all), cease the production and marketing of certain lines of products or develop alternative technologies.

Any litigation or claim brought against the Company, regardless of outcome, may entail substantial costs and damage its reputation. Some competitors with more substantial resources than the Company's could support the costs of such complex proceedings more readily than it could. Any litigation of this type could seriously affect the Company's ability to do business. Specifically, intellectual property litigation could force it to:
stop selling or using any of its products that depend on the contested intellectual property, thus reducing its revenue;
obtain a license from the holder of the intellectual property rights, a license that may not be obtainable on reasonable terms, if at all.

Active vigilance in protecting its intellectual property serves to limit this risk.

Risks related to inability to protect the confidentiality of its information and know-how

The Company sometimes provides information and materials to researchers in academic institutions as well as to other public or private entities which it asks to conduct certain tests, or to potential partners. In such cases, the Company requires confidentiality agreements to be signed. Its activity also depends on non-patented technologies, processes, know-how and proprietary data that Quantum Genomics regards as trade secrets and partially protects with confidentiality agreements with its employees, consultants and subcontractors. The possibility cannot be excluded that these agreements and other means of protecting trade secrets may not provide the desired protection or may be infringed, that the Company does not have appropriate solutions against such infringements, or that its trade secrets may be disclosed to its competitors or developed independently by them.

Should any these risks materialise, they would have a significant adverse impact on the Company's activity, financial position, profits, outlook and growth. The introduction and use of various types of confidentiality agreements is aimed at limiting these risks.

Risks related to lack of commercial success of its products

If a future partner of the Company succeeds in obtaining an MA on a product resulting from the Company's technology, it may nonetheless need time to win acceptance by the medical community, care prescribers and third-party payment bodies. The degree of market acceptance will depend on a number of factors, in particular:

- prescribers' perception of the product's therapeutic benefit;
- clinical development after the MA;
- occurrence of adverse reactions after the MA;
- the existence of alternative therapeutic options;
- how easy the product is to use, mainly in administering it;
- cost of treatment;
- reimbursement policies of governments and other third parties;
- effective implementation of a scientific publishing strategy;
- the support of recognized experts.

Poor market penetration, resulting from any of these factors, may have an adverse effect on the royalties received by the Company from its partner and thus on the Company's activity, outlook, financial position, profits and growth.

This risk will not materialize, however, until the products developed by the Company are registered and marketed.

9.2 Operating risks

In addition to the risks related to delays and halts in its drug development as well as the specific risks related to preclinical and clinical trials described above, the main operating risks are as follows:

Risks related to partnerships and subcontracting

The Company uses subcontractors in its activities, for the Phase IIa antihypertensive development (drug log manufacturing and clinical trials in patients) or for preclinical trials for other drug candidates and/or in heart failure (drug lot manufacturing and clinical trials). It therefore entrusts to its subcontractors the manufacturing and development of complex processes that must be closely supervised, as well the clinical trials. The Company relies on third parties to manufacture its products.

Partners

To develop and market its products, the Company seeks to sign, and has signed, collaboration, R&D and license agreements with pharmaceutical companies able to assist it in developing and financing drug candidates, and with companies or entities, particularly academic institutions, to participate in its research and share elements of intellectual property. Such agreements are necessary for the research, and the preclinical and clinical development of its products. Accordingly, the Company is currently coordinating a research programme in partnership with teams at the AP-HP, Inserm, CNRS, and Collège de France. This research programme subsidized by the French national research agency Agence National pour la Recherche (ANR) aims to demonstrate the efficacy of QGC001 in hypertensive patients and to develop new drug candidates. The Company also has research collaborations with Inserm, the CNRS, College de France and Paris Descartes University to deepen know-how and understanding of the action mechanism of its drug candidates and the manufacturing process of its product QGC006.

If the Company were unable to maintain its existing collaboration agreements or to sign new agreements, it might be forced to consider alternative development terms, including completely abandoning or selling certain programmes, thereby hampering or limiting its growth.

Moreover, existing and future collaboration and license agreements may end up being unproductive. Quantum Genomics may also be unsuccessful in signing new agreements on its other drug candidates and programmes.

Furthermore, although it strives to include non-compete clauses into its collaboration and license agreements, such restrictions may not offer the Company sufficient protection. Its partners may pursue alternative and rival technologies, on their own or in collaboration with others.

Subcontractors

As part of its activity Quantum Genomics uses subcontractors mainly for research, biometrics and pharmacovigilance. These heavy and complex procedures/tasks are performed under the supervision of a project manager who coordinates the entire operation and monitors the progress of the project in real time.
The Company outsources in particular:
- The execution of research studies;
- The manufacturing of the drug for clinical trials;
- The management of clinical trials.

The outsourced activities and their terms and conditions are defined when signing the contract. The project manager is the contact point for all those involved, and is responsible for:
- coordinating all the tasks and personnel involved;
- monitoring the timeline and compliance with objectives;
- identifying potential problems;
- supervising weekly updates.

The Company depends on third parties for the development of its products and may be unable to draw up subcontracting agreements for the production and development of its products, or to do so on acceptable terms. Should the Company be unable to agree acceptable subcontracting terms, it would not be able to successfully develop its products.

Dependency on partners and subcontractors presents risks that Quantum Genomics would not have to face if it handled everything directly, specifically the risk of:
- non-compliance of the products manufactured by third parties, with regulatory and quality standards;
- breach of agreements by those third parties;
- breach or non-renewal of agreements for reasons beyond the Company's control.

If the products manufactured by third party suppliers prove not to comply with regulatory standards, sanctions may be imposed on the Company. Such sanctions may include fines, injunctions, civil penalties, refusal by regulators to grant MAs for its products, delays, the suspension or withdrawal of existing authorisations, cancellation of licenses, seizure or recall of its products, operational or usage restrictions, criminal proceedings, all of which may have a considerable negative impact on the Company's activities.

Furthermore, subcontracting agreements usually contain clauses limiting liability in their favour, which means that the Company may be unable to obtain full damages for potential losses that it may incur if the subcontractors concerned breach those agreements.

Should the Company change manufacturers for its products, it would have to reapprove the manufacturing processes and procedures to ensure that they comply with applicable Good Manufacturing Practices (GMP). Such reapproval may be costly, time-consuming and require the attention of the Company's most highly skilled personnel. Should reapproval be refused, the Company may be forced to find a different supplier, which would delay the production, development and marketing of its products and increase their manufacturing costs.

Such events could have a very significant adverse impact on the Company's activity, financial position, profits, outlook and growth. To limit such risks, the Company assigns the utmost importance to its relationship and communication with its subcontractors. Subcontractors are assessed and undergo stringent audits by regulatory agencies and the Company.

To limit the risks related to partners and subcontractors, Quantum Genomics regularly inspects on a competitive basis all the players involved at every new stage of development. Management has selected partners and subcontractors on the basis of previous collaborations prior to the formation of the Company and their reputation. They are audited regularly and assessed annually.

Risks of product liability

The Company is exposed to liability risk, in particular product liability related to the testing, manufacturing and marketing of therapeutic products for humans. Its liability may therefore be engaged in clinical trials as part of the preparation of the therapeutic products tested and unexpected side-effects resulting from the administration of those products. Criminal charges or legal proceedings could be filed or initiated against the Company by patients and regulatory agencies. Such actions could include claims resulting from actions of its partners and subcontractors, over which the Company has little or no control. The Company cannot guarantee that its present insurance is adequate to cover all liability claims that may be directed against it.

Should the Company, its partners, licensees or subcontractors be found liable, and any of them are unable to obtain or maintain adequate insurance cover at an acceptable cost, or if the Company is unable to cover itself in any other way against a product liability claim, it may seriously affect the marketing of its products and in general adversely impact the Company's activity, financial position, profits, outlook and growth. The Company could also face civil or criminal proceedings, impacting the Company’s image.

To limit this risk, the Company has subscribed to insurance policies and will take out the necessary insurance as its products progress.

Risks of scarcity of the raw materials and essential materials necessary for its activities

The Company is dependent on third parties to supply certain chemical and biological products (additives) that are necessary for the manufacturing of its drug candidates, such as the supply of raw material (L-homocystine) for the QGC001 synthesis process.

Although its policy is to forge long-term contractual relations with its strategic suppliers, and to prefer heavyweight suppliers in the pharmaceutical industry, its supply of certain chemical and biological products could be limited, interrupted, or restricted. In such a case, the Company may be unable to find other suppliers of chemical or biological products of acceptable quality and cost and in appropriate volumes. If its main suppliers or manufacturers defaulted or if its supply of products were reduced or interrupted, the Company would be unable to continue developing and producing its products for its clinical trials.

If the Company encountered problems in the supply of these chemical and biological products, if it were unable to maintain its subcontracting agreements, forge new agreements, or obtain the chemical and biological products necessary to continue is clinical trials, its activities, outlook, financial position, profits and growth could be significantly impacted.

9.3 Regulatory risks

The main regulatory risks are as follows:

Risks related to the regulatory environment

To date, the Company has not yet received any MA for its products from a regulatory agency.

The Company can have no assurance that it will receive - directly or indirectly - the necessary authorizations to market any of its products.

Its products are governed by numerous very stringent laws and the applicable regulatory requirements are complex, sometimes problematic to apply and subject to amendment. The national drug safety agency in France (Agence Nationale de Sécurité du Médicament / "ANSM"), the European Medicines Agency ("EMA") in Europe, and the Food and Drug Administration ("FDA") in the United States, as well as their counterparts in other countries, regulate, among other matters, the research and development, clinical trials, manufacturing, safety, efficacy, archiving, labelling, marketing and distribution of therapeutic products. In particular, without FDA authorization, it would be impossible to access the American market which is the largest pharmaceutical market in the world in terms of value.

The regulatory process for authorizing new therapeutic products requires the submission of detailed product characteristics, the manufacturing and control process, as well as preclinical and clinical data and all information establishing the safety and potential efficacy of the product for each indication. It may also require continuous post-MA trials, as well as manufacturing quality controls.

Fulfilling regulatory requirements is costly, can take many years and the outcome is uncertain. The authorities may also carry out inspections to verify that a drug development process actually complies with applicable regulations.

The data resulting from preclinical and clinical development may lead to divergent interpretations, which could delay the granting, or restrict the scope of, regulatory authorization or force the Company to rerun trials so that they meet the requirements of the various regulators. Regulatory requirements and processes vary widely from country to country, such that the Company or its strategic partners may be unable to obtain timely authorization in each country concerned.

In Europe, the United States and other countries, regulations may:
- significantly delay and/or increase the cost of developing, testing, manufacturing and marketing products;
- limit the indications for which the Company would be authorized to market its products;
- impose new more stringent requirements, suspend the authorization of its products, demand a halt to clinical trials or marketing if unexpected results are obtained during trials by other researchers working on similar products;
- impose restrictive labelling.

Lastly, if the Company failed to comply with the laws and regulations governing its activities, it could be subject to sanctions, including refusal to authorize pending applications, product recalls, restrictions on sales, temporary or permanent suspension of its operations as well as civil or criminal proceedings.
Should any of these risks materialise, they would have a significant adverse impact on the Group, its activity, financial position, income, growth and outlook.

Quantum Genomics' strategy is to develop its drug candidate until its therapeutic efficacy in humans is demonstrated in Phase II clinical trials, and then form an alliance with a pharmaceutical laboratory able to complete the clinical development, obtain the MA for the product, and market it. Consequently, the Company considers it to be less exposed to regulatory risks than a similar company that bore the entire financial cost of the process, from research to the marketing of the product.

Risks related to changes in drug reimbursement policies

Once it is marketed by a partner, the market acceptance of the products resulting from the Company's technology will partly depend on the rate at which public and private health insurers reimburse them. Primary health insurance funds and other third-party payment bodies will seek to limit the cost of care by restricting or refusing to cover costly therapeutic products and procedures. This risk has currently increased in Europe due to the budgetary crisis in some Member States and, in general, weak economic growth.

The ability of partners to successfully market the products resulting from the Company's technology will partly depend on the public authorities, private insurers and other agencies in Europe and the United States setting an adequate reimbursement rate for its drugs and associated treatments. Third-party payment bodies are increasingly frequently challenging the prices of therapeutic products and medical services. The cost control measures implemented by care prescribers and reimbursement agencies and the effect of potential health system reforms could adversely impact the Company's operating income.

The products resulting from the Company's technology may thus be unable to obtain adequate reimbursement, which would damage their acceptance by the market, in which case the royalties paid to the Company by its partners would not produce an adequate return on investment.

Should any of these risks materialise, they would have a significant adverse impact on the Group, its activity, financial position, income, growth and outlook.

Litigation

The company is not linked to any litigation

Risks related to the need to attract and retain key personnel and scientific advisors

The Company's success depends largely on the work and expertise of its management. The loss of their skills could impact its ability to achieve its objectives. The Company may also, in the course of its development, have to recruit new skilled employees.

The Company's policy is to reduce the magnitude of this risk by managing human resources, in particular by giving employees the possibility after every capital increase to subscribe to equity securities (share subscription warrants).
From an operational point of view, the Company has put in place a project-management-based human resources structure.
Fierce competition from other companies some of whom are more widely known than the Company, as well heavy investment by the big pharmaceutical groups, could reduce the Company's ability to attract and retain key employees on economically acceptable terms and would be prejudicial to the activity, outlook, financial position and growth of Quantum Genomics.

9.4 Insurance and risk cover

The Company has taken out a policy to cover the main insurable risks, with the insured amounts it considers to be compatible with its cash consumption requirements and its activities.

The Company has taken out the following insurance policies at a total cost of €16k:

- Premises insurance;
- Third Party Liability as promoter of Biomedical Research'
- Directors' liability.

The following table summarises the key features of these policies:

Type of contract	Insurer	Risks covered / Observations / Ceiling per claim	Expiry date
Professional multi-risk	AXA	- Fire/Explosion/Misc Risks: Unlimited to the extent of the damage - Contents €35,563 - Climatic events and natural disasters: Unlimited to the extent of the damage - Contents €35,563 - Terrorist acts and attacks Unlimited to the extent of the damage - Contents €35,563 - Electrical damage: €13,266 - Water damage: Unlimited to the extent of the damage - Glass: €3,316 - Theft: €10,000 - Machines: €3,556 - Public liability: Unlimited to the extent of the damage - Cost of rebuilding archives following the preceding events: €3,316	12/31/2017
Third Party Liability: Clinical trials	CNA	- €1,000,000 per patient - €6,000,000 per protocol	01/10/2017
Directors' liability	AIG	- €300,000 per insurance period	21/04/2017

The Company cannot guarantee that it will always be able to maintain, or obtain, similar insurance cover at an acceptable cost, which could lead it, especially as it grows, to accept more expensive insurance policies and/or accept higher levels of risk. Furthermore, the occurrence of one or more major claims for damages, even if they are covered by these insurance policies could seriously impact the Company's activities and its financial position given the interruption in its services that could result from such claims, the delays in insurance company payouts in the event that the policy limits are exceeded, and the resulting increase in future premiums.

Should any these risks materialise, they would have a significant adverse impact on the Company's activity, financial position, profits, outlook or growth.

9.5 Financial risks

The financial data mentioned in this report is drawn from the Company's annual financial statements at 31 December 2016 prepared to French standards.

Liquidity risk

The Company's development is financed by strengthening its shareholders' equity via capital increases, bank debt, shareholder/third party debt, as well as by public aid such as research tax credits and financial support from Bpifrance and ANR.

The Company has carried out a special review of its liquidity risk. It believes that its available cash as of the date of this Annual Report should allow it to finance its operating expenses well past 2017.

Interest-rate risk

As the Bpifrance advances amounting to €1,268 are interest-free, they carry no interest-rate risk.

Exchange rate risk

As of the date of this report, the Company's income and expenses are almost all denominated in euros.

The Company is therefore, in practice, not exposed to exchange rate risk.

Country risk

The Company is based in France. The Company believes that its country risk is negligible.

Equity risk

As of the date of this report, the Company holds no equity investments in listed companies and is therefore not exposed to equity risk.

Dilution risk

Since its formation, the Company has allocated free share subscription and share purchase options. The Company may in the future allocate or issue further instruments conferring access to capital.

Detailed information on the free share subscription and share purchase options issued by the Company can be found in paragraphs 11.2 and 11.3 below, of this Annual Report.

10. RESEARCH & DEVELOPMENT

The Company has invested in four key R&D lines: QGC001 (monotherapy against hypertension), QGC011 (combinations against hypertension), QGC006 (optimised version against hypertension) and QGC011 (prevention and treatment of heart failure). The vast majority of spending related to the first programme which is the most advanced.

11. LEGAL INFORMATION

11.1 Social and environmental consequences of the activity

In accordance with Article L. 225-102-1 paragraph 5 of the French Commercial Code, it should be noted that the Company's activity has no social or environmental consequences.

11.2 Information relating to share capital and its distribution

At 31 December 2016

At 31 December 2016, the Company's capital was divided into 8,390,811 ordinary shares. The Company's shareholders are institutional and private investors including the management team and employees of QUANTUM GENOMICS.

At December 2016, the Company's share capital was distributed as follows:

Act Shareholders	Existing capital		Diluted capital (excluding free shares during vesting period	
	Nbr of shares	*% holding*	Nbr of shares	*% holding*
Alix Asset Management PTE Ltd.	1 380 000	16,45%	1 490 944	14,92%
Tethys	993 161	11,84%	1 090 565	10,91%
Managers	886 069	10,56%	1 646 506	16,47%
Other Shareholders	5 131 581	61,16%	5 768 111	57,70%
Total	**8 390 811**	100%	**9 996 126**	100%

In accordance with Article L. 233-13 of the French Commercial Code and taking into consideration the information received pursuant to Articles L.233-7 and L.233-12 of that Code, we hereby present to the best of our knowledge the identity of the natural persons or legal entities owning directly or indirectly more than one twentieth, one tenth, three twentieths, a fifth, a quarter, a third, a half, two thirds, eighteen-twentieths or nineteen-twentieths of the share capital or voting rights at general meetings, as at 31 December 2016.

- **Lionel SEGARD**
  Born 22 February1968 at Issy Les Moulineaux (92), of French nationality, residing at 161 rue de Rennes, 75006 Paris, Lionel SEGARD is the Company's Chairman and Chief Executive Officer.
- **ALIX AM PTE Ltd.**
  This Singapore company with share capital of €220,899,734 is registered under ACRA reference 200712685W. Wholly owned by a Luxembourg company whose sole beneficiary is Hervé Vinciguerra, it is run by Jérôme Ferracci for the purpose of holding financial assets and equity interests in developing companies.
- **TETHYS**
  French investment company with capital of €144,305,535 and listed in the Nanterre Trade and Companies Register under number 409 030 053, is owned by the Bettencourt-Meyers family, and holds financial assets and equity interests in companies.
- **GRAND ALLIED CREATION COMPANY LTD**
  Hong Kong investment company registered under number 1553058 and owned mainly by Yves Bouvier, the purpose of Grand Allied Creation Company is to invest in business diversification areas.

Lastly, the Company's Articles of Association as amended on 21 November 2013 grant a double voting right to shareholders who have been fully paid-up and registered in the name of the same shareholder for at least two years.

Conversion to a bearer share or transfer of ownership disqualifies the share from the aforementioned double voting right.

The following table shows the number of Company shares with double voting rights at 31 December 2016:

Shareholders	**Number of shares**
Grand Allied Creation Company Ltd.	785 505
Lionel SEGARD	395 119
Tethys	318 667
Other shareholders	636 040
Total double voting rights	**2 135 331**

at 29 March 2017

As of the date of this Annual Report, the Company's share capital was distributed as follows:

Shareholders	Existing capital		Diluted capital (excluding free shares during vesting period	
	Nbr of shares	*% holding*	Nbr of shares	*% holding*
Alix Asset Management PTE Ltd.	1 400 000	15,83%	1 510 944	14,76%
Tethys	993 161	11,36%	1 090 565	10,65%
Managers	925 866	10,59%	1 576 303	15,39%
Other Shareholders	5 426 876	62,05%	6 062 075	59,20%
Total	**8 745 903**	100%	**10 239 887**	100%

Potential dilution on 31 December 2016, the Company issued share subscription warrants (BSAs) with the following features:

Plan no.	BSA 2009	BSA 06-10	BSA 06-12	BSA 11-13	BSA 11-13-02	BSAR 2016
Date of General Meeting	Extraordinary General Meeting 15/04/2009	Extraordinary General Meeting 30/06/2010	Extraordinary General Meeting 29/06/2012	Extraordinary General Meeting 21/11/2013	Extraordinary General Meeting 21/11/2013	Extraordinary General Meeting 22/12/2015
Date of Board of Directors meeting	Board of Directors 13/05/2009	Board of Directors 30/06/2010	Board of Directors 24/06/2013	Board of Directors 04/04/2014 and 20/11/2014	Board of Directors 13/02/2015	Board of Directors 14/03/2016
Total number of shares still subscribable	**119 884**	**320 387**	**54 167**	**97 551**	**298 542**	**714 785**
by Lionel Ségard - Chairman & Chief Executive Officer	*37 220*	*159 696*	*8 333*	*18 556*	*82 429*	*0*
by Marc Karako - Chief Financial Officer	*0*	*0*	*0*	*21 737*	*96 559*	*0*
by Maurice Salama* - Director	*0*	*59 802*	*8 333*	*0*	*11 775*	*0*
by Christian Bechon - Director	*2 641*	*20 417*	*8 333*	*2 651*	*11 775*	*0*
Start date for exercise of options	13/05/2009	30/06/2010 or 05/07/2010	24/06/2013	04/04/2014	13/02/2015	3/16/2016
Expiry date	13 May 2019	30/06/2020 or 05/07/2020	24/06/2023	4/4/2024	13/02/2025	9/16/2018
Subscription price	€0.01	€0.01	€0.02	€0.62	€0.63	€0
Exercise price	€0.10	€0.08	€0.18	€6.12	€6.30	€7.75
Number of shares subscribed as of the date of this report	385 824	0	8 055	0	0	491
Total number of shares cancelled or voided	0	0	0	0	0	0
Remaining subscription options as of the date of this report	**119 884**	**320 387**	**54 167**	**97 551**	**298 542**	**714 294**

(*) Held directly and indirectly via Multifinances International

As of the date of this Annual Report, the Company had:

- Issued and allocated 2,022,870 **BSA2009** subscribed: If all the unexercised BSAs were exercised, they would confer the right to **119,884** new shares.
- Issued and allocated 5,766,967 **BSA06-2010** subscribed: If all the unexercised BSAs were exercised, they would confer the right to **210,387** new shares.
- Issued and allocated 1,120,000 **BSA06-2012** subscribed: If all these BSAs were exercised, they would confer the right to **54,167** new shares.
- Issued and allocated 97,551**BSA11-2013** subscribed: If all these BSAs were exercised, they would confer the right to **97,551** new shares.
- Issued and allocated 298,542**BSA11-2013-02** subscribed: If all these BSAs were exercised, they would confer the right to **298,542** new shares.

- Issued and allocated 1,429,973**BSAR2016** subscribed: If all the unexercised BSAs were exercised, they would confer the right to **714,052** new shares.

	Existing securities	If only BSA 2009 exercised	If only BSA 06-10 exercised	If only BSA 06-12 exercised	If only BSA 11-13 exercised	If only BSA 11-13-02 exercised	If only BSARs exercised	If all dilutive instruments exercised
Number of shares created	**8 745 903**	119 884	210 387	54 167	97 551	298 542	714 052	**10 240 486**
potential %		1.37%	2.41%	0.62%	1.12%	3.41%	8.16%	**17.09 %**

As of the date of this Annual Report, if all instruments conferring access to capital (excluding free shares during vesting period) were exercised, the dilution would be 17.09%.

11.3 Employee share-holding

In accordance with Article L. 225-102 of the French Commercial Code, we hereby report that as of 31 December 2016, a number of company savings plan had been set up for the employees of the Company.

At 31 December 2016, employee shareholding calculated in accordance with Article L. 225-102 of the French Commercial Code was 0% at current period-end, no free shares having been vested (all still in the vesting period at the end of the fiscal year being reported).

However, on 2 March 2016, the Board of Directors granted 244,850 free shares (3% of capital on the date of the corresponding Board decision) distributed as follows:

- Lionel Ségard - Chairman & Chief Executive Officer 51,625 free shares
- Marc Karako 51,625 free shares
- Jean-Philippe Milon: 44,250 free shares
- Fabrice Balavoine: 29,500 free shares
- Oliver Madonna: 53,100 free shares
- Yannick Marc: 2,950 free shares
- Véronique Pellicer: 2,950 free shares
- Mathilde Keck: 2,950 free shares
- Delphine Compère: 2,950 free shares
- Quentin Ricomard: 2,950 free shares

On 2 March 2017, the Board of Directors vested these free shares to the benefit of the above-named recipients.
Furthermore, on 8 July 2016, the Board of Directors granted a further 251,713 free shares ("**$AGA_{07\text{-}2016\text{-}1}$**"), being 3% of capital on the date of the corresponding Board decision, distributed as follows:

- Lionel Ségard (Chairman & Chief Executive Officer): 70,730 $AGA_{07\text{-}2016\text{-}1}$
- Marc Karako: 48,077 $AGA_{07\text{-}2016\text{-}1}$
- Jean-Philippe Milon: 36,750 $AGA_{07\text{-}2016\text{-}1}$
- Fabrice Balavoine: 36,750 $AGA_{07\text{-}2016\text{-}1}$
- Olivier Madonna: 36,750 $AGA_{07\text{-}2016\text{-}1}$
- Yannick Marc: 3,776 $AGA_{07\text{-}2016\text{-}1}$
- Véronique Pellicer: 3,776 $AGA_{07\text{-}2016\text{-}1}$
- Mathilde Keck: 3,776 $AGA_{07\text{-}2016\text{-}1}$
- Delphine Compère: 3,776 $AGA_{07\text{-}2016\text{-}1}$
- Quentin Ricomard: 3,776 $AGA_{07\text{-}2016\text{-}1}$
- Stéphanie Desbrandes: 3,776 $AGA_{07\text{-}2016\text{-}1}$

And 251,713 shares ("**$AGA_{07\text{-}2016\text{-}2}$**"), being 3% of capital on the date of the corresponding Board decision, distributed as follows:

- Lionel Ségard (Chairman & Chief Executive Officer): 70,730 $AGA_{07\text{-}2016\text{-}2}$
- Marc Karako: 48,077 $AGA_{07\text{-}2016\text{-}2}$
- Jean-Philippe Milon: 36,750 $AGA_{07\text{-}2016\text{-}2}$
- Fabrice Balavoine: 36,750 $AGA_{07\text{-}2016\text{-}2}$
- Olivier Madonna: 36,750 $AGA_{07\text{-}2016\text{-}2}$
- Yannick Marc: 3,776 $AGA_{07\text{-}2016\text{-}2}$
- Véronique Pellicer: 3,776 $AGA_{07\text{-}2016\text{-}2}$
- Mathilde Keck: 3,776 $AGA_{07\text{-}2016\text{-}2}$
- Delphine Compère: 3,776 $AGA_{07\text{-}2016\text{-}2}$
- Quentin Ricomard: 3,776 $AGA_{07\text{-}2016\text{-}2}$
- Stéphanie Desbrandes: 3,776 $AGA_{07\text{-}2016\text{-}2}$

Lastly, since 2016 period-end, on 18 January 2017 the Board of Directors granted 20,000 further free shares (10,000 of them called "**$AGA_{01\text{-}2017\text{-}1}$**" and the remaining 10,000 called "**$AGA_{01\text{-}2017\text{-}2}$**"), all granted to Bruno Besse.

11.4 Securities transactions of executives and similar persons during the fiscal year

Pursuant to Articles 223-22 A and 223-26 of the AMF General Regulations, we hereby state that no transactions were undertaken by executives or their relatives on Company securities during the past fiscal year.

11.5 Share buyback programme – Liquidity contract

Pursuant to Articles L. 225-208, L. 225-209-1 and L. 225-211 of the French Commercial Code, we have to notify you of treasury share purchases and sales by the Company.

In accordance with the authorisation granted each year by the Shareholders' General Meeting, the Company, through the Board of Directors, has had a liquidity contract since 10 April 2014 with the company Invest Securities which complies with applicable laws and regulations in this matter, intended to encourage liquidity and stimulate the Company's share price on the Euronext Alternext Market in Paris.

This contract complies with the ethics charter of the French Financial Markets Association (AMAFI, formerly AFEI).

As of 31 December 2016, the following resources were in the liquidity account:

- €255,132.05
- 36,204 shares (0.43% of the total number of shares)

Two additional contributions to his liquidity contract: €100k on 22 January 2016 and €50k on 1 July 2016.

11.6 Subsidiaries and equity interests

As of 31 December 2016 and the date of this report, the Company had no subsidiaries or equity interests

11.7 Significant equity interests

In accordance with Articles L.233-6 and L.247-1 of the French Commercial Code, the Company declares that it has entered into no equity interest or takeover during the year.

11.8 List of mandates or functions exercised

In accordance with Article L. 225-102-1 paragraph 4, the following list shows the mandates or functions exercised at any company at 31 December of the past year by each of the corporate officers:

Company director			Mandates and functions at other companies		
Functions in the Company	**Last name, First name, date of birth**	**Salaried position (if applicable)**	**Company characteristics**		**Mandates and functions exercised**
			Company	**Legal form**	
Chairman of the Board of Directors and Chief Executive Officer	Lionel SEGARD born 22/02/1968	Not applicable	RUGBY CLUB MASSY ESSONNE	SASP	Director and Vice President
Director	Christian BECHON born 09/12/1959	Not applicable	LFB-BIOTECHNOLOGIES	SA	Chairman
			FRENCH FRACTIONING AND BIOTECHNOLOGY LABORATORY	SA	Chairman
			LFB BIOMÉDICAMENTS	SA	Chairman
			REVO INC.	CORPORATION (USA)	Director
			FRANCE BIOTECH	ASSOCIATION	Director
Director	Maurice SALAMA born 01/06/1951	Not applicable	INTERNATIONAL MULTIFINANCE	SARL	Manager

The management team in fiscal year ended 31 December 2016 consisted of the following people:

- :Lionel SEGARD Chairman & CEO
- Marc KARAKO: CFO
- Jean-Philippe MILON: Chief Operating Officer
- Fabrice BALAVOINE: Research & Development Director
- Olivier MADONNA: Chief Medical Officer

At 31 December 2106, the Scientific Committee consisted of the following people:

- Pierre CORVOL (Chair)
- Mark CAULFIELD

- Alexandre PERSU

The Clinical Ethics Committee consisted of Keith FERDINAND, Henry BLACK and Howard DITTRICH

11.9 Status of the mandates of the Directors and the Statutory Auditors

We hereby inform you that no Directors' mandates or that of the Statutory Auditors are nearing expiry.

11.10 Prevention of money laundering and financing of terrorism

In accordance with applicable Euronext Rules, it is hereby declared that the Company, its executives and corporate officers are in compliance with Directive EC 2005/60 of the European Parliament and the Council relating to the prevention of the use of the financial system for the purposes of money laundering and financing terrorism, as well as with all other national rules or legislation relating to it.

The Company, its executives and corporate officers do not appear on the sanctions list of the European Union or the list prepared by OFAC.

11.11 Agreements covered by Article L. 225-38 of the French Commercial Code

In accordance with Article L. 225-40 of the French Commercial Code, we hereby ask you to approve the agreements covered by Article L. 225-38 of the French Commercial Code, signed and/or exercised during the past year after having been duly authorised by the Board of Directors.

Your Statutory Auditors have been informed of these agreements which they will cover in their special report.

11.12 Agreements covered by Article L. 225-39 of the French Commercial Code

The list of agreements relating to common transactions concluded on normal terms has been kept at your disposal within the legal time period and communicated to your Statutory Auditors.

11.13 Delegations of authority still valid, granted to the Board of Directors by the Shareholders' General Meeting pursuant to Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code.

In accordance with Article L. 225-100 of the French Commercial Code, the following is a list of still-valid delegations of power and authority granted to the Board of Directors by the Shareholders' General Meeting of 15 June 2016 under Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code:

Purpose of the resolution	**Resolution**	**Duration of the authorisation and expiry**	**Conditions**	**Maximum nominal amount in euros**
Authorisation to the Board of Directors to trade in Company shares in accordance with Article L. 225-209 of the French Commercial Code	6	18 months counting from this General Meeting, i.e., until 15 December 2018	Authorisation to the Board of Directors, with the option to subdelegate under conditions set by law, in accordance with Article L. 225-209 et seq of the French Commercial Code, to purchase a number of shares not exceeding 10% of the total number of shares comprising share capital on the date of this General Meeting, it being understood that the 10% ceiling applies to share capital that will be adjusted, as necessary, to take into account transactions affecting said capital after the General Meeting.	Maximum amount of the capital increase: 10% of €835,730,700.
Authorisation to the Board of Directors to increase capital, with preferential subscription rights waived, and offer financial securities to the public (in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, and L. 228-91 to L. 228-97 of the French Commercial Code)	7	26 months counting from this General Meeting, i.e., until 15 August 2018	Authorisation to the Board of Directors to decide to issue, on one or more occasions, at such times and proportions it considers opportune in France or abroad, with shareholders' preferential subscription rights waived, and to offer to the public (i) shares in the Company and/or (ii) ordinary shares conferring the right to the allocation of other ordinary shares or debt securities and/or (iii) transferable securities representing rights to debt or not, giving access by any means immediately or in the future to existing or future shares in the Company or conferring the right to the allocation of debt securities or to a combination of both (including, in particular, shares with share subscription warrants attached), the subscriptions payable in full in cash or by offsetting on-demand liquid receivables held against the Company.	Maximum nominal* amount of the capital increase: (i) €5,000,000 for issues of shares and/or ordinary shares conferring the right to the allocation of other ordinary shares and/or transferable securities not representing debt securities giving access by any means immediately or in the future to existing or future shares in the Company, and (ii) €50,000,000 for issues of transferable securities representing debt securities or conferring the right to the allocation of debt securities

Authorisation to the Board of Directors to decide to increase share capital by issuing, with preferential subscription rights maintained, shares and/or transferable securities giving access to the Company's capital and/or by issuing transferable securities giving the right to the allocation of debt securities (in accordance with Articles L. 225-129 et seq and in particular L. 225-129-2 and L. 228-91 et seq of the French Commercial Code)	8	26 months counting from this General Meeting, i.e., until 15 August 2018	Authorisation to the Board of Directors, with the option to subdelegate under conditions set by law, to decide to issue on one or more occasions in France or abroad in such proportions and at such times it considers opportune, shares (excluding preference shares) and/or ordinary shares conferring the right to the allocation of other ordinary shares or debt securities, and/or transferable securities, representing rights to debt or not, giving access by any means immediately or in the future to existing or future shares or to a combination of both (including, in particular, bonds convertible to shares with share subscription warrants attached), it being understood that subscriptions to shares and/or other transferable securities may be fully paid up either in cash or by offsetting receivables, or by incorporating reserves, profits or premiums, or subject to the same conditions, to decide to issue transferable securities conferring the right to the allocation of receivables governed by Articles L. 228-91 et seq of the French Commercial Code	Maximum nominal* amount of the capital increase: Idem Resolution 7
Authorisation to the Board of Directors to decide to increase share capital by issuing, with preferential subscription rights waived, shares and/or transferable securities giving access to the Company's capital and/or by issuing transferable securities giving the right to the allocation of debt securities via an offer in accordance with Article L. 411-2 of the French Monetary and Financial Code, to qualified investors or a restricted circle of investors	9	18 months counting from this General Meeting, i.e., until 15 December 2017	Authorisation to the Board of Directors, with the option to subdelegate under conditions set by law, to decide to increase share capital on one or more occasions in such proportions and at such times it considers opportune, in France or abroad, via an offer specified in Article L. 411-2 II of the French Monetary and Financial Code, by issuing (i) shares (excluding preference shares) and/or (ii) ordinary shares conferring the right to the allocation of other ordinary shares or debt securities, and/or (iii) transferable securities, representing rights to debt or not, giving access by any means immediately or in the future to existing or future shares giving rights to the allocation of debt securities or to a combination of both (including, in particular, bonds convertible to shares with share subscription warrants attached), it being understood that subscriptions to shares and/or other transferable securities may be fully paid up either in cash or by offsetting receivables, or subject to the same conditions, to decide to issue transferable securities conferring the right	Maximum nominal* amount of the capital increase: Idem Resolution 7 in any case 20% of capital
Authorisation to the Board to Directors to decide to increase capital by incorporating premiums, reserves, profits or other sources (in accordance with Articles L 225-209 et seq of the French Commercial Code)	10	26 months counting from this General Meeting, i.e., until 15 August 2018	Authorisation to the Board of Directors, with the option to subdelegate under conditions set by law, to decide to increase capital on one or more occasions at such times and in such proportions it considers opportune by incorporating reserves, profits or other sources whose capitalisation is permitted by law and by the Company's statutes, by issuing new equity securities or by increasing the amount of share capital or by a combination of both	Maximum nominal* amount of the capital increase: €5,000,000

Authorization to the Board of Directors to increase, in the event of a capital increase, the number of securities to be issued with shareholders' preferential subscription rights waived or maintained. (in accordance with Articles L 225-135-1 et seq of the French Commercial Code)	11	26 months counting from this General Meeting, i.e., until 15 August 2018	Authorisation to the Board of Directors, with the option to subdelegate under conditions set by law, to decide, in the event of a capital increase, to increase the number of shares to be issued with preferential subscription rights waived or maintained, at the same price that was adopted for the initial issue, within the time periods and limits specified in applicable regulations on the date of the issue (currently, within 30 days of the close of subscriptions and capped at 15% of the initial issue), primarily with a view to granting an overallotment option in accordance with market practices	Maximum nominal* amount of the capital increase: Capped at 15% of the initial issue
Authorisation to the Board of Directors to decide to increase capital by issuing shares or transferable securities giving access to capital reserved for members of savings plans with preferential subscription rights waived to the benefit of said members (in accordance with Articles L. 225-129-2, L. 225-129-6 and L. 225-138-1 of the French Commercial Code, and with Articles L. 3332-1 et seq of the French Labour Code)	12	18 months counting from this General Meeting, i.e., until 15 December 2017	Authorisation to the Board of Directors, with the option to subdelegate under conditions set by law, to decide on one or more occasions in such proportions and at such times it considers opportune to increase share capital by up to 3% of the share capital existing on the date of the Board's decision, by issuing shares (with the exception of preference shares) reserves for employees of the Company or of any other entity within its consolidation scope, or by combining accounts pursuant to Article L. 3344-1 of the French Labour Code, who are members of one or more employee savings plans (or another plan for members who Articles L. 332-1 et seq of the French Labour Code or similar regulations permit to have reserved access to a capital increase on equivalent terms) set up by the Company or any related company	Maximum nominal* amount of the capital increase: Up to 3% of share capital
Authorisation to the Board of Directors to grant share subscription or purchase options	13	18 months counting from this General Meeting, i.e., until 15 December 2017	Authorisation to the Board of Directors, under Article L. 225-117 et seq of the French Commercial Code, to grant on one or more occasions, to the benefit of personnel members which it will identify from among the employees and, potentially, executive corporate officers of the Company and of companies or groups related to it under the terms of Article L. 225-180 of that Code, in accordance with the provisions of Articles L. 225-185 and L. 225-186-1 of that Code, options giving the right to subscribe to new shares in the Company to be issued as part of the capital increase, as well as options giving the right to purchase shares in the Company arising from buybacks made by the Company under conditions permitted by law	Maximum nominal* amount of the capital increase: Up to 10% of share capital

Authorisation to the Board of Directors to allocate existing or future shares free to some or all salaried employees and corporate officers of the Group under Articles L. 225-197-2 et seq of the French Commercial Code	14	38 months counting from this General Meeting, i.e., until 15 August 2019	Authorisation to the Board of Directors, under Articles L. 225-197-1 et seq of the French Commercial Code, to grant on one or more occasions, existing or future shares (excluding preference shares), free to beneficiaries or categories of beneficiaries that it will determine from among the salaried personnel of the Company or of companies or groups related to it under the terms of Article L. 225-197-2 of that Code and executive corporate officers of the Company or of companies or groups related to it and satisfying the conditions in Article L. 225-197-1 II of that Code	Up to 10% of share capital*
Authorisation to the Board of Directors to reduce capital by cancelling repurchased shares (in accordance with Articles L. 225-204, L.225-205 and L.225-209 paragraph 7 of the French Commercial Code)	15	18 months counting from this General Meeting, i.e., until 15 December 2017	Authorisation to the Board of Directors to reduce share capital by cancelling Company shares that it intended to hold under the authorisation in Resolution 1 above, such reduction to be limited to 10% of Company capital in any twenty-four (24) month period, in accordance with Article L. 225-209 of the French Commercial Code	N/A

(*) The nominal amount of the ceiling on capital increases authorised by Resolutions 7, 8, 9, 10, 11, 12, 13 and 14 will count towards the overall authorised ceiling of €100,000k.

11.14 Supplier payment due dates

In accordance with Article L. 441-6-1 of the French Commercial Code, we hereby provide a breakdown of the outstanding debts of suppliers (excluding invoices not received), by due date:

Fiscal year	Not due	Past due 0 > 30 days	Past due 31 > 60 days	Past due + 60 days
2016	€634,728.99	€359,249.21	€582,586.06	€207,535.77
2015	€489,369.45	€215,405.77	€79,274.32	€153,863.03

77% of overdue debts were paid at the end of February 2017.

In accordance with the LME law of 4 August 2008, we wish to state that our contracts with suppliers provide for payment in within 45 days of month-end.

11.15 Dividends

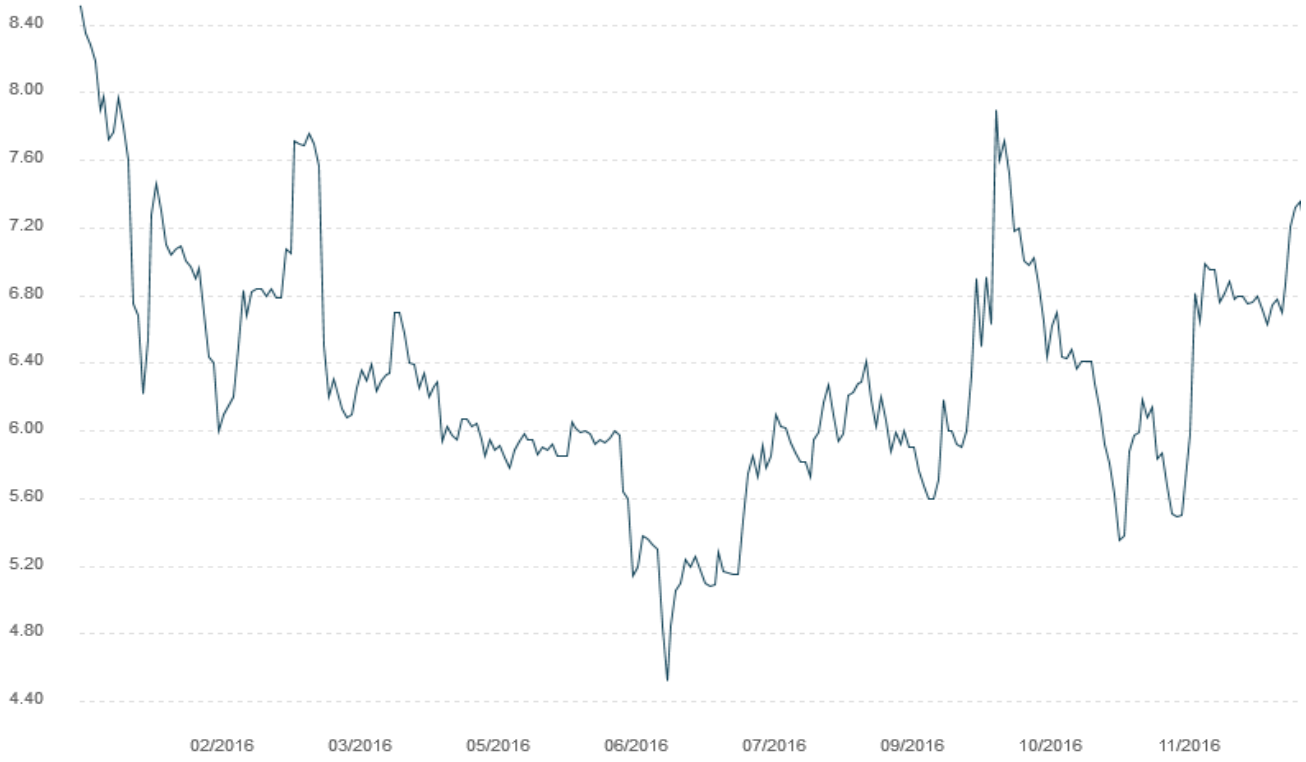
In accordance with Article 243 and following of the French General Tax Code, the Company reports that no dividend has been paid for the last three fiscal years.

11.16 Change in the listed share price during the past year

QUANTUM GENOMICS shares (ALQGC –FR0011648971) are listed on the Euronext Alternext Market in Paris.

On 31 December 2016, its share stock market price was €7.36 (versus €8.50 on 31 December 2015). There were a total 10,050,822 trades in the Company's shares in 2016 (Source: Euronext).

Change in QUANTUM GENOMICS share price from 1 January to 31 December 2016:



12. STATEMENT OF PROFIT AND LOSS IN THE LAST FIVE FISCAL YEARS

In accordance with Article R.225-102 of the French Commercial Code, the following table shows the Company's results over the course of the past five years:

	Fiscal year 2012	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016
Capital at end of period					
Share capital	1 463 882.36	1 643 268.50	1 923 150.21	2 769 659.67	3 354 781.41
Number of existing ordinary shares	65 900 785	4 110 069	4 810 087	6 927 334	8,390,320
Fiscal year operations and results					
Sales excluding taxes	19 200	17 400	12 000	6 000	0
Earnings before tax, employee profit-sharing, amortisation, depreciation and provisions	(1 065 572)	(1 904 456)	(2 369 866)	(4 451 772)	(6 160 860)
Income tax (including research tax credit)	(233 930)	(373 980)	(334 953)	(713 844)	(957 927)
Employee profit-sharing due at end of year	0	0	0	0	0
Earnings after tax, employee profit-sharing, amortisation, depreciation and provisions .	(843 395)	(1 541 429)	(2 206 872)	(3 764 269)	(5 241 359)
Distributed profit	0	0	0	0	0
Earnings per share					
Earnings after tax and employee profit-sharing but before amortisation, depreciation and provisions	(0.016169)	(0.46336)	(0.42405)	(0.53959)	(0.62127)
Earnings after tax, employee profit-sharing, amortisation, depreciation and provisions	(0.012798)	(0.37504)	(0.45880)	(0.54452)	(0.62466)
Dividend paid per share	0	0	0	0	0
Personnel					
Average paid workforce during the fiscal year	3	6	6	9	11
Payroll expense for the fiscal year	367 842	539 633	940436	1 142 826	1 284 076
Employee benefits paid for the fiscal year	139 459	225 083	362 406	457 371	539 052

13. PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

We wish to remind you that the financial statements presented to you have been prepared in accordance with applicable regulations and generally accepted French accounting standards and follows the same methods used for the previous year.

14. ALLOCATION OF RESULTS

We ask you to approve the financial statements (balance sheet, statement of profit and loss, and notes) for the past fiscal year as presented to you, which show a net book loss of €5,241,359.

We also ask you to allocate the entire loss for the fiscal year ended 31 December 2016 amounting to €5,241,359 to the carryforward account.

15. NON TAX DEDUCTIBLE EXPENSES

In accordance with Article 223 quater and 223 quinquies of the French General Tax Code, we report that the financial statements for the past year show no non-tax deductible expenses.

FINANCIAL STATEMENTS AND NOTES

KPMG

Balance sheet

SA Quantum Genomics

Registered Number : 48799664700029
At :

* Mission de Présentation-Voir l'attestation

Assets			Period			Previous period
			Gross Amount	Depr. or Allow.	Net amount	at : 31/12/2015
		Uncalled subscribed capital				
Fixed assets	Intangible fixed assets	Start up costs				
		Research and development costs				
		Franchises, patents and similar assets	134 283	32 763	101 519	108 172
		Goodwill				
		Other intangible fixes assets				
		Intangible assets in progress	40 000		40 000	
		Advance payments on intangible fixed assets				
		TOTAL	174 283	32 763	141 519	108 172
	Tangible fixed assets	Land				
		Buildings				
		Industrial fixtures and equipment	14 911	11 541	3 370	8 202
		Other tangible fixed assets	95 079	38 716	56 363	45 341
		Tangible fixed assets in progress				
		Advance paymments on tangible fixed assets				
		TOTAL	109 991	50 257	59 733	53 544
	Financial fixed assets	Investments measured using the equity method				
		Other investments				
		Loans to group and related companies				
		Investments held in portfolio for the long term				
		Other investments	476 350		476 350	334 700
		Loans				
		Other financial assets	23 530		23 530	23 530
		TOTAL	499 880		499 880	358 230
		Total fixed assets	784 154	83 020	701 134	519 947
Current assets	Inventories	Raw material and supplies	1 011 207		1 011 207	13 817
		Work in progress (goods)				
		Work in progress (services)				
		Finished goods and by-production				
		Merchandise				
		TOTAL	1 011 207		1 011 207	13 817
		Advances to suppliers				
	Receivables	Trade accounts receivable				
		Other receivables	1 411 178		1 411 178	1 071 341
		Unpaid called capital				
		TOTAL	1 411 178		1 411 178	1 071 341
	Other	Marketable securities	9 000 000		9 000 000	4 100 000
		(of which own shares :)				
		Cash instruments				
		Available funds	2 197 770		2 197 770	4 552 081
		TOTAL	11 197 770		11 197 770	8 652 081
		Prepaid expenses	187 846		187 846	283 067
		Total current assets	13 808 002		13 808 002	10 020 307
		Defered charges				
		Premiums on redemption of borrowings				
		Exchange rate differences assets	1 478		1 478	
		Total assets	14 593 635	83 020	14 510 614	10 540 254

KPMG

Balance sheet

SA Quantum Genomics

At : 31/12/2016

* Mission de Présentation-Voir l'attestation

Shareholders equity and liabilities			Period	Previous period
Shareholder's funds	Share capital (of which paid up :	3 354 781)	3 354 781	2 769 659
	Share premiums (mergers, contributions)		23 984 342	17 125 446
	Revaluation variance			
	Equity reserve			
	Reserves			
	Legal reserve			
	Statutory reserves			
	Tax regulated reserves		299 170	
	Other reserves			
	Profit and loss account brought forward		-11 873 108	-8 108 839
	Previous results not yet alloted			
	Result for the financial year (profit or loss)		-5 241 359	-3 764 269
	Net worth before allocation		10 523 825	8 021 997
	Investment grants			
	Special provision for tax purposes			
	Total		10 523 825	8 021 997
Other funds	Subordinated equity			
	Advances subject to covenants		1 267 500	727 500
	Total		1 267 500	727 500
Provisions	Provisions for risks		1 478	
	Provisions for future costs			
	Total		1 478	
Liabilities	Financial liabilities			
	Convertible debenture loans			
	Other debenture loans			
	Borrowing from credit institution		1 023	647
	Other borrowings			
	Total		1 023	647
	Advances received on orders			
	Trade accounts payable and related liabilities		2 212 324	1 400 044
	Taxes and social debts		484 126	312 031
	Liabilities related to fixed assets			
	Other debts		18 079	78 033
	Cash instruments			
	Total		2 714 530	1 790 109
	Income recorded in advance			
	Total liabilities and income recorded in advance		2 715 554	1 790 757
	Exchange rate differences liabilities		2 256	
	TOTAL LIABILITIES		14 510 614	10 540 254
	Leasing for buildings			
	Leasing for other equipment			
	Non expired discounted notes receivable			

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Profit and loss account

SA Quantum Genomics

Periods 01/01/2015 31/12/2015 Length 12 months
01/01/2016 31/12/2016 12 months

* Mission de Présentation-Voir l'attestation

			France	Export	Total	Previous period
Operating income	Sales of purchased goods					
	Sales of manufactured goods					6 000
	Sales of services					
	Net sales					6 000
	Changes in stock of manufactured goods and work in progress					
	Production of fixed assets capitalised					
	Partial profits on long term contracts					
	Trading incentive grants					138 137
	Write back of depreciation, provisions and transferred charges				16 171	22 804
	Other income				960	452
		Total			17 132	167 394
Charges d'exploitation	Goods: Purchases					
	Change in inventory					
	Raw materials and other supplies: Purchases				1 253 177	169 949
	Change in inventory				-997 390	-13 817
	Other purchases and expenses				4 048 156	2 610 049
	Taxes				31 007	23 703
	Wages and salaries				1 284 076	1 142 826
	Social security charges				539 052	457 371
	Depreciation and Provisions: Depreciation Provisions - on fixed assets				26 948	24 210
	- on current assets: provisions					
	- for risks and future costs: provisions					
	Other expenses				48 088	63 152
		Total			6 233 117	4 477 446
		Operating result	A		-6 215 985	-4 310 052
Joint venture opx	Profit attributed or loss transferred		B			
	Loss attributed or profit transferred		C			
Financial income	From shares in group companies					
	From other investments					
	Interests and similar incomes				30 677	29 351
	Write back of provisions and transferred charges					
	Exchange gain				656	
	Net profit on disposals of current financial investments					
		Total			31 334	29 351
Financial expenses	Increase of provisions against financial assets				1 478	
	Interests payable and similar charges					222 210
	Exchange loss				2 433	8
	Net losses on disposals of current financial investments					
		Total			3 911	222 219
		Net financial result	D		27 422	-192 868
RESULT OF ORDINARY OPERATIONS BEFORE CORPORATE TAX ON PROFIT (±A+B-C±D)			E		-6 188 562	-4 502 920
Exceptional income	On operating items					3 900
	On capital items				67 876	90 095
	Write back of provisions and transferred charges					
		Total			67 876	93 995
Exceptional expenses	On operating items				2 034	15 750
	On capital items				76 567	51 307
	Depreciation and provisions					2 131
		Total			78 601	69 189
		Net exceptional result	F		-10 724	24 806
Employees' profit sharing plan			G			
Corporate tax on profit			H		-957 927	-713 844
PROFIT OR LOSS (± E ± F - G -H)					-5 241 359	-3 764 269

Cash flow statement

Cash flow statement in K€	2016	2015
Net result of the period	**-5 241**	**-3 764**
Non-cash adjustment to net result	28	236
Adjusted net result	**-5 213**	**-3 528**
Change in inventories	-997	-14
Change in Account Receivables		7
Change in Account Payables	801	832
Change in Tax and employee-related payables	172	39
Change in Other Liabilities and Deferred Income	-60	72
Change in Other Receivables and Prepaid Expenses	-233	-550
Change in Working Capital Requirement	**-318**	**386**
CASH FLOW FROM OPERATING ACTIVITES	**-5 531**	**-3 142**
Capital Expenditures (intangible assets)	-42	-50
Capital Expenditures (tangible assets)	-25	-22
Change in financial assets	-142	-296
CASH FLOW FROM INVESTING ACTIVITES	**-208**	**-368**
Share Capital Increase (net of transaction costs)	7 744	12 150
Loan / Financial debts		0
Loan and current account repayment		-3 306
Others - Subsidies / Grants (BPI France)	540	0
CASH FLOW FROM FINANCING ACTIVITES	**8 284**	**8 844**
Cash position at the beginning of the period	8 652	3 318
Cash position at the end of the period	**11 197**	**8 652**
CHANGE IN CASH	**2 545**	**5 334**

QUANTUM GENOMICS

Notes to the Annual Financial Statements at 31 December 2016

Amounts expressed in EUR

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1 Highlights

1.1 Key events in the period

In March 2016, the Company carried out a capital increase of €8.58 million including €5.54 million as a private placement with institutional investors in the United States and €3.04 million as a public offering in Europe with a priority period for all its shareholders. The amount raised could reach €14.1 million if all the attached share subscription warrants (BSAs) are exercised.

BSAs amounting to €13,199 were exercised during the period, with the issuance of 33,054 new shares.

In August, Bpifrance granted the company an €800k "innovation advance". This advance will be used to support the Phase IIa clinical development of QUID HF against heart failure. The first installment of €480k was received at the end of September.

1.2 Post-balance sheet events

The Company has no significant events to report.

1.3 Accounting principles, rules and methods

The annual financial statements have been prepared in accordance with the French Commercial Code and ANC (French accounting Board) Regulation 2014-03.

General accounting conventions have been adopted on a prudential basis and in accordance with the following basic assumptions:

- the Company is a going-concern,
- permanence of methods from one fiscal year to the next,
- independence of financial periods, in accordance with the general rules on the preparation and presentation of financial statements.

The accounting reference period is the 12 months from 1 January to 31 December 2016.

1.4 Going concern

Taking its activities into account, the Company must be able to finance its research work until the molecules are marketed or the rights to its work are sold.

Its cash position of €11.2 million at the end of December 2016 is sufficient to allow the Company to continue its operations until the end of the first quarter of 2017.

2 Information regarding the balance sheet

2.1 Assets

2.1.1 Fixed Assets

FIXED ASSETS	Gross value at 31/12/2015	Acquisitions	Inter-item transfers	Redemptions	Gross value at 31/12/2016
Start-up and development costs	-				-
Other intangible fixed assets	133,932	42,181		1,830	174,283
Intangible fixed assets	133,932	42,181	-	1,830	174,283
Land					
Buildings					-
General facilities, fixtures, fittings	15,665	798	-	1,552	14,911
Other tangible fixed assets	86,320	23,847	-	15,088	95,079
Tangible fixed assets in progress					-
Advance payments on tangible fixed assets					-
Tangible fixed assets	101,985	24,645	-	16,640	109,990
Equity investments					-
Other investments	-			-	-
Long-term portfolio investments	334,700	141,650			476,351
Loans and other financial assets	23,530				23,530
Financial assets	358,230	141,650	-	-	499,881
Fixed assets	**594,147**	**208,476**	**-**	**18,470**	**784,152**

2.1.2 Depreciation, amortisation and provisions

Depreciation, amortisation and provisions	Total at 31/12/2015	Increase	Reversals	Total at 31/12/2016
Start-up and development costs	-	-		-
Other intangible fixed assets	25,760	8,834	1,830	32,764
Intangible fixed assets	25,760	8,834	1,830	32,764
Land				-
Buildings				-
General facilities, fixtures, fittings	7,463	5,289	1,212	11,541
Other tangible fixed assets	40,978	12,825	15,088	38,715
Tangible fixed assets in progress				-
Advance payments on tangible fixed assets				-
Tangible fixed assets	48,441	18,115	16,300	50,256
Equity investments	-	-	-	-
Other investments				-
Long-term portfolio investments				-
Loans and other financial assets				-
Financial assets	-	-	-	-
Total	**74,201**	**26,949**	**18,130**	**83,020**

2.1.3 Tangible fixed assets

Property, plant and equipment are valued at their acquisition cost after deducting rebates and discounts, or at their production cost.

An impairment is recognised when the actual value of an asset is less than the book value.

2.1.3.1 Depreciation and amortisation

Type of asset	Method	Write-off Period
Machinery and equipment	Straight-line	3 yrs
General facilities	Straight-line	10 yrs
Office equipment	Straight-line	3 to 5 yrs
Office furniture	Straight-line	10 yrs

2.1.4 Intangible fixed assets

Intangible fixed assets are valued at their acquisition cost after deducting rebates and discounts, or at their production cost.

An impairment is recognised when the actual value of an asset is less than the book value.

2.1.4.1 Software

The Company has software with a purchase value of €6,283. Excluding the year's acquisition it is fully written off.

2.1.4.2 Licence

The licence shown in assets in the amount of €128,000 refers to an exclusive worldwide licence to a patent and know-how granted jointly by several French public entities, including €50,000 for the INSERM licence.

The amortisation period runs until the end of the process protection period.

Additionally, €45,000 has been recognised for a licence option.

2.1.4.3 R&D expenses

These expenses may be recognised under assets if they relate to clearly separate projects with a serious chance of technical success and commercial profitability.

All of the following conditions must be met simultaneously:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- intention to complete the intangible asset and use or sell it;
- ability to use or sell the intangible asset;

- ability of the intangible asset to generate probable future economic benefits. The entity must demonstrate, among other things, the existence of a market for the production from the intangible asset or for the intangible asset itself, or, if it is to be used in-house, its usefulness;
- availability of adequate appropriate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ability to measure reliably the expenditure attributable to the intangible asset during its development.

Given the aforementioned conditions, the R&D expenses incurred by Quantum Genomics are not recognised under assets due to uncertainty about technical feasibility and about the prospect of future economic benefits.

Total outsourcing expenses relating to clinical trials in the fiscal year amounted to €2,280k.

2.1.5 Financial assets

2.1.5.1 List of subsidiaries and equity interests

The Company does not own a subsidiary or equity interests.

2.1.5.2 Other equity securities

A liquidity contract was drawn up with Aurel BGC on 10 April 2014 and then transferred to Invest Securities on 13 April 2015.

Number of securities at 31/12/2016:	36,204 shares
Acquisition price:	€221,218.64
Value of securities at 31/12/2016:	€266,461.44
Cash & equivalents at 31/12/2016:	€255,132.05

On 1 July 2016, the Company proceeded with an additional contribution of €50,000.

As the share price at 31 December was higher than the purchase price, no provision was recognised.

2.1.6 Receivables

Receivables are measured at their nominal value. An impairment is recognised when the net asset value is less than the book value.

2.1.6.1 Classification by due date

STATEMENT OF RECEIVABLES			Gross amount	≤ 1 year	> 1 year
FIXED ASSETS	Receivables linked to equity interests		-	-	-
	Loans		-	-	-
	Other financial assets		23,530	-	23,530
CURRENT ASSETS	Bad debts or litigation		-	-	-
	Other trade receivables		-	-	-
	Receivables representing securities loaned or provided as collateral	Previously recognised provision for impairment*	-	-	-
	Payroll & related accounts		-	-	-
	Social security & other welfare programs		-	-	-
	State & other public bodies	Income tax	964,286	964,286	-
		Value Added Tax	337,645	337,645	-
		Other taxes, levies and similar payments	-	-	-
		Other	11,818	11,818	-
	Group & associates		-	-	-
	Other debtors (receivables relating to repo agreements)		86,781	86,781	-
Prepaid expenses			187,846	187,846	-
TOTAL			1,611,906	1,588,376	23,530

The line "Corporate income tax" corresponds to Research Tax Credit (CIR) receivables for 2016, as well as definitive CICE receivables for fiscal year 2016.

2.1.7 Inventories

2.1.7.1 Inventory statement

Inventory class	Gross value	Impairment	Net value
Raw materials Finished products In progress	€1,011,207		€1,011,207

This is inventory of the active ingredient used in our preclinical and clinical trials.

2.1.7.2 Inventories of purchased products

Stocks of raw materials are valued using the FIFO method.

The purchase cost is the purchase price plus transport costs.

2.1.7.3 Impairment measurement

A provision for inventory impairment is recognised on a case by case basis as necessary.

2.1.8 Accruals

2.1.8.1 Prepaid expenses

Prepaid expenses consist only of expenses on ordinary operations and their impact on profit and loss is carried forward to a later year.

The breakdown as at 31/12/2016 is as follows:

Property rental	€33,834
Invoiced studies and products not completed	€127,812
Other (fees, subscriptions...)	€7,600
Insurance	€18,598
	€187,846

2.1.8.2 Gain (loss) on asset conversion

Income and expenses expressed in foreign currencies are recorded at their equivalent value in euros as at the transaction date.

Debts and receivables in foreign currencies are recognised on the balance sheet at their equivalent value in euros as at period-end.

A variance due to the difference in exchange rates between initial recognition and period-end is shown on the balance sheet as a "translation adjustment".

Unrealised translation losses are provisioned in full.

Item	Amount in foreign currency	Value on transaction date	Value at period-end	Translation difference Assets	Translation difference Liabilities	Provision for foreign exchange loss
Supplier advances	- £3,510	- €4,442	- €4,092	€343		€343
Supplier advances	- US$ 35,540	- €33,039	- €33,715		€676	
Trade payables	US$ 116,925	€111,369	€110,924	€1,135	€1,579	€1,135
				€1,478	€2,256	€1,478

2.1.8.3 Receivables

The breakdown as at 31 December 2016 is as follows:

Item	Amount
ACCRUED INTEREST	
Trading securities	528
OTHER INCOME	
Government	11,818
Other (subsidies receivable)	86,003
TOTAL	98,349

2.1.9 Cash and other

Financial investments consist of term deposits in the amount of €9,000.

There was no need for a provision for impairment at 31/12/2016.

2.2 *Liabilities*

2.2.1 Statement of changes in share capital

Item	31/12/2015	+	-	12/31/2016
Capital	2,769,659	585,122		3,354,781
Premiums linked to capital, reserves and BSA	17,125,445	8,316,572	1,158,505	24,283,511
Carried forward	- 8,108,839	- 3,764,269		- 11,873,108
Result for fiscal year 31/12/2015	- 3,764,269		- 3,764,269	-
Result for fiscal year 31/12/2016		- 5,241,360		- 5,241,360
Total	**8,021,996**	**- 103,935**	**- 2,605,764**	**10,523,824**

2.2.2 Capital

2.2.2.1 Changes in the period

Capital consisted of 8,390,3320 shares at 31 December 2016.

	Number of shares	Capital increase in €	Issue premium in €	BSAs and BSARs in €	Remaining number of exercisable warrants
Position at start of period	6,927,334	2,769,660	16,776,552	348,894	7,749,685
Board of Directors meeting 02/03/2016 – AGA – Unavailable reserves			- 97,895		
Board of Directors meeting 14/03/2016 - Capital increase – ABSAR private placement	923,644	369,288	5,172,576		
Board of Directors meeting 14/03/2016 - Capital increase – ABSAR private placement	506,329	202,438	2,835,536		
BSAR2016 subscription 30/04/2016				93	24
Board of Directors meeting 19/05/2016 - Capital increase via exercise of BSA2009	33,013	13,199			- 132,054
BSAR2016 subscription 31/05/2016				1,426	368
BSAR2016 subscription at 01/07/2016				39	10
Minutes of decisions of Chairman & CEO 05/07/2016 – Capital increase by exercise of BSAR2016	201	80	1477	-1558	- 402
Board of Directors meeting 08/07/2016 – AGA – Unavailable reserves			- 100,638		
Board of Directors meeting 08/07/2016 – AGA – Unavailable reserves			- 100,638		
BSAR2016 subscription at 13/10/2016				2,247	580
Minutes of decisions of Chairman & CEO 13/10/2016 – Capital increase by exercise of BSAR2016	290	116	2,132	-2,247	- 580
BSAR2016 subscription at 22/12/2016				1,876	484

Securities issuance expenses			-855,529		
change over the period	1,463,477	585,121	6,857,021	1,876	-131,570
Position at end of period before grouping	8,390,320	3,354,585	23 633,573	350,770	7,618,023

2.2.2.2 Share subscription warrants (BSAs)

Share subscription warrants	Number BSAs subscribed	Number of BSAs exercised since subscription	Number of BSAs still to be exercised	Number of new shares attached to BSAs still to be exercised	Period of validity
Allocation BSA2009	2,022,870	1,543,299	479,571	119,893	10 yrs
Allocation BSA06-10	5,766,967	-	5,766,967	320,387	10 yrs
Allocation BSA06-12	1,120,000	145,000	975,000	54,167	10 yrs
Allocation BSA11-13	97,551		97,551	97,551	10 yrs
Allocation BSA11-13-2	298,542	-	298,542	298,542	10 yrs
Allocation BSAR2016	1,466	982	484	242	30 months
	9,306,322	1,688,790	7,618,115	890,782	

All BSAs subscribed as at 31 December 2016 confer the right to the possible purchase of 890,727 new shares.

- the BSA_{2009} permit the purchase of 0.25 of a new share at a price of €0.3996 per share
- the $BSA_{06\text{-}10}$ permit the purchase of 0.055 of a new share at a price of €1.44 per share,
- the $BSA_{06\text{-}12}$ permit the purchase of 0.055 of a new share at a price of €3.24 per share,
- the $BSA_{11\text{-}2013}$ permit the purchase of 1 new share at a price of €6.12 per share,
- the BSA11-2013-2 permit the purchase of 1 new share at a price of €6.30 per share,
- the BSAR2016 permit the purchase of 0.5 of a new share at a price of €7.75 per share,

The number of shares after potential dilution was therefore 9,281,047 at 31 December 2016.

2.2.2.3 Allocation of free shares

The General Meeting of shareholders held on 22 December 2015 authorised the Board of Directors, for a period of 38 months, to allocate free shares amounting to up to 10% of the share capital existing on the day of the Board's decision.

On 2 March 2016 and 8 July 2016, the Board of Directors adopted the free share allocation plan ("AGA") to the benefit of the Group's corporate officers and salaried employees.

Allocation of free shares	Number of free shares	% of capital	Unavailable reserve	Length of vesting period	Deadline
Free share allocation 03/2016	244,850	3.53%	97,895	12 months	02/03/2017
Free share allocation 07/2016-1	251,713	3%	100,638	21 months	08/03/2018
Free share allocation 07/2016-2	251,713	3%	100,638	33 months	08/03/2019
	748,276		299,170		

The allocated shares will be issued by the Company at the expiry of a vesting period.

Accordingly, the Board of Directors decided to deduct the sum of €299,170 from the "issue premium" account and move it to a "reserve account for the vesting of allocated free shares".

On 2 March 2017, the Board of Directors announced the final completion of the capital increase of €97,885 by the incorporation of reserves. On 2 March 2016, the Board of Directors decided to impose a lock-in period, so the shares concerned will be inaccessible until 2 March 2018.

2.2.3 Conditional advances

The accounts show:

- A conditional advance granted by OSEO (Bpifrance) in 2008, as follows:

- Purpose: "Preclinical development of a treatment for arterial hypertension, based on aminopeptidase A inhibition"
- Total amount of the aid: €740,000

At 31 December 2016, the Company had already repaid a lump sum of €212,500 and, only if technically successful, it will have to repay the remaining sum of €527,500 in accordance with the following schedule:

Due Date / Échéance	Repayment / Remboursement
31/03/2018	37 500 €
30/06/2018	50 000 €
30/09/2018	50 000 €
31/12/2018	50 000 €
31/03/2019	50 000 €
30/06/2019	72 500 €
30/09/2019	72 500 €
31/12/2019	72 500 €
31/03/2020	72 500 €
Total	**527 500 €**

Furthermore, the Company has agreed that the maximum annual repayment would correspond to 49.75% of the proceeds generated by the project during the preceding calendar year and that the sums paid in this way would be assigned as a priority to the last payment due to OSEO (Bpifrance) or to the next-to-last.

- A conditional advance was granted by Bpifrance in 2014, as follows:
  - Purpose: "Aid to innovation for the development and testing of the clinical efficacy of multiple combinations of QGC001 products with hypertensive agents. "
  - Total amount of the aid: €260,000
  - Aid payment methods:
    - After signing the contract; €200,000 (September 2014)
    - At completion of work: €60,000 (paid in April 2016)

- Repayment schedule:

In the event of success, the €260,000 advance will be repaid in quarterly installments as follows:

Year / Année	**Repayment / Remboursement**
2017	15 000 €
2018	35 000 €
2019	70 000 €
2020	110 000 €
2021	30 000 €
Total	**260 000 €**

The Company has also agreed that the maximum annual repayment would correspond to 30% of the proceeds generated by the project during the preceding calendar year and that the sums paid in this way would be assigned as a priority to the last payment due to Bpifrance or to the next-to-last.

Regardless of the outcome of the trial, the €100,000 minimum lump sum repayment will be paid on the same schedule, due on 30 September 2019.

- A conditional advance was granted by Bpifrance in on 28/09/2016, as follows:
  - Purpose: "Aid to innovation for the clinical development of QGC001 products against heart failure and the Phase IIa trial"
  - Total amount of the aid: €800,000
  - Aid payment methods:
    - After signing the contract; €480,000 (September 2016)
    - At completion of work: €320,000

- Repayment schedule:

In the event of success, the €800,000 advance will be repaid in quarterly installments as follows:

Year / Année	Repayment / Remboursement
2019	160 000 €
2020	160 000 €
2021	160 000 €
2022	160 000 €
2023	160 000 €
Total	**800 000 €**

Regardless of the outcome of the trial, the €400,000 minimum lump sum repayment will be paid on the same schedule, due on 30 June 2021.

2.2.4 Provision for risks and expenses

Type of provision	Amount at start of period	Increase: Additions in	Decrease: Reversals in	Amount at end of period
Prov. for disputes and litigation	-	-	-	-
Provision for warranties to clients	-	-	-	-
Prov. for loss on financial futures	-	-	-	-
Prov. for fines & penalties	-	-	-	-
Prov. for loss on currency translation	-	1,478	-	1,478
Prov. for pensions & similar obligations	-	-	-	-
Prov. for taxes (1)	-	-	-	-
Prov. for renewal of fixed assets*	-	-	-	-
Prov. for major upkeep	-	-	-	-
Prov. for social welfare and tax expense on paid	-	-	-	-
Other provisions for risks and expenses	-	-	-	-
TOTAL	-	1,478	-	1,478

	Amount at start of period	Constituted by equity	Additions in the fiscal year	Reversals used	Reversals not used	Reversals by equity	Amount at end of period
Provision for loss		1,478	1,478				1,478
Provision for contingencies							
TOTAL	-	1,478	1,478	-	-	-	1,478

2.2.5 Debts

2.2.5.1 Classification by due date

DEBT STATEMENT		Gross amount	≤ 1 year	1 ≥ 5 years	> 5 years
Convertible bonds		-	-	-	-
Other bonds		-	-	-	-
Borrowings and debt at credit establishments	initially ≤ 1 year	1,024	1,024	-	-
	initially > 1 yr	-	-	-	-
Other borrowings and financial debt		-	-	-	-
Trade payables and related accounts		2,201,677	2,201,677	-	-
Payroll & related accounts		161,142	161,142	-	-
Social security & other welfare programs		243,431	243,431	-	-
State & other public bodies	Income tax	-	-	-	-
	Value Added Tax	52,682	52,682	-	-
	Guaranteed bonds	-	-	-	-
	Other taxes and similar	26,870	26,870	-	-
Debts on assets and related accounts		-	-	-	-
Group & associates		-	-	-	-
Other debtors (receivables relating to repo agreements)		18,079	18,079	-	-
Debts representing securities borrowed or provided as collateral		-	-	-	-
Prepaid income		-	-	-	-

TOTAL	2,704,906	2,704,906	-	-

2.2.5.2 Financial liabilities

None

2.2.5.3 Payables

Item	Amount
PAID LEAVE	
Provisioned leave	50,314
Provisioned social contributions	19,976
ACCRUED INTEREST	
Banks	1,023
OTHER EXPENSES	
Invoices receivable	425,417
Other tax expenses	20,300
TOTAL	517,031

2.2.6 Accruals

2.2.6.1 Breakdown of prepaid income

As at 31 December 2016, there was no prepaid income.

2.2.6.2 Liability translation gains/losses

Liability translation gains/losses reflect the impact of translation of debt expressed in a foreign currency (see No.2.1.8.2)

3 Other information relating to the profit and loss statement

3.1 Operating subsidies

Subsidies are recognised in the profit and loss statement based on the actual progress of the projects for which they are granted.

The actual progress of the project is assessed partly in terms of the time spent by employees and partly in terms of the outsourcing expenses assigned to the projects covered by the subsidy.

The object of the ANR contract ANR-13-RPIB-005-01 is the Phase IIa clinical trial of the first aminopeptidase A inhibitor (QGC001) as a centrally acting hypertensive and the development of new APA inhibitors, and provides for financing 45% of projected expenses up to a maximum €430,019. The work will be completed in 2015. At the end of December 2016, ANR had already paid €344k (€71k of it in December 2016) and the remaining €86k is expected to be paid in the first half of 2017 (see § 2.1.8.3).

3.2 Income tax

3.2.1 Research Tax Credit

The research tax credit generated in the full year 2016 amounted to €957,927.

It was calculated taking the following factors into account:

- Remuneration and corresponding social welfare contributions allotted to employees assigned to research based on time actually spent on research activities. For employees with the status of "young doctor", this remuneration was retained in accordance with the text,
- The amortisation relating to the Inserm licence, and to the assets used for research,
- Running costs which are set as 50% of personnel expenses (200% for "young doctors"), plus 75% of the amortisation allowances for assets assigned to research activities,
- Outsourcing expenses invoiced at 31 December 2016 by entities authorised for "Research Tax Credit". For public entities, the amounts have been doubled,
- Invoiced patent expenses as at 31 December 2016,
- The paid subsidies have been retranched.

3.2.2 Tax credit for competitiveness & employment (CICE)

The provision for CICE (Competitiveness & Employment Tax Credit) recognised in our Company's financial statements at 31 December 2016 amounted to €6,359.

In the profit and loss statement, our entity has opted to recognise CICE as a reduction of personnel costs.

On the balance sheet, it is posted to income tax and social welfare and tax liabilities.

This "income" corresponds to the tax credit that will be requested when filing the final corporate income tax return.

It reflects the Company's acquired CICE entitlement based on eligible remunerations recognised during the fiscal period.

The CICE on remunerations paid in 2015, in the amount of €7,910, partially contributed to the improvement in working capital requirements.

3.3 Relief on future tax debt

After taking into account the results at 31 December 2016, the Company has deferrable tax losses of €24,101,531.

3.4 Lease commitments

There are no active leases.

3.5 Attendance fees

The expense at 31 December 2016 relating to attendance fees was €48,000 including the corresponding social welfare and tax charges.

4 Other information

4.1 Commitments received

None

4.2 Commitments given

None

4.3 Transactions with related parties

No information has been provided regarding transactions between related parties as such transactions were concluded on normal market terms.

4.4 Workforce at 31 December 2016

	Salaried personnel
Management	11
Non-management	1
Total	12

4.5 Retirement packages

In light of the Company's workforce and its age, retirement packages have not been evaluated as they are considered to be insignificant.

4.6 Statutory Auditors' fees

Statutory Auditors' fees invoiced as at 31/12/2016 (including expenses)	Amount
For statutory audit duties	26,550
For consultation and services other than statutory audit duties	
Total	26,550

STATUTORY AUDITOR'S REPORTS

16. REPORT OF THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

QUANTUM GENOMICS

Société Anonyme

Tour Maine Montparnasse
33, avenue du Maine
75 015 Paris

Statutory auditors' report on the financial statements

For the year ended December 31, 2016

QUANTUM GENOMICS

Société Anonyme

Tour Maine Montparnasse
33, avenue du Maine
75 015 Paris

Statutory auditors' report on the financial statements

For the year ended December 31, 2016

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual general meeting, we hereby report to you, for the year ended December 31, 2016, on:

– the audit of the accompanying financial statements of Quantum Genomics;
– the justification of our assessments;
– the specific verification and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December, 31 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.4 to the financial statements regarding the going concern.

II - Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code *(code de commerce)* relating to the justification of our assessments, we bring to your attention that our assessments concerned the appropriateness of the accounting principles applied, the reasonableness of the significant estimates made and the overall presentation of the financial statements.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific procedures and disclosures

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Neuilly-sur-Seine, March, 29 2017

The statutory auditors

Pierre-Henri Scacchi et Associés
Member of Deloitte Touche Tohmatsu Limited

Pierre-François ALLIOUX

17. REPORT OF THE STATUTORY AUDITOR ON THE AGREEMENTS GOVERNED BY ARTICLE L. 225-38 OF THE FRENCH COMMERCIAL CODE

QUANTUM GENOMICS

Société Anonyme

Tour Maine Montparnasse
33, avenue du Maine
75015 Paris

Statutory auditor's special report on regulated agreements

Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2016

QUANTUM GENOMICS

Société Anonyme

Tour Maine Montparnasse
33, avenue du Maine
75015 Paris

Statutory auditor's special report on regulated agreements

Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2016

This is a free translation into English of the statutory auditor's special report on regulated agreements issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditor of your Company, we hereby report to you on regulated agreements.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements previously approved by the Shareholders' Meeting, if any.

We conducted the procedures that we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements authorised during the year

We hereby inform you that we have not been advised of any agreement authorised during the year to be submitted to the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

AGREEMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements approved in prior years with continuing effect during the year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreement, approved in prior years, has remained in force during the year.

Person involved: Lionel Ségard, Chairman and CEO of Quantum Genomics

Nature and purpose:

On 1 April 2014, the Board of Directors authorised the renewal of the loss of employment insurance initially subscribed in 2009 by the Company for the Chairman and CEO, with an extension of the compensation period from 12 to 24 months.

Terms and conditions: this renewal has been effective since 1 January 2016.

Neuilly-sur-Seine, 29 March 2017

The Statutory Auditor

Pierre-Henri Scacchi et Associés
Member of Deloitte Touche Tohmatsu Limited

Pierre-François ALLIOUX