Société anonyme (limited liability company) with capital of €518,295.54
Registered office: 259/261 Avenue Jean Jaurès – Immeuble le Sunway – 69007 Lyon, France
510 970 817 Lyon Trade & Companies Register

INTERIM FINANCIAL REPORT

AT 30 JUNE 2019

CONTENTS

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

1.1. Person responsible for the interim financial report

1. Thomas Kuhn, Chief Executive Officer of Poxel.

1.2 Certification by the person responsible

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

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

Lyon, 26 August 2019

Thomas Kuhn, Chief Executive Officer of Poxel.

2. ACTIVITY REPORT AT 30 JUNE 2019

2.1. Highlights of the first half-year of 2019

Creation of a subsidiary in the United States

In January 2019, the Company created a subsidiary in the United States ("POXEL Inc"), domiciled in Burlington, Massachusetts. This subsidiary is wholly owned by Poxel SA. It has total capital of 1 dollar.

Capital increases

The Board of Directors' meeting of 24 January 2019 definitively awarded 24,150 shares to the Group's employees. This amount corresponds to the fully vested shares under the performance linked to the first tranche of 126,500 bonus performance shares awarded to employees at the Board of Directors' meeting of 25 January 2018.

In addition, on 21 March 2019, one employee exercised 1,690 BSPCE warrants, granting entitlement to subscribe to 33,800 ordinary shares at a price of €2.50, representing a capital increase of €676 alongside an issue premium of €83,824.

Lastly, the Board of Directors' meeting of 20 June 2019 decided on the issuance of 3,600 free shares for employees, subject to the same conditions as those awarded on 24 January 2019 and the issuance of 225,000 stock options for employees, with a strike price of €7.04.

The share capital thus stands at €518,295.54 at 30 June 2019, divided into 25,914,777 shares, each with a par value of €0.02.

2.2. Activity and results of the Group

Partnership activity

Sumitomo

The Company continued the Phase 3 TIMES programme for Imeglimin in Japan. The external costs incurred by the Company as part of this programme were re-invoiced to Sumitomo and recognised as net sales, according to the progress of the TIMES programme.

Roivant Sciences

The agreement signed with Roivant Sciences continued in the first half of 2019. The Company participated in the financing of this programme according to the conditions stated in the contract.

Details of the accounting principles used to recognise these two agreements are given under Note 18 in Chapter 3 of this report.

Research and development activity

The Company made significant progress in the Imeglimin phase III TIMES programme for the treatment of type 2 diabetes in Japan in the first half of 2019. The Company announced positive phase III results for the 24-week TIMES 1 and 16-week TIMES 3 portion of the trial. Phase III data for the 52-week TIMES

2 and 36-week open-label portion of the TIMES 3 trial are expected to be reported in the fourth quarter of 2019.

The Company also made progress in the clinical development of its two drug candidates for the treatment of NASH. A Phase IIa trial for PXL770 was initiated in the first half of 2019. The results are expected in the first half of 2020. The Company also announced positive results of a Phase Ia study for PXL065, which evaluated the administration of incremental single doses. The Company is preparing for a Phase Ib study for PXL065, which will evaluate the administration of incremental multiple doses, and is expected to be initiated in the third quarter of 2019.

Human resources

Over the half-year, the Group continued to strengthen its clinical and administrative teams, to support its development. The average consolidated workforce in the first half of 2019 is 44 employees, compared to 34 employees in the first half of 2018.

Results

The Group reported turnover of €23,169,000 at 30 June 2019 compared with €37,463,000 at 30 June 2018.

R&D costs amounted to €25,742,000 for the first half of 2019, compared with €28,920,000 at 30 June 2018. These costs mainly reflect the Imeglimin TIMES programme for which expenses of €16.6 million were exposed during the half-year.

The research tax credit calculated for the first half of 2019 stands at €1,578,000, compared with €1,478,000 at 30 June 2018.

General overheads were €4,868,000 for the first half of 2019, compared with €3,614,000 at 30 June 2018. This increase reflects the continued efforts to increase the Company's workforce and the associated resources.

The Group had an operating expense of -€5,864,000, compared with an operating income of €6,406,000 at 30 June 2018.

Financial income stood at €71,000 compared with €850,000 at 30 June 2018. It consists primarily of income from investments and currency gains.

Net expense stood at -€5,792,000, compared with a net income of €7,256,000 at 30 June 2018.

Cash

Cash at 30 June 2019 was €49,761,000, compared with €66,737,000 at 31 December 2018. The change in cash is due to:

- operating cash flows of -€11,690,000;
- investment flows of +€282,000;
- funding flows of -€5,568,000;

2.3. Trends and prospects

The financial resources available to the Company at 30 June 2019 means it can continue the development of studies and clinical trials for the Imeglimin, PXL770 and PXL065 programmes.

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

- continue to advance the phase III TIMES programme for Imeglimin in Japan; complete phase III results should be reported in the fourth quarter of 2019,
- continue to advance the phase 2a study for PXL770 with results expected in the first half of 2020. Initiate a PK/PD study in the third quarter of 2019 for this drug candidate with results expected in the fourth quarter of 2019,
- initiate a phase 1b study for PXL065 in the third quarter of 2019 with results expected in the fourth quarter of 2019,
- continue the development of its portfolio of drug candidates. In addition, the Company may source new opportunities externally through continued business development efforts.

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

The Company announced in July 2019 the positive results of a study performed by Metavant, conducted with type 2 diabetic patients presenting stages 3b/4 chronic kidney failure. These results demonstrated that Imeglimin had a favourable tolerance and safety profile and that the pharmacokinetic and pharmacodynamic data were consistent with previous Poxel data.

2.5. Risk factors and transactions between related parties

2.5.1 Risk factors

The risks for the Company are set out in Chapter 4, “Risk factors" of the Company’s 2018 Registration Document. No significant change in the assessment of these risks has been identified by the Company.

2.5.2 Transactions between related parties

Transactions between related parties are the same type as those presented in Chapter 19, “Related party transactions” of the 2018 Registration Document. No significant transactions were entered into with a director or member of the Board of Directors during the first half of 2019.

3. CONDENSED INTERIM FINANCIAL STATEMENTS UNDER IFRS AT 30 JUNE 2019

3.1. Statement of financial position

POXEL Statement of financial situation	Notes	30/06/2019 €K	31/12/2018 €K
ASSETS			
Intangible assets	6	16,578	16,577
Tangible assets	7	1,903	296
Other non-current financial assets	8	207	372
Deferred tax assets	22		
Total non-current assets		18,689	17,246
Trade payables and other accounts	9	12,916	14,262
Other receivables	9	9,721	7,271
Tax asset due	22		
Cash and cash equivalents	10	49,761	66,737
Total current assets		72,398	88,270
Total assets		**91,087**	**105,516**
LIABILITIES			
Equity			
Capital	12	518	517
Issue and contribution premiums	12	128,080	127,996
Translation adjustment reserve	12	-6	-5
Reserves		-71,975	-86,251
Results		-5,792	13,525
Total equity		**50,825**	**55,782**
Non-current liabilities			
Commitments to staff	15	345	279
Non-current financial debts	14	1,549	359
Non-current liabilities		**1,894**	**638**
Current liabilities			
Current financial debts	14	8,807	13,873
Provisions	16		18
Trade payables and other accounts	17.1	21,975	20,742
Tax and social security debts	17.2	1,090	1,129
Liabilities on contract	17.3	6,497	13,334
Current liabilities		**38,368**	**49,096**
Total liabilities		**91,087**	**105,516**

3.2. Income statement

POXEL Statement of comprehensive income	Notes	30/06/2019 €K	30/06/2018 €K
Turnover	18	**23,169**	**37,463**
Research and development expenses			
Research and development expenses	19.1	-25,742	-28,920
Subsidies	19.1	1,578	1,478
General and administrative expenses	19.2	-4,868	-3,614
Operating income		**-5,864**	**6,406**
Financial expenses	21	-26	-15
Financial income	21	116	223
Foreign exchange gains and losses	21	-19	641
Pre-tax income		**-5,792**	**7,256**
Income expense	22		
Net income		**-5,792**	**7,256**

Earnings per share	Notes	30/06/2019	30/06/2018
Weighted average number of shares in circulation		25,896,723	24,087,916
Earnings per share (€/share)	23	**(0.22)**	**0.30**
Diluted earnings per share (€/share)	23	**(0.22)**	**0.28**

3.3. Statement of comprehensive income

POXEL - IFRS Statement of comprehensive income	Notes	30/06/2019 €K	30/06/2018 €K
Income(loss) for the year		-5,792	7,256
Actuarial gains and losses (non-recyclable)	15	-31	-15
Consolidation translation adjustments (recyclable)		-1	5
Tax effects linked to these elements			
Other comprehensive income (net of tax)		-31	-10
Comprehensive income		**-5,824**	**7,246**

3.4. Changes in equity

POXEL Changes in equity	Capital Number of shares	Capital €K	Premiums linked to capital €K	Reserves and income(loss) €K	Other comprehensive income	Equity €K
At 31 December 2017	*23,127,428*	**463**	**106,951**	**-88,021**	**-65**	**19,327**
Net income 30 June 2018				7,256		7,256
Other comprehensive income					-10	-10
Comprehensive income				7,256	-10	7,246
Share issue (1)	*1,439,399*	29	12,158			12,187
Subscription of BSA share subscription warrants			41			41
Share-based payments				956		956
Treasury shares				19		19
Capital increase costs			-15			-15
At 30 June 2018	*24,566,827*	**491**	**119,135**	**-79,790**		**39,761**
At 31 December 2018	*25,856,827*	**517**	**127,996**	**-72,667**	**-65**	**55,782**
Net income 30 June 2019				-5,792		-5,792
Other comprehensive income					-31	-31
Comprehensive income				-5,792	-31	-5,824
Share issue (1)	*24,150*					
Subscription of BSA share subscription warrants	*33,800*	1	84			85
Share-based payments				741		741
Treasury shares				41		41
At 30 June 2019	*25,914,777*	**518**	**128,080**	**-77,677**	**-96**	**50,825**

(1) In 2019, the capital increase corresponds to the definitive award of 24,150 bonus shares and the exercise of BSPCE founder warrants leading to the creation of 33,800 shares at the price of €2.5 per share (see notes 12 and 13).
In 2018, the capital increase corresponds to:
- the equity investment by Roivant, with the creation of 1,431,399 shares at a price of €8.50,
- the exercise of 400 BSPCE founder warrants (giving entitlement to 8,000 shares, at the price of €2.5 per share) by employees.

3.5. Cash flow statement

POXEL - IFRS Cash flow statement	Notes	30/06/2019 €K	30/06/2018 €K
Cash flows generated by operational activities			
Net income		-5,792	7,256
(-) Elimination of amortisation of intangible assets	6	-1	-1
(-) Elimination of depreciation of tangible assets	7	-196	-23
(-) Provisions	15-16	-35	-27
(-) Reversals of provisions	16	18	
(-) Expense related to share-based payments	13	-741	-956
(+) Interest expenses			
(-) Interest income		116	223
(-) Subsidy transferred to profit/loss	14.2	-11	-15
Self-financing capacity before net cost of financial debt and tax		-4,942	8,056
(-) Change in working capital requirement		6,748	-20,732
Cash flows generated by operating activities		-11,690	28,788
Cash flows generated by investment			
Acquisition of intangible assets	6	-3	-5
Acquisition of tangible assets	7	-51	-169
(+) Interests received		130	229
Other investment flows	8	206	-2
Cash flows related to investment activities		282	53
Cash flows linked to financing activities			
Capital increase + issue premium net of fees (1)	12	85	12,172
Subscription of BSA share subscription warrants	12		41
(-) Paid interests		-4	
Debt on Roivant contract	14.4	-5,408	
Repayments of loans and conditional advances	14.1/14.2	-98	-85
Repayment of rental debts	14.3	-143	
Cash flows linked to financing activities		-5,568	12,128
Impact of currency price fluctuations			
Increase (Decrease of cash)		-16,976	40,969
Cash and cash equivalents at beginning of year (including current bank borrowings)		66,737	53,412
Cash and cash equivalents at year end (including current bank borrowings)		49,761	94,381
Increase (Decrease of cash)		-16,976	40,969

(1) In 2019, the capital increase and issue premium net of fees corresponds to the exercise of 1,690 BSPCE founder warrants by employees (+€85,000).
In 2018, this same heading corresponds to the capital increase subscribed by Roivant Sciences (€12,166,892) after deduction of charges incurred in preparing this transaction (€14,678), as well as the exercise of 400 BSPCE warrants by employees (€19,840).

3.6. Detailed analysis of changes in WCR (working capital requirement)

Breakdown of the change in WCR	30/06/2019	30/06/2018
Trade receivables and other accounts (net of depreciations of trade receivables)	-1,346	3,379
Other receivables	2,450	2,143
Trade payables and related accounts	-1,233	-16,177
Tax and social security payables	39	159
Liabilities on contract	6,838	-10,236
Total changes	6,748	-20,732

3.7. Notes to the interim financial statements

Note 1: Presentation of activity and significant events

The attached consolidated financial statements at 30 June 2019 and the related notes, or financial statements, present the Group's activities. Each of these fiscal years cover a period of six months from 1 January to 30 June.

1.1 Information about the Company and its activity

Created in 2009 following a spin-off from Merck Serono, POXEL is a limited company incorporated under French law, with registered office located 259 Avenue Jean Jaurès, 69007 LYON, registered in the Trade and Companies Register of Lyon under number 510 970 817 RCS, hereafter referred to as the **"Company"** or "**the Group"** if its subsidiaries are included) develops innovative molecules for the treatment of metabolic diseases, such as type 2 diabetes and non-alcoholic steatohepatitis (NASH).

Apart from the year of its creation and during the fiscal year ended 31 December 2018, the Company has reported operating losses each year. These losses are the result of internal and external research and development expenses, specifically related to the undertaking of numerous pre-clinical and clinical trials, primarily in connection with the development of Imeglimin. In October 2017, the Company signed an initial strategic partnership agreement with Sumitomo Dainippon Pharma for the development and marketing of Imeglimin, a drug candidate for the treatment of Type 2 diabetes, in Japan, China and eleven other countries in Asia. A second strategic partnership was signed in February 2018 with Roivant Sciences for the development and marketing of Imeglimin in the United States, Europe and other countries not covered by the agreement with Sumitomo Dainippon Pharma. On 30 August 2018 the Company signed a strategic agreement with DeuteRx for the acquisition of PXL065, a drug candidate in clinical development for the treatment of NASH, as well as other programmes for the treatment of metabolic, specialty and rare diseases.

The Company's future development depends on a combination of several factors, which include (i) the success of its research and development operations, (ii) the continuation of the partnership agreements entered into by the Company, (iii) obtaining the statutory authorisations and acceptance by the market of future products to be offered by the Company, (iv) obtaining the necessary financing and (v) the development of competing products by other companies. Consequently, the Company may, in the short/medium term, fund its operations through new partnerships for the development and marketing of its drug candidates and the issue of new equity instruments.

1.2 Cut-off date

The financial statements were prepared under the responsibility of the Company's Management and were adopted and authorised for publication by the Board of Directors' meeting of 26 August 2019.

Note 2: Principles for preparing the accounts and statement of compliance

The unaudited interim condensed consolidated financial statements as at 30 June 2019 and for the six months ended 30 June 2018 and 2019 as well as the attached notes (the "unaudited interim condensed consolidated financial statements") were drawn up under the responsibility of the Company's Management in accordance with the predicate assumptions of going concern, with the Company's loss-making situation explained by the innovative nature of the developed products, involving a research and development phase over several years.

The unaudited interim condensed consolidated financial statements were prepared in accordance with IAS 34, interim financial information, published by the International Accounting Standards Board ("IASB").

The general accounting standards were applied in accordance with the underlying assumptions, namely (i) going concern principle, (ii) comparability principle implying the consistency of accounting methods from one fiscal year to another (iii) time period and matching principles and in accordance with the general rules governing the preparation and presentation of consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements do not include all the required disclosures for the annual financial statements and must therefore be read together with the consolidated financial statements for the financial year ended 31 December 2018.

The results of transactions for the six-month period ended 30 June 2019 are not necessarily indicative of the results expected for the financial year ended 31 December 2019 or for any other interim period or any future year.

With the exception of the number of shares and amounts per share, all amounts are expressed in thousands of euros, unless otherwise indicated. Some amounts may be rounded up for the calculation of the financial information contained in the unaudited interim condensed consolidated financial statements. Consequently, the totals found in some tables may not correspond to the exact amount of the previous figures.

Accounting methods

The condensed consolidated financial statements were prepared by applying the same methods and accounting methods as those applied by the Group at 31 December 2018, with the exception of the adoption of the following specific accounting principles, applicable at 1 January 2019:

- IFRS 16 – Leases
- IFRIC 23 – Uncertainty over Income Tax Treatments,
- Amendments to IAS 28 - Long-term interests in Associates and Joint Ventures,
- Amendments to IAS 19 - Employee benefits,
- Annual improvements to the cycle of IFRS 2015-2017 standards,
- Amendments to IFRS 9 – Financial Instruments.

The changes had no impact on the interim condensed consolidated financial statements, with the exception of IFRS 16.

IFRS 16 was published in January 2016. It replaces IAS 17, Leases, IFRIC 4 "Determining whether an agreement contains a lease", SIC-15 "Operating leases-incentives" and SIC-27 "Evaluating the substance of transactions in the legal form of a lease". IFRS 16 states the principles for recognising, evaluating, and presenting information applicable to leases and requires lessors to recognise all leases according to a unique model on the balance sheet similar to the recognition of finance leases according to IAS 17. The standard includes two recognition exemptions for tenants (leases for "low value" assets and short-term leases, under 12 months). At the date of entry into force of a lease, the lessor records a liability for lease payments (in other words the rental liability) and an asset representing the right to use the underlying assets during the term of the lease (in other words the asset with a right of use). Lessors are required to record interests payable as a lease liability on a separate line and amortisation expense as an asset linked to the right of use. Changes to the presentation of operating lease expenses lead to a corresponding increase in cash flows from operating activities and a decrease in cash flows from financing activates.

According to the new standard, the Group has determined the term of the lease, including the option of extension or termination agreed by the lessor. These options were assessed at the start of a lease and required judgement from Management. The evaluation of the liability pursuant to the rental at the current value of rental payments is still required by using an appropriate discount rate in accordance with IFRS 16. The discount rate corresponds to the interest rate implied in the lease or, if it can be determined, the additional borrowing rate on the date of the start of the lease. The additional borrowing rate can significantly impact the net current value of the asset linked to the right to use and the liability under the recognised leases, a situation that requires judgement.

Tenants re-evaluate the liability of the lease at the occurrence of certain events (for example, change of lease term, change of future lease payments resulting from a change of index or of the rate used to determine such payments). The lessor generally recognises the amount of the revaluation of the lease liability as adjustment of the asset linked to the right of use.

Transition to IFRS 16

The Group has decided to adopt IFRS 16 by applying the simplified retrospective method to contracts previously recognised as leases. Consequently, leases are no longer recognised in the balance sheet as at 1 January 2019 and the comparative information is no longer restated.

These liabilities are evaluated at the current value of the remaining rental payments, discounted by using the lessor's marginal borrowing rate at 1 January 2019. The asset linked to right of use is measured at an amount equal to the rental liability, adjusted for the amount of any advance payments or accrued in relation to this lease recorded in the statement of financial position immediately before the date of first application.

In accordance with IFRS 16, the company applies the following principles:

- Application of a single discount rate to assets with similar characteristics; and
- Use of the exemption proposed by the standard on leases for which the terms of the lease expire within 12 months from the transition date.

The Company excludes the initial direct costs of the asset evaluation linked to the right of use on the date of the initial request.

This standard requires lessors to recognise, for all eligible lease agreements, all remaining lease payments in the form of:

- On the asset side, a right of use, as a tangible asset;

- On the liability side, as a debt linked to leases, recognised as a financial liability.

The application of this standard as of 1 January 2019 led to an increase in the Company's financial liability of €1,709,000 and an increase in property, plant and equipment of €1,709,000 (see note 6). The weighted average marginal borrowing rate applied by the Company to the liabilities linked to leases, recognised in the consolidated financial statements at 1 January 2019 was 2.5%.

The reconciliation between liabilities under leases recognised at 1 January 2019 and the commitments under non-cancellable leases disclosed at 31 December 2018 is broken down as follows:

Amounts in €K	
Off-balance sheet commitments relating to leases at 31 December 2018	**1,042**
Exemption	- 14
Difference of term *	859
Discount	- 162
Other	- 16
Debt under leases at 1 January 2019	**1,709**

* For off-balance sheet commitments at 31 December 2018, the commitment relating to commercial leases were retained for the period going from the last renewal date while in the context of IFRS 16, the retained period extends until the end of the nine-year period. The table below presents the interim consolidated income statements as if IAS 17 were still applied, with respect to the same statement after the application of IFRS 16.

		At 30 June 2019	
Amounts in €K	**As reported**	**Impact of IFRS 16**	**Without IFRS 16**
Turnover	**23,169**		**23,169**
Research and development expenses	-25,742		-25,742
Subsidies	1,578		1,578
General and administrative expenses	-4,868	2	-4,866
Operating income	-5,864	2	-5,862
Financial expenses	-26	15	-11
Financial income	116		116
Foreign exchange gains and losses	-19	14	-5
Pre-tax income (loss)	**-5,792**	**31**	**-5,761**
Income expense			
Pre-tax income (loss)	**-5,792**	**31**	**-5,761**

IFRS 16 has an impact on the consolidated statements of interim consolidated cash flows for the half-year ended 30 June 2019.

Amounts in €K	As reported	At 30 June 2019 Impact of IFRS 16	Without IFRS 16
Cash flows generated by operating activities	-11,690	-143	-11,833
Cash flows generated by investment	282		282
Cash flows generated by funding activities	-5,568	143	-5,425
Increase (Decrease of cash)	-16,976		-16,976
Cash at beginning of year	66,737		66,737
Cash at year end	49,761		49,761
Increase (Decrease of cash)	-16,976		-16,976

2.2 Use of judgements and estimates

When preparing the financial statements in accordance with IFRS, estimates, judgements and assumptions have been made by the Company's management; they were able to allocate the amounts reported in respect of assets and liabilities, contingent liabilities on the preparation date of the financial statements, and amounts reported in respect of income and expenses for the year.

These estimates are based on the going concern assumption, and on information available at the time they are made. They are continuously assessed on the basis of past experience, and various other factors considered reasonable, which form the basis of the assessments of the book value of assets and liabilities. Estimates may be reviewed if the circumstances on which they were based change, or in the light of new information. Actual results may differ materially from such estimates according to different assumptions or conditions.

When preparing these interim financial statements, the main judgements made by senior management, along with the main assumptions used, were identical to those applied when preparing the financial statements for the year ended 31 December 2018.

2.3 Change in accounting methods

The Group applies IFRS 16 "Leases" since 1 January 2019. With the exception of the new text identified above, the Company made no other change in accounting policies compared to the financial year ended 31 December 2018.

Note 3: Scope of consolidation

The consolidated financial statements include, by way of full consolidation, the financial statements of those subsidiaries over which the Group has exclusive control, whether directly or indirectly. The Group considers that it has exclusive control over an entity when it has the ability to steer the entity's operational and financial policies in order to obtain economic benefit.

After elimination of internal results and transactions, full consolidation allows account to be taken of all the assets, liabilities and income statement items of the Companies concerned, where the share of income and shareholders' equity accruing to Group companies (Group share) is separate from that relating to the interests of other shareholders (non-controlling interests). All material transactions between the consolidated companies and the internal income of the consolidated entity (including dividends) are eliminated.

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

On the publication date of these financial statements, the Company wholly owned two subsidiaries which are fully consolidated;

		Consolidation method		% of control / interest	
Company	**Country**	**31 December 2018**	**30 June 2019**	**31 December 2018**	**30 June 2019**
POXEL S.A.	France	Consolidating company		Consolidating company	
POXEL JAPAN	Japan	FC	FC	100%	100%
POXEL INC	USA	NA	FC	NA	100%

Note 4: Highlights

4.1: Highlights of the first half of 2019

Capital increases

On 24 January 2019, the Company recorded the definitive award of 24,150 bonus shares, representing a capital increase of €483 taken from the reserves.

On 21 March 2019, an employee exercised 1,690 BSPCE corresponding to 33,800 ordinary shares, at a strike price of €2.5, representing a capital increase of €676 together with a share premium of €83,824.

The share capital thus stands at €518,295.84 at 30 June 2019, divided into 25,914,777 shares, each with a par value of €0.02.

Creation of a subsidiary in the United States

On 2 January 2019, the Company created a subsidiary in the United States ("POXEL Inc"), domiciled in Burlington, Massachusetts. This subsidiary is wholly owned by Poxel SA. It has total capital of 1 dollar.

4.2: Post-balance-sheet date events

None.

Note 5: Sector-specific information

The Group operates in a single segment: the development of innovative molecules for the treatment of metabolic diseases, including Type 2 diabetes and non-alcoholic steatohepatitis (NASH).

Poxel SA owns a subsidiary in Japan since 2018 as well as a subsidiary in the United States since 2019, which had no significant activity to report at the balance sheet date. Most of the assets and operating results presented are located in France. The Group's performance is now evaluated at consolidated level.

In 2019, 99% of the Group's revenues came from Sumitomo Dainippon Pharma.

In 2018, the Group's revenues came from two clients: 78% from Sumitomo Dainippon Pharma and 22% from Roivant Science GMBH.

Note 6: Intangible assets

GROSS VALUES OF INTANGIBLE ASSETS (Amounts in €K)	Software	Products portfolio	Total
Statement of financial position at 31 December 2017	**2**		**2**
Capitalisation of development costs			
Acquisition	5		**5**
Disposal			
Transfer			
Statement of financial position at 30 June 2018	**7**		**7**
Statement of financial position at 31 December 2018	**9**	**16,572**	**16,580**
Capitalisation of development costs			
Acquisition	3		**3**
Disposal			
Transfer			
Statement of financial position at 30 June 2019	**11**	**16,572**	**16,583**
DEPRECIATION AND AMORTISATION			
Statement of financial position at 31 December 2017	**2**		**2**
Increase	1		**1**
Decrease			
Statement of financial position at 30 June 2018	**3**		**3**
Statement of financial position at 31 December 2018	**4**		**4**
Increase	1		**1**
Decrease			
Statement of financial position at 30 June 2019	**5**		**5**
NET BOOK VALUES			
At 31 December 2018	**5**	**16,572**	**16,577**
At 30 June 2019	**6**	**16,572**	**16,578**

Due to the risks and uncertainties related to the research and development process, the six intangible asset criteria are not deemed to have been met for any of the development projects in progress. Accordingly, all costs incurred by the Company are recognised as expenses.

Note 7: Tangible assets

GROSS VALUES OF TANGIBLE ASSETS (Amounts in €K)	Premises	Fixtures & Fittings	IT equipment	Furniture and other	Total	Including rights of use
Statement of financial position at 31 December 2017		**111**	**92**	**51**	**254**	
Acquisition		113	24	33	169	
Disposal/scrapping						
Transfer						
Statement of financial position at 30 June 2018		**224**	**115**	**84**	**423**	
Statement of financial position at 31 December 2018		**239**	**125**	**103**	**467**	
First application of IFRS 16	1,698	3		8	1,709	1,709
Acquisition	43	13	10	28	94	43
Disposal/scrapping						
Transfer						
Statement of financial position at 30 June 2019	**1,741**	**254**	**135**	**139**	**2,269**	**1,752**

DEPRECIATION AND AMORTISATION	Premises	Fixtures & Fittings	IT equipment	Furniture and other	Total	Including rights of use
Statement of financial position at 31 December 2017		**27**	**53**	**31**	**111**	
Increase		7	16		23	
Decrease						
Statement of financial position at 30 June 2018		**34**	**70**	**31**	**134**	
Statement of financial position at 31 December 2018		**47**	**81**	**43**	**170**	
Increase	159	14	22	1	196	159
Decrease						
Statement of financial position at 30 June 2019	**159**	**61**	**102**	**44**	**366**	**159**

NET BOOK VALUES	Premises	Fixtures & Fittings	IT equipment	Furniture and other	Total	Including rights of use
At 31 December 2018		**192**	**44**	**60**	**296**	
At 30 June 2019	**1,581**	**193**	**33**	**96**	**1,903**	**1,592**

There was no recognition of impairment losses pursuant to the IAS 36 standard.

Note 8: Other non-current financial assets

Non-current financial assets consist of the following:

OTHER NON-CURRENT FINANCIAL ASSETS (Amounts in €K)	30/06/2019	31/12/2018
Liquidity contract cash portion	119	78
Deposits relating to operating leases	88	93
Other deposits		201
Total	**207**	**372**

Note 9: Trade and other receivables

Trade receivables (€12,916,000) are made up of €12,760,000 for the re-invoicing to Sumitomo Dainippon Pharma of research costs incurred as part of the Phase 3 programme for Imeglimin in Japan, which are adjusted on an ongoing basis as project costs are incurred.

The other receivables are broken down as follows:

OTHER RECEIVABLES (Amounts in €K)	30/06/2019	31/12/2018
Research tax credit	5,117	3,539
Value added tax	546	937
Supplier liabilities	2,243	1,219
Pre-paid expenses	1,309	1,081
Other tax receivable	382	382
Receivable credit	77	81
Other	46	32
Total other receivables	**9,721**	**7,271**

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

At 30 June 2019, the receivable was estimated on the basis of the research expenses incurred on that date and eligible for research tax credit.

Prepaid expenses relate to current expenses.

Note 10: Cash and cash equivalents

The cash and cash equivalents item is broken down as follows:

CASH AND CASH EQUIVALENTS (Amounts in €K)	30/06/2019	31/12/2018
Bank accounts	19,949	7,292
Term deposits	29,812	59,445
Total cash and cash equivalents	**49,761**	**66,737**

Cash and cash equivalents net of financial debts (see note 14) amounted to €39,405,000 at 30 June 2019 and €52,506,000 at 31 December 2018

Note 11: Financial assets and liabilities and effects on income

The Company's assets and liabilities are valued as follows at 31 December 2018 and at 30 June 2019:

(Amounts in €K)	30/06/2019		Value - statement of financial position under IFRS 9		
Balance sheet items	**Value Statement of financial position**	**Fair value (3)**	**Fair value through profit or loss**	**Loans and receivables (2)**	**Debts at amortised cost (1)**
Non-current financial assets	207	207		207	
Trade receivables and related accounts	12,916	12,916		12,916	
Other receivables	9,721	9,721		9,721	
Cash and cash equivalents	49,761	49,761	49,761		
Total assets	**72,605**	**72,605**	**49,761**	**22,844**	
Current financial debts	8,807	8,807			8,807
Non-current financial debts	1,549	1,549			1,549
Trade payables and related accounts	21,975	21,975			21,975
Total liabilities	**32,330**	**32,330**			**32,330**

(Amounts in €K)	31/12/2018		Value - statement of financial position under IFRS 9		
Balance sheet items	**Value Statement of financial position**	**Fair value (3)**	**Fair value through profit or loss**	**Loans and receivables (2)**	**Debts at amortised cost (1)**
Non-current financial assets	372	372		372	
Trade receivables and related accounts	14,262	14,262		14,262	
Other receivables	7,271	7,271		7,271	
Cash and cash equivalents	66,737	66,737	66,737		
Total assets	**88,643**	**88,643**	**66,737**	**21,906**	
Current financial debts	13,873	13,873			13,873
Non-current financial debts	359	359			359
Trade payables and related accounts	20,742	20,742			20,742
Total liabilities	**34,973**	**34,973**			**34,973**

(1) The book value of debts at amortised cost was considered a reasonable estimate of fair value.

(2) The fair value of loans and receivables corresponds to the value shown in the balance sheet (value at the transaction date, subject to impairment test at each closing).

(3) The fair value of financial assets recognised at fair value through the income statement (such as the SICAV) is determined on the basis of the level 1 valuation of the fair value and corresponds to a market value.

Note 12: Capital

Capital issued

The capital stands at €518,295.54 divided into 25,914,777 ordinary shares, each fully paid-up and with a par value of €0.02 after recognition of capital transactions carried out in the first half of 2019.

In 2018, the different transactions that had an impact on the capital are presented in Note 4.1.

Table of changes in share capital

Date	Nature of operations	Number of shares constituting the capital	Capital movement in €K	Issue premium in €K
	At 31 December 2018	**25,856,827**	**517**	**127,996**
January 2019	Capital increase costs	24,150		
March 2019	BSA/BSPCE subscriptions	33,800	1	84
	At 30 June 2019	**25,914,777**	**518**	**128,080**

Distribution of dividends

The company did not distribute any dividends in the first half of 2019.

Note 13: Share subscription warrants, stock options and Founder warrants

Share subscription warrants ("BSA")

The table below summarises the data relating to plans for stock options issued, along with the assumptions used for their valuation under IFRS2:

							Adopted assumptions - calculation of fair value under IFRS 2							
Type	**Number of issued warrants**	**Number of expired options**	**Number of exercised options**	**Number of options outstanding**	**Maximum number of shares to be issued***		**Underlying fair value***	**Fair value of the warrant***	**Maturity**	**Strike price in***	**Exercise period**	**Volatility**	**Risk-free rate**	**Total valuation IFRS2 (Black&Scholes) inK**
Directors' BSA	4,500	0	4,500	0	0		€3.33	€1.50	5 years	€3.33	10 years	45%	3.5%	135
BSA 31/10/2012	2,500	0	0	2,500	50,000		€4.23	€2.04	5 years	€4.00	10 years	52%	2.2%	72
BSA 31/10/2012	2,500	0	0	2,500	50,000		€8.00	€5.16	4.5 years	€4.00	10 years	55%	1.8%	228
BSA 25-07-2014	42,500	0	0	42,500	42,500		€8.20	€5.16	6 years	€4.00	10 years	57%	0.0%	219
BSA 16-06-2015	42,500	0	0	42,500	42,500		€13.57	€6.77	6 years	€9.37	10 years	57%	0.0%	288
BSA 16-06-2015	240,000	0	0	240,000	240,000		€13.57	€6.46	6 years	€9.62	10 years	57%	0.1%	1,551
BSA 29-01-2016	42,500	0	0	42,500	42,500		€9.07	€2.84	6 years	€9.05	10 years	53%	0.2%	121
BSA 29-01-2016	42,500	0	0	42,500	42,500		€9.07	€2.84	6 years	€9.05	10 years	53%	0.2%	121
BSA 29-01-2016	42,500	0	0	42,500	42,500		€12.23	€5.19	6 years	€9.26	10 years	53%	0.0%	220
BSA 27-01-2017	62,500	0	0	62,500	62,500		€6.76	€2.66	5.5 years	€7.17	10 years	53%	0.0%	166
BSA 30-06-2017	25,000	0	0	25,000	25,000		€6.61	€2.64	5.5 years	€6.90	10 years	53%	0.0%	66
BSA 2018	90,000	0	0	90,000	90,000	#	€6.74	€2.84	5.5 years	€6.60	10 years	53%	0.1%	256
BSA 2019	120,000	0	0	120,000	120,000	#	€5.16	€0.00	6 years	€5.16	10 years	53%	0.0%	
	759,500	**0**	**4,500**	**755,000**	**850,000**									

* After dividing the par value by 20

Those warrants issued prior to the division of the par value by 20, effective in March 2014, are convertible into 20 ordinary shares. Consequently, the fair value of the underlying asset, the fair value of the warrant and the exercise price were adjusted in order to take this into account.

The exercise price for grants made after the IPO is based on the average share price over the 20 days preceding the grant.

The exercise rights for each plan vest as follows:

- The exercise rights for "Directors' Warrants" vest annually by one-third on each grant anniversary date.
- The exercise rights for "BSA 31/10/2012" vest immediately on the date on which they are granted by the General Meeting of Shareholders.
- The exercise rights for "BSA 25/07/2014" vest annually by one-third on each grant anniversary date.
- Exercise rights for warrants issued in 2016 vest one year after the grant date.
- In 2017:
    - The exercise rights for the warrants issued in January 2017 vest by one third on the first anniversary date of the grant.
    - The exercise rights for the warrants issued in June 2017 vest in full on the first anniversary date of the grant.
- The exercise rights for the warrants issued in January 2018 and 2019 vest in full on the first anniversary date of the grant.

The exercise of the warrants issued is not subject to a performance condition. However, it is subject to a continued employment condition.

These plans are known as "equity settled". The Company has no commitment to redeem these instruments with employees should said employees leave, or should a particular event not occur.

Stock options

The table below summarises the data relating to plans for stock options issued, along with the assumptions used for their valuation under IFRS2:

Award date	Type	Number of issued stock options	Number of expired options	Number of exercised options	Number of options outstanding	Maximum number of shares to be issued
BOD of 31 March 2016	Stock options	80,000	0	0	80,000	80,000
BOD of 23 November 2016	Stock options	150,000	0	0	150,000	150,000
BOD of 27 January 2017	Stock options	12,500	0	0	12,500	12,500
BOD of 27 January 2017	Stock options	185,000	0	0	185,000	185,000
BOD of 30 June 2017	Stock options	97,500	5,000	0	92,500	92,500
BOD of 25 January 2018	Stock options	215,000	7,500	0	207,500	207,500
BOD of 27 September 2018	Stock Options 2018-2	130,000	0	0	130,000	130,000
BOD of 24 January 2019	Stock options	40,000	0	0	40,000	40,000
At 30 June 2019		**910,000**	**12,500**	**0**	**897,500**	**897,500**

Adopted assumptions - calculation of fair value under IFRS 2							
Underlying fair value	Fair value of the warrant	Maturity	Strike price in €	Exercise period	Volatility	Risk-free rate	Total valuation IFRS2 (Black&Scholes) in €K
€12.55	€5.88	5.5 years	€12.55	10 years	53%	0.0%	471
€6.47	€3.15	6 years	€6.47	10 years	53%	0.0%	472
€6.76	€3.15	5.5 years	€6.76	10 years	53%	0.0%	39
€6.76	€3.27	6 years	€6.76	10 years	53%	0.0%	605
€6.61	€3.20	6 years	€6.61	10 years	53%	0.0%	312
€6.74	€3.27	6 years	€6.79	10 years	53%	0.2%	679
€6.82	€3.31	6 years	€6.82	10 years	53%	0.1%	430
€5.16	€2.50	5.5 years	€5.16	10 years	53%	0.0%	100

Exercise rights for stock options vest:

- annually by one-third for stock options granted in 2016;
- for stock options granted in 2017:
    - one year after the grant date for the 12,500 stock options granted by the Board of Directors on 27 January;

  - annually by one-third for the 185,000 stock options granted by the Board of Directors on 27 January;
  - annually by one-third for the 97,500 stock options granted by the Board of Directors on 30 June (given the award date, no expense has been recognised in this half-year in this respect);
- annually by one-third for stock options granted in 2018;
- on the first anniversary date of the award for the stock options awarded by the Board of Directors in January 2019.

The exercise of the warrants issued is not subject to a performance condition. However, it is subject to a continued employment condition.

These plans are known as “equity settled”. The Company has no commitment to redeem these instruments with employees should said employees leave, or should a particular event not occur.

Furthermore, the Board of Directors of 20 June 2019 decided to issue 225,000 stock options for employees, with an exercise price of €7.04. At 30 June 2019, these employees were not yet informed of the terms and conditions of the award. These stock options are therefore not considered as awarded on the closing date and are not included in the expense for share-based payments at 30 June 2019.

Founder warrants (“BSPCE” or “BCE”)

The table below summarises the data relating to plans for stock options issued, along with the assumptions used for their valuation under IFRS2:

							Adopted assumptions - calculation of fair value under IFRS 2							
Award date	**Type**	**Number of issued warrants**	**Number of expired options**	**Number of exercised options**	**Number of options outstanding**	**Maximum number of shares to be issued***	**Underlying fair value***	**Fair value of the warrant***	**Maturity**	**Strike price in €***	**Exercise period**	**Volatility**	**Risk-free rate**	**Total valuation IFRS2 (Black&Scholes) in €K**
BOD of 20 June 2010	BCE 10-06-2010-1	5,000	2,750	560	0	0	€3.33	€1.77	5 years	€2.50	10 years	45%	3.5%	177
BOD of 17 December 2010	BCE 10-06-2010-2	3,000	0	3,000	0	0	€3.33	€1.72	4.5 years	€2.50	10 years	45%	3.73%	103
BOD of 20 September 2011	BCE 10-06-2010-2	1,500	0		1,500	30,000	€3.74	€2.00	3.5 years	€2.50	10 years	50%	4.0%	60
BOD of 12 March 2014	BCE 31-10-2012	5,000	0	2,300	2,700	54,000	€8.00	€5.58	4.5 years	€3.20	10 years	55%	1.80%	558
BOD of 29 July 2016	BSPCE 29-07-2016	45,000	45,000		0	0	€7.53	€3.30	5.5 years	€8.45	10 years	53%	0.00%	99
BOD of 31 March 2017	BSPCE 31-03-2017	100,000	0	0	100,000	100,000	€6.76	€2.63	6 years	€5.91	10 years	53%	0.00%	263
BOD of 30 June 2017	BSPCE 2017-2	177,500	15,000	0	162,500	162,500	€6.61	€3.04	6 years	€7.26	10 years	53%	0.00%	532
BOD of 21 September 2017	BSPCE 2017-3	15,000	0	0	15,000	15,000	€5.76	€2.72	6 years	€6.01	10 years	53%	0.0%	41
At 30 June 2019		**352,000**	**62,750**	**5,860**	**281,700**	**361,500**								

* After dividing the par value by 20

Those warrants issued prior to the division of the par value by 20, effective in March 2014, are convertible into 20 ordinary shares. Consequently, the fair value of the underlying asset, the fair value of the warrant and the exercise price were adjusted in order to take this into account.

The exercise price for grants made after the IPO is based on the average share price over the 20 days preceding the grant.

The exercise rights for all the BSPCE warrants vest annually by one-third on each grant anniversary date.

Exercise of the warrants is not subject to a performance condition. However, it is subject to a continued employment condition.

These plans are known as "equity settled". The Company has no commitment to redeem these instruments with employees should said employees leave, or should a particular event not occur.

Bonus shares

Award date	Type	Number of issued bonus shares	Number of expired bonus shares	Number of definitively granted bonus shares	Number of bonus shares in circulation	Maximum number of shares to be issued
BOD of 25 January 2018	Bonus shares	126,500	22,516	24,150	79,834	79,834
BOD of 24 January 2019	Bonus shares	240,000	0	0	240,000	240,000
At 30 June 2019		**366,500**	**22,516**	**24,150**	**319,834**	**319,834**

The Board of Directors' meetings of 25 January 2018 and 24 January 2019 granted 126,500 and 240,000 bonus shares respectively to employees.

For the 2018 plan, the final award of bonus shares is made annually, by one third on each anniversary date of the award. For the 2019 plan, the final bonus share award is made on the second anniversary date of the award for tranches 1 and 2 and on the third anniversary of the award for tranche 3.

For these two plans, each annual tranche is subject to one presence condition and to three performance conditions, the achievement of each of which grants entitlement to one-third of the annual tranche:

- two annual performance conditions not related to market conditions, such that the total number of shares granted will depend on the level of achievement of the conditions for 2018, 2019 and 2020 (25 January 2018 plan) and 2019, 2020 and 2021 (24 January 2019 plan). For each of these conditions, the likelihood of achieving the objective is estimated by management. To determine the expense recognised at 30 June 2018 and 2019, the number of free shares that the Company expects to award was defined on the basis of an estimate by management.
- an annual performance condition linked to market conditions, and reflected in the assessment of fair value.

The Board meeting of 24 January 2019 amended the performance conditions attached to 2019 and 2020 of the 2018 plan, aligning them on the conditions of the 2019 plan. In accordance with IFRS 2.27 B43, as this amendment increases the fair value of awarded equity instruments, its effects lead to the recognition of marginal fair value, equal to the difference between the fair value of the amended equity and the fair value of the original equity instrument, both measured on the amendment date of the transaction.

For the two plans, the fair value of options subject to the market-linked condition was determined using the Monte Carlo model. The modalities of the assessment used in estimating the fair value of the options are specified below:

- the share price used is equal to the share price on the grant date;
- the risk-free rate is determined using the average life of the instruments;
- volatility was determined using a sample of listed companies in the biotechnology sector, on the instrument subscription date, and over a period equivalent to the life of the option.

These plans are known as "equity settled". The Company has no commitment to redeem these instruments with employees should said employees leave, or should a particular event not occur.

Furthermore, the Board of Directors' meeting of 20 June 2019 decided on the issue of 3,600 bonus shares in favour of employees, subject themselves to conditions such as those awarded on 24 January 2019. At 30 June 2019, these employees were not yet informed of the terms and conditions of the award. These bonus shares are therefore not considered as awarded on the closing date and are not included in the expense for share-based payments at 30 June 2019.

Details of the expense recognised in accordance with IFRS 2 at 30 June 2018 and 2019:

Type	Grant date	Number of options outstanding	Plan cost under IFRS 2	Cumulative expense at 01/01/2018	Expense at 30 June 2018	Cumulative expense at 30 June 2018	Expense at 30 June 2019	Cumulative expense at 30 June 2019
Directors' BSA	BOD of 5 July 2010	0	135	135		135		135
BSA 31/10/2012	BOD of 20 February 2013	2,500	72	72		72		72
BSA 31/10/2012	BOD of 12 March 2014	2,500	228	228		228		228
BSA 25-07-2014	BOD of 08 January 2015	42,500	219	219		219		219
BSA 16-06-2015	BOD of 29 April 2015	42,500	288	273	15	288		288
BSA 16-06-2015	BOD of 07 May 2015	240,000	1,551	1,551		1,551		1,551
BSA 29-01-2016	BOD of 29 January 2016	42,500	121	105	8	113	1	121
BSA 29-01-2016	BOD of 29 January 2016	42,500	121	105	8	113	1	121
BSA 29-01-2016	BOD of 31 March 2016	42,500	220	181	21	202	6	220
BSA 27-01-2017	BOD of 27 January 2017	62,500	166	154	12	166		166
BSA 30-06-2017	BOD of 30 June 2017	25,000	66	33	33	66		66
BSA 2018	BOD of 25 January 2018	90,000	256		107	107	20	256
BSA 2019	BOD of 24 January 2019	120,000						
Total - BSA		**755,000**	**3,443**	**3,056**	**205**	**3,261**	**28**	**3,443**

Type	Grant date	Number of options outstanding	Plan cost under IFRS 2	Cumulative expense at 01/01/2018	Expense at 30 June 2018	Cumulative expense at 30 June 2018	Expense at 30 June 2019	Cumulative expense at 30 June 2019
BCE 10-06-2010-1	BOD of 20 June 2010	0	177	177		177		177
BCE 10-06-2010-2	BOD of 17 December 2010	0	103	103		103		103
BCE 10-06-2010-2	BOD of 20 September 2011	1,500	60	60		60		60
BCE 31-10-2012	BOD of 12 March 2014	2,700	558	558		558		558
BSPCE 29-07-2016	BOD of 29 July 2016	0	99	134	-35	99		99
BSPCE 31-03-2017	BOD of 31 March 2017	100,000	263	122	58	180	25	241
BSPCE 2017-2	BOD of 30 June 2017	162,500	532	161	160	320	73	466
BSPCE 2017-3	BOD of 21 September 2017	15,000	41	7	12	19	6	34
Total - BSPCE		**281,700**	**1,832**	**1,321**	**195**	**1,516**	**104**	**1,738**

Type	Grant date	Number of options outstanding	Plan cost under IFRS 2	Cumulative expense at 01/01/2018	Expense at 30 June 2018	Cumulative expense at 30 June 2018	Expense at 30 June 2019	Cumulative expense at 30 June 2019
Stock options	BOD of 31 March 2016	80,000	471	451	19	471		471
Stock options	BOD of 23 November 2016	150,000	472	302	66	368	26	451
Stock options	BOD of 27 January 2017	12,500	39	36	3	39		39
Stock options	BOD of 27 January 2017	185,000	605	342	99	441	41	566
Stock options	BOD of 30 June 2017	92,500	312	96	95	191	43	277
Stock options	BOD of 25 January 2018	207,500	679		174	174	112	495
Stock options	BOD of 27 September 2018	130,000	430				130	199
Stock options	BOD of 24 January 2019	40,000	100				41	41
Total - Stock Options		**897,500**	**3,108**	**1,228**	**456**	**1,684**	**393**	**2,540**

Type	Grant date	Number of options outstanding	Plan cost under IFRS 2	Cumulative expense at 01/01/2018	Expense at 30 June 2018	Cumulative expense at 30 June 2018	Expense at 30 June 2019	Cumulative expense at 30 June 2019
Bonus shares	BOD of 25 January 2018	79,834	520		101	101	87	378
Bonus shares	BOD of 24 January 2019	240,000	693				129	129
Total - Bonus shares		**319,834**	**1,213**		**101**	**101**	**216**	**507**

	Number of options outstanding	Plan cost under IFRS 2	Cumulative expense at 01/01/2018	Expense at 30 June 2018	Cumulative expense at 30 June 2018	Expense at 30 June 2019	Cumulative expense at 30 June 2019
Grand total	**2,254,034**	**9,596**	**5,605**	**956**	**6,562**	**741**	**8,228**

At closing on 30 June 2019, total expense linked to the BSA warrants, BSPCE warrants, stock-options and bonus shares amount to €741,000 (of which €358,000 in research and development expenses and €384,000 in general and administrative expenses).

Note 14: Borrowing and financial debts

CURRENT AND NON-CURRENT FINANCIAL DEBTS (Amounts in €K)	**30/06/2019**	**31/12/2018**
Repayable advances	215	359
Debt on leases	1,335	
Non-current financial debts	**1,549**	**359**
Repayable advance	275	218
Debt on leases	289	
Roivant contract	8,238	13,646
Bank charges	5	8
Current financial debts	**8,807**	**13,873**
Total financial debts	**10,356**	**14,231**

Breakdown of financial debts by due date

The due dates for financial debts break down as follows over the periods shown:

CURRENT AND NON-CURRENT FINANCIAL DEBTS (Amounts in €K)	30/06/2019			
	Gross amount	Portion less than one year	1 to 5 years	Over 5 years
Repayable advances	490	275	215	
Debt on leases	1,623	289	1,075	259
Roivant contract	8,238	8,238		
Bank charges	5	5		
Total financial debts	**10,356**	**8,807**	**1,290**	**259**

CURRENT AND NON-CURRENT FINANCIAL DEBTS (Amounts in €K)	31/12/2018			
	Gross amount	Portion less than one year	1 to 5 years	Over 5 years
Repayable advances	577	218	359	
Roivant contract	13,646	13,646		
Bank charges	8	8		
Total financial debts	**14,231**	**13,873**	**359**	

14.1 Debts to credit institutions

During the first half of 2019, the Company did not take out any loans with credit institutions.

14.2 Repayable advances and subsidies

The table below shows the change in repayable advance:

(Amounts in €K)	PXL770	Imeglimin (New formulation)	Total
At 31 December 2017	**43**	**692**	**736**
(+) Receipt			
(-) Repayment	-40	-45	-85
Subsidies			
Financial expenses	2	13	15
(+/-) Other movements			
At 30 June 2018	**5**	**660**	**666**

At 31 December 2018		**577**	**577**
(+) Receipt			
(-) Repayment		-98	-98
Subsidies			
Financial expenses		11	11
(+/-) Other movements			
At 30 June 2019		**490**	**490**

Breakdown of repayable advances and subsidies by due date

(Amounts in €K)	PXL770	Imeglimin (New formulation)	Total
At 30 June 2019		**490**	**490**
Portion less than one year		275	275
Portion from 1 to 5 years		215	215
Portion over 5 years			

(Amounts in €K)	PXL770	Imeglimin (New formulation)	Total
At 31 December 2018		**577**	**577**
Portion less than one year		218	218
Portion from 1 to 5 years		359	359
Portion over 5 years			

The advance relating to PXL770 was fully repaid in fiscal year 2018. The company did not obtain any new repayable advances during the first half of 2019, nor did it receive any additional payments in respect of existing advances.

14.3 Lease liabilities

At the first application of IFRS 16, the Group recognised a financial debt of €1,709,000 at 1 January 2019.

At 30 June 2019, the debt amounted to €1,623,000.

14.4 Obligation to participate in the financing of the Roivant development programme

CHANGE TO THE ROIVANT DEBT (Amount in €K)	Roivant debt
At 31 December 2018	**13,646**
Receipt	
Repayment	-5.408
At 30 June 2019	**8,238**

Under the Roivant Sciences agreement, the Company received an initial payment of $35 million and also committed to contribute financially to the development of Imeglimin in the United States and Europe in the amount of $25 million. The portion of the initial payment which corresponds to the obligation to participate in the financing of the Roivant development programme was treated as a debt. The outstanding balance at the reporting date, of €8,238,000, was fully posted under current financial debts.

The contract stipulates that, until the full payment by the Company of its obligation to participate in the financing of the Roivant development programme, and in the event that the Company's immediately available cash, less the cash outflows stipulated within 30 days, is less than three times the amount of this residual obligation, for at least 10 consecutive days, the Company would be required to issue an irrevocable letter of credit undersigned by a leading bank in favour of Roivant, for the residual amount of such obligation calculated on that date. Roivant may present this letter of credit for payment if the Company fails to repay its obligation, or if the contract is terminated at the initiative of Roivant and under certain conditions. If the Company is unable to obtain the Letter of Credit, or if the latter is cancelled, then the sums owed by the Company to Roivant on that date will become immediately due.

Note 15: Commitments to staff

Commitments to staff are made up of the provision for pension rights, evaluated on the basis of the provisions of the applicable collective agreement, namely the collective agreement for the pharmaceutical industry. The main actuarial assumptions used to evaluate pension rights on retirement are as follows:

ACTUARIAL ASSUMPTIONS	**30/06/2019**	**31/12/2018**
Retirement age	Voluntary retirement at 65/67 years	
Collective agreements	Pharmaceutical industry	
Discount rate (IBOXX Corporates AA)	0.77%	1.83%
Mortality table	INSEE 2017	INSEE 2017
Salary adjustment rate	2%	2%
Turnover rate	Low	Low
Social security contribution rate	50%	50%

The provision for pensions has changed as follows:

COMMITMENTS TO STAFF (Amounts in €K)	**Retirement benefits**
At 31 December 2018	**279**
Past service costs	32
Financial costs	3
Actuarial gains and losses	31
At 30 June 2019	**345**

Note 16: Provisions

The Company may be involved in judicial, administrative or regulatory procedures in the normal course of its activity. A provision is established by the Company if there is sufficient likelihood that such disputes will entail costs to be borne by the Company.

At 30 June 2019, no provision is recorded in the accounts (compared to the €18K at 31 December 2018, which was reversed for the period).

Note 17: Suppliers and other current liabilities

17.1. Suppliers and related accounts

TRADE PAYABLES AND RELATED ACCOUNTS (Amounts in €K)	30/06/2019	31/12/2018
Trade payables	9,209	8,651
Invoices not received	12,765	12,091
Total trade payables and related accounts	**21,975**	**20,742**

There was no discounting of trade payables and related accounts since the amounts did not represent a maturity of more than one year at 30 June 2019.

17.2 Tax and social security debts

Tax and social security debts break down as follows:

TAX AND SOCIAL SECURITY PAYABLES (Amounts in €K)	30/06/2019	31/12/2018
Staff and related accounts	440	510
Social security and other welfare bodies	605	394
Other taxes, duties and similar payments	45	225
Total tax and social security debts	**1,090**	**1,129**

17.3. Contract-related liabilities

CONTRACT-RELATED LIABILITIES (Amounts in €K)	30/06/2019	31/12/2018
Deferred income - Sumitomo contract initial payment	4,807	12,077
Down-payments received	1,674	1,257
Derivative instruments	12	
Other	4	
Total contract-related liabilities	**6,497**	**13,334**

The deferred income relates to the initial payment received under the Sumitomo Dainippon Pharma contract, which is recognised in a staggered manner over the duration of the contract (see note 18).

Down-payments received relate to the re-invoicing to Sumitomo Dainippon Pharma of advances paid by the Company to the CRO in connection with the Phase 3 programme for Imeglimin.

The derivative instruments correspond to forward currency purchases with a fair value of €12,000 at 30 June 2019.

Note 18: Turnover

TURNOVER (Amounts in €K)	30/06/2019	30/06/2018
Sumitomo contract	22,914	29,315
Roivant contract	155	8,148
Other	100	
Total turnover	**23,169**	**37,463**

At 30 June 2019, the turnover is mainly linked (€22,914,000) to the contract signed with Sumitomo Dainippon Pharma in 2017.

In addition to these revenues from licensing, the operational income also includes grants detailed in the table above, recorded as a reduction of research and development costs.

Accounting treatment of the Roivant Sciences GmbH agreement:

On 9 February 2018, the Company entered into an exclusive agreement with Roivant Sciences GmbH ("Roivant") for the development and marketing of Imeglimin, an oral drug candidate developed by the Company for the treatment of Type 2 diabetes, in the United States, Europe and other countries not covered by the existing partnership in East and Southeast Asia between the Company and Sumitomo Dainippon Pharma. The agreement provides that prior to the marketing of Imeglimin, the parties may agree on a potential joint promotion agreement.

This agreement provides that:

- an initial payment of $35 million (approximately €28 million) to the Company, in consideration of the licence and exclusive rights granted to Roivant Sciences GmbH. It was redeemed during the first half of 2018;
- Payments related to the achievement of regulatory development and sales objectives, as well as double-digit royalties based on net sales achieved by Roivant, for which the percentage increases according to the level of sales;
- Roivant's commitment to cover the development and marketing costs of Imeglimin;
- The Company's contribution of $25 million (approximately €20 million) to the development programme, paid to Roivant on a straight-line basis over two years (eight quarters, each with a payment of $3.125 million). The first quarterly repayment was made by the company in May 2018, and the payment schedule runs until May 2020. At 30 June 2019, the corresponding debt amounts to €8,238,000 (see note 14.4).

The Company analyses the granted licence as performance obligation that has been immediately met.

The contract price comprises:

- a fixed payment (upfront) of $35 million;
- the Company's commitment to contribute $25 million to the financing of the development programme.

The contract price therefore corresponds to the net initial payment of the company's commitment towards Roivant, i.e., an amount of $10 million was recorded in income in the fiscal year ended 31 December 2018. The milestone payments will be integrated into the price of the contract and therefore recognised in income when they become highly probable. The royalties collected in the framework of the operation of the licence by Roivant Sciences GmbH will be recognised to the extent that they become payable, i.e., when Roivant Sciences GmbH carries out sales.

This contract also provides for payments relating to the attainment of development and sales objectives. Since no stage had been completed at the time of closure, no such revenue is recognised in this respect at 30 June 2019.

Accounting treatment of the Sumitomo agreement:

In October 2017, the Company signed a partnership agreement with Sumitomo, under the terms of which the two companies will co-develop Imeglimin for the treatment of Type 2 diabetes in Japan. Sumitomo Dainippon Pharma will fund the Phase 3 costs and the commercialization costs.

This agreement provides that:

- the Company benefits from an initial payment of €36,031,000 in remuneration of the licence and exclusive rights granted to Sumitomo Dainippon Pharma along with the co-development. It was collected in December 2017 and is non-refundable;
- the Company benefits from reimbursement of the external development costs incurred in connection with Phase 3, under the conditions set out in the agreement.

The company considers the licence granted and the co-development as two separate performance obligations:

- The performance obligation is met immediately for the licence, given that it is a static licence.
- The performance obligation is satisfied continuously for the co-development. The nature of the services related to the co-development corresponds to research work. At 30 June 2019, the amount of the performance obligations still to be executed stands at €14,564,000 (compared with €36,190,000 at 31 December 2018).

The contract price is composed of fixed payments and variable consideration seen as highly likely, i.e. the initial payment and reimbursement of direct costs. The corresponding income thus incorporates the initial payment and repayments. The milestone payments will be integrated into the price of the contract when they become highly probable. The royalties collected in the framework of the operation of the license by Sumitomo Dainippon Pharma will be recognised to the extent that they become payable, i.e., when Sumitomo Dainippon Pharma carries out sales.

The transaction price was allocated to both performance obligations according to the residual method, given that the licence price is uncertain. The specific price of the co-development obligation was established on the basis of estimated costs to achieve the performance obligation, plus a margin in line with market practices. This meant that the entire transaction price was allocated to the co-development performance obligation. This allocation reflects the economics of the contract, since the highly likely payments aim to provide a reasonable margin for research and development work, given that the licence is essentially paid for via future amounts that are not highly likely at closing.

The income allocated to the research and development department is recognised by percentage of completion, based on an estimate of the internal and external direct costs, for the entire co-development phase, a method that best represents the progress of the work. The company expects to make a positive margin on this agreement.

This contract also provides for payments relating to the attainment of development and sales objectives. Since no stage had been completed at the time of closure, no such revenue is recognised in this respect at 30 June 2019.

Note 19 Details of income and expenditure by function

19.1 Research and Development

RESEARCH AND DEVELOPMENT (Amounts in €K)	30/06/2019	30/06/2018
Subcontracting, studies and research	21,749	26,207
Staff costs	2,139	1,704
Share-based payments	358	309
Travel and Entertainment	316	283
Intellectual property fees	50	171
Remuneration of intermediaries Fees	984	212
Other Charges	145	35
Research and Development expenses	**25,742**	**28,920**
Research tax credit	1,578	1,478
Subsidies	**1,578**	**1,478**

The drop in subcontracting costs stems primarily from the TIMES programme in Japan, for which €15.5 million were incurred during the half-year, compared to €22.5 million in the first half of 2018.

The change in staff costs relates to the expansion of clinical research teams.

19.2 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in €K)	30/06/2019	30/06/2018
Remuneration of intermediaries Fees	1,818	1,017
Staff costs	1,369	994
Share-based payments	383	648
Travel and Entertainment	482	345
Other Charges	817	610
General and administrative expenses	**4,868**	**3,614**

The significant increase in fees is mainly linked to the support for the Group's development on its markets.
The change in staff costs relates to the expansion of teams other than R&D.

Note 20: Payroll

The average payroll for POXEL on 30 June 2018 and 2019 is given below:

PAYROLL	30/06/2019	30/06/2018
Executives	43	33
Non executives	1	1
Total payroll	**44**	**34**

Note 21: Net financial income and expenditure

FINANCIAL INCOME AND (EXPENSES) (Amounts in €K)	30/06/2019	30/06/2018
Other financial expenses	-26	-15
Financial income	116	223
Foreign exchange gains/(losses)	-19	641
Total financial gains/(losses)	**71**	**850**

The financial income at 30 June 2018 and 2019 is primarily composed of:

- currency gains and losses, linked to changes in the price of the yen and the dollar;
- income from financial investments;
- other financial expenses, corresponding to the effect of the accretion of repayable advances (€11,000) and the interest on debt linked to leases (€14,000).

Note 22: Income tax

At 31 December 2018 and 30 June 2019, the Company did not recognise any deferred tax assets in its tax loss carryforwards. Given its stage of development, the Company considers it is not in a position to make projections of its future taxable profits against which unused tax losses could be set off. There was no taxable profit at 30 June 2018 and 2019.

Note 23: Earnings per share

EARNINGS PER SHARE	30/06/2019	30/06/2018
Weighted average number of outstanding shares	25,896,723	24,087,916
Net income(loss) for the year (in €K)	-5,792	7,256
Basic earnings per share (€/share)	**- 0.22**	**0.30**
Diluted earnings per share (€/share)	**- 0.22**	**0.28**

Basic earnings per share is calculated by dividing the net loss for Company shareholders by the weighted average number of ordinary shares in circulation during the year.

Diluted earnings per share is based on an average number of shares in circulation adjusted by the weighted average number of shares resulting from the potential exercise, during the year, of existing stock options or other dilutive instruments. The latter are considered as anti-diluting in 2019 because they lead to an increase in earnings per share. This way, diluted loss per share at 30 June 2019 is identical to the basic loss per share.

Note 24: Related parties

No post-employment benefits are granted to members of the Board of Directors.

Remuneration for corporate officers	30/06/2019	30/06/2018
Fixed remuneration payable	190	167
Variable remuneration payable	88	77
Benefits in kind	4	8
Employee expenses	70	65
Attendance fees	209	167
Share-based payments	148	354
Consultancy fees	7	
TOTAL	**714**	**837**

The methods for evaluating the benefit of share-based payments are given in Note 13.

Note 25: Off-balance sheet commitments

With the exception of the elements below, there has been no significant change in off-balance sheet commitments since 31 December 2018:

- Accounting treatment of operating leases from 31 December 2018 to 1 January 2019 following the application of IFRS 16.
- On 23 April 2019, the Company was notified by letter dated 19 April 2019 of the initiation by Merck Serono of an arbitration procedure to settle the difference in the interpretation of the contract between the Company and Merck Serono.

  In the context of the application of this contract to the partnership agreement signed with Roivant in February 2018, the Company and Merck Serono have in fact a different interpretation of the basis used to calculate Poxel's income that should be subject to royalties. The Company, together with its advisers, consider that its interpretation is justified by substantiated legal arguments and that the probability of a cash outflow exceeding the settled amount of €1.2 million is low. This arbitration procedure does not challenge the Company's assessment of the risk inherent in this disagreement. Consequently, at 30 June 2019, the Company did not accrue a provision for this divergence, applied to the payments already received from Roivant at 30 June 2019, but treated it as a contingent liability.

4. LIMITED REPORT OF THE STATUTORY AUDITORS ON THE 2019 INTERIM INFORMATION (IN FRENCH)

Aux Actionnaires de la société POXEL SA,

En exécution de la mission qui nous a été confiée par vos Assemblées Générales, et en application de l'article L. 451-1-2 III du Code monétaire et financier, nous avons procédé à :

- l'examen limité des comptes semestriels consolidés résumés de la société POXEL SA, relatifs à la période du 1er janvier 2019 au 30 juin 2019, tels qu'ils sont joints au présent rapport ;

- la vérification des informations données dans le rapport semestriel d'activité.

Ces comptes semestriels consolidés résumés ont été établis sous la responsabilité du Conseil d'Administration. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

I - Conclusion sur les comptes

Nous avons effectué notre examen limité selon les normes d'exercice professionnel applicables en France.
Un examen limité consiste essentiellement à s'entretenir avec les membres de la direction en charge des aspects comptables et financiers et à mettre en œuvre des procédures analytiques. Ces travaux sont moins étendus que ceux requis pour un audit effectué selon les normes d'exercice professionnel applicables en France. En conséquence, l'assurance que les comptes, pris dans leur ensemble, ne comportent pas d'anomalies significatives obtenue dans le cadre d'un examen limité est une assurance modérée, moins élevée que celle obtenue dans le cadre d'un audit.

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause la conformité des comptes semestriels consolidés résumés avec la norme IAS 34, norme du référentiel IFRS tel qu'adopté dans l'Union européenne relative à l'information financière intermédiaire.

Sans remettre en cause la conclusion exprimée ci-dessus, nous attirons votre attention sur la note 2.3 « Changement de méthode comptable » des comptes consolidés semestriels résumés concernant la première application de la norme IFRS 16 « Contrats de location » à compter du 1er janvier 2019.

II - Vérification spécifique

Nous avons également procédé à la vérification des informations données dans le rapport semestriel d'activité commentant les comptes semestriels consolidés résumés sur lesquels a porté notre examen limité.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes semestriels consolidés résumés.

Fait à Neuilly Sur Seine et Courbevoie, le 26 août 2019

Les commissaires aux comptes

PRICEWATERHOUSECOOPERS AUDIT

Cédric MAZILLE

MAZARS

Séverine HERVET