Statutory auditors' special report on related party agreements and commitments

Annual General Meeting of 27 November 2019

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au capital de 9 707 855,25 €
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This is a translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.
This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements and commitments authorized and entered into during the financial year, which received the prior authorization of your Board of Directors on 2 September 2019 and on 18 October 2019, and of which we were informed on 15 October 2019 and on 23 October 2019, in accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*).

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements and commitments prior to their approval.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

1 Agreement between the Company and Mr Jean-François Mouney and Mr Pascal Prigent

1.1 Nature and purpose

Compensation agreements resulting from the decisions of the Board of Directors dated 13 March 2019 and 2 September 2019 to provide Mr Jean-François Mouney, Chief Executive Officer of the Company when the agreement was signed, who became Chairman of the Board of Directors by decision dated 2 September 2019 which came into force on 16 September 2019, and Mr Pascal Prigent, Vice President of Marketing and Commercial Development of the Company when the agreement was signed by him in his capacity as member of the Company's Executive Board, who became Managing Director by decision dated 2 September 2019 which came into force on 16 September 2019, with coverage for liabilities and expense advances in respect of any matter arising from the performance of their duties for the Company.

1.2 Conditions

These decisions will take effect on 16 September 2019.
No expense has been borne in this respect to date.

1.3 Reasons justifying why the Company benefits from this agreement

Your Board of Directors justified these agreements as follows: to prevent the risk of damage to the Company's reputation due to the insolvency of a Director or a member of its Executive Committee following a third-party claim, and to retain/attract its Directors following the significant increase in their liability further to the listing of the Company's shares on the NASDAQ.

2 Agreement between the Company and Mr Pascal Prigent

2.1 Nature and purpose

Agreement resulting from the decisions of the Board of Directors dated 2 September 2019 and 18 October 2019 aiming to define the principles and criteria of calculation, allocation and award of the Managing Director's compensation:

- **Non-compete clause:** given the nature of his duties and in the event of his term of office being terminated, Mr Prigent shall refrain from providing advice, offering his services or performing any activity that competes directly with that of the Company for a period of one (1) year from the effective termination of his activity within the Group. In return for this non-compete obligation, Mr Prigent shall receive, one month after the effective termination of his activity within the Group, compensation equal to (i) twelve (12) months of fixed remuneration, calculated on the basis of the gross amounts due in respect of the last twelve completed months and (ii) the amount of variable remuneration due in respect of the previous financial year. The Company may, at Mr Prigent's express request, release him from the obligation under this non-compete clause, on the understanding that such a request may only be granted by the Company after expiry of a period of twelve (12) months from the date on which Mr Prigent takes up his duties. In such a case, Mr Prigent shall be required to return the above-mentioned compensation, adjusted *prorata temporis* taking into account the remaining duration of his non-compete obligation (calculated based on the number of days remaining). In the event of breach of this non-compete clause by Mr Prigent, the latter shall immediately repay the compensation provided for hereabove, and in addition, shall be liable to the Company for a fixed penalty of twelve (12) months of his fixed remuneration, calculated on the basis of the last gross monthly amount.

– **Severance pay:** in the event of his term of office being terminated by decision of the Board of Directors, except in the case of serious misconduct ("*faute grave*") within the meaning of French labour law, Mr Prigent shall receive severance pay equal to (i) twelve (12) months of fixed remuneration, calculated on the basis of the gross amounts due in respect of the last twelve completed months and (ii) the amount of variable remuneration due in respect of the previous financial year. This severance pay shall be paid one month after the effective termination of his activity within the Group, after the Board of Directors has verified that the performance conditions set out below have been fulfilled, in accordance with Article L. 225-42-1 of the French Commercial Code (*Code de commerce*). The severance pay shall not be paid if Mr Prigent leaves the Company on his own initiative to take up new duties or if his duties within the Group change.

  These performance conditions were specified by decision of the Board of Directors dated 18 October 2019, as follows:
  The severance pay shall be paid on condition that at least one of the following three criteria or events has been met or has occurred:

  ✓ elafibranor has received a Marketing Authorization from the FDA or the EMA in NASH or PBC, or NIS4 has obtained FDA approval or CE marking in Europe;
  ✓ an agreement for the licencing of the rights to exploit elafibranor or NTZ has been signed for the US market and/or for at least two of the five largest European markets (Germany, France, Italy, the UK, Spain) and/or for Japan;
  ✓ a transaction has been performed obtaining the backing of a biopharmaceutical group, and the valuation used for this transaction is at least equal to the market valuation of the Company.

  This severance pay shall not be paid if Mr Prigent leaves the Company to take up new duties or if his duties within the Group change, or if he has the possibility of claiming his retirement benefits in the short term.

– Any amount paid in respect of the non-compete clause will be charged against the amounts due in respect of the severance pay. Conversely, any amount paid in respect of the severance pay will be deducted from the amounts due in respect of the non-compete clause, on the understanding that if the Company and Mr Prigent were to agree to waive all or part of the non-compete clause, this would not call into question the potential payment of the severance pay.

2.2 Conditions

The agreement will take effect on 16 September 2019.

2.3 Reasons justifying why the Company benefits from this agreement

Your Board of Directors' justification for this agreement is compliance with recommendations R13 and R16 of the Middlenext Governance Code. It ratified it within the context of the change of governance and the separation of the duties of Chief Executive Officer and Managing Director, taking effect on 16 September 2019.

Neuilly sur Seine and Paris-La Défense, 28 October 2019

The Statutory Auditors

French original signed by:

Grant Thornton
Membre Français de
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ERNST & YOUNG et Autres

Jean-François Baloteaud
Associé

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