August 8, 2022

Poxel Announces Extended Cash Runway with Debt Restructuring Agreement and Equity-linked Financing Facility

- **Cash runway extended through at least February 2023 based upon debt restructuring agreement with IPF Partners (IPF) and equity-linked financing facility for up to EUR 6 million with Iris Capital Investment (IRIS)**
- **Extended cash runway provides added flexibility to capitalize on upcoming Phase 2 DESTINY-1 results for PXL065 in NASH expected this quarter and independently pursue non-dilutive financing initiatives to fund and execute the Company's rare disease strategy**
- **As of June 30, 2022, cash and cash equivalents were EUR 16.1 million (USD 16.8 million)**

LYON, France--(BUSINESS WIRE)-- POXEL SA (Euronext: POXEL – FR0012432516), a clinical stage biopharmaceutical company developing innovative treatments for serious chronic diseases with metabolic pathophysiology, including non-alcoholic steatohepatitis (NASH) and rare metabolic disorders, announced today that is has entered into (1) an agreement with IPF to restructure its existing debt facility and (2) an equity-linked financing for up to EUR 6 million with IRIS. On that basis, the Company expects that its resources will be sufficient to fund its operations and capital expenditure requirements through at least February 2023.

Thomas Kuhn, Chief Executive Officer of Poxel, stated: *"We have an important milestone coming up this quarter with the topline results of the Phase 2 DESTINY-1 study for PXL065 in NASH. We have thus been working diligently these past months to extend our cash runway to capitalize on this opportunity and independently finance our strategy in rare diseases. Together, the successful completion of the debt restructuring and the equity-linked financing facility not only improves the Company's balance sheet to support ongoing operations, but both agreements also provide further flexibility to finalize additional financing initiatives, including ongoing active partnership discussions related to our programs. We continue to work towards the initiation of our planned Phase 2a proof-of-concept clinical trials in adrenoleukodystrophy which represent the foundation of our rare disease strategy."*

The Company has entered into an agreement with IPF to restructure its debt, resulting in the postponement of the Q3 2022 and Q4 2022 amortization payments under the existing debt facility, and lowering certain financial covenants until the end of January 2023.

Edouard Guillet, Partner at IPF Partners, commented: *"With this agreement to restructure the existing debt facility, we are pleased to provide Poxel with increased flexibility to* *complete its other financing initiatives which we strongly believe will be finalized in the near future and will allow Poxel to execute on its robust strategy in rare diseases."*

Concurrently, the Company has entered into an equity-linked financing arrangement with IRIS for an initial gross amount of EUR 4 million, with the option, at the latest on December 31, 2022 and at the Company's sole discretion, to draw a second and third tranche of up to EUR 1 million each. Upon conversion of the equity-linked instruments, IRIS will be issued Poxel shares to be created from the Company's authorized capital and is expected to sell these newly issued shares on the market or in block trades. The equity-linked financing is intended to provide additional liquidity in support of the Company's ongoing regulatory and development activities as well as general corporate purposes.

Based on:

i. its cash position at June 30, 2022,
ii. the current development plan of the Company including 1) the completion of its ongoing Phase 2 NASH trial for PXL065 (DESTINY-1) but excluding 2) the two identical Phase 2a clinical proof-of-concept (POC) biomarker studies for PXL065 and PXL770 in adrenomyeloneuropathy (AMN),
iii. the cash forecast for the year 2022 approved by the Board of Directors of the Company, that does not include, as a conservative approach, any net royalties from Imeglimin in Japan,
iv. a strict control of its operating expenses, and
v. the amendment to the IPF debt facility with the postponement of the Q3 2022 and Q4 2022 amortization payments until end of February 2023, as well as a full drawdown of all tranches of the equity-linked financing arrangement with IRIS for a total amount of EUR 6 million, before December 31, 2022,

the Company expects that its resources will be sufficient to fund its operations and capital expenditure requirements through at least February 2023.

The Company is actively pursuing additional financing options, prioritizing non-dilutive sources, including ongoing active partnership discussions related to its programs.

Debt Restructuring with IPF

- With the objective to extend its cash runway, the Company has entered into an agreement with IPF to restructure its existing debt, consisting of postponing repayment of EUR 3.2 million, corresponding to Q3 2022 and Q4 2022 amortizations, until February 2023.
- In addition, IPF and the Company agreed to temporarily amend the financial covenants of the debt facility until 31 January 2023 so that no breach occurs before February 2023, independently of any other potential additional financing of the Company. Under the revised financial covenants, the Company shall maintain a minimum cash position between EUR 15 million and EUR 10 million through January 2023. After such date, the previously existing financial covenants will be reinstated[1].
- The amendment of the debt facility also includes an increase of 3% of the PIK margin (in addition to the existing 2% PIK). IPF shall also be entitled to a fee payable at the maturity date of each tranche and set at a total amount of approximately EUR 4 million.
- Should the Company close a financing transaction of a minimum amount of EUR 15

million, and subject to the then applicable debt to market capitalization gearing ratio of the Company, Poxel will partially prepay IPF debt with an amount up to 20% of the proceeds of such transaction as a partial early debt repayment, which would reduce the Company's indebtedness. Such early repayment shall consist in principal and shall not include any early repayment fee.
- As part of the amendment agreement, IPF will be appointed as an observer to the Company's Board of Directors. IPF will have the same right to information as the Directors and may participate in meetings of the Board of Directors of the Company in an advisory capacity but will not have any voting rights.
- The terms of the existing warrants held by IPF which were attached to the Tranche 1, 2 and 3 bonds giving right to subscribe 630,804 shares at respectively €7.37, €7.14, €6.72 per warrant for each Tranche, remain unchanged and thus trigger no potential additional dilution.

Equity-linked financing with IRIS

Legal basis of issuance
Acting on the delegation of the Board of Directors and in accordance with the 17th resolution of the Annual General Meeting of Shareholders of June 21, 2022, the Company decided to implement this equity-linked financing, provided by IRIS, a venture capital firm specialized in providing financing solutions to listed companies.

Operation objectives
This funding aims to increase the Company's cash position to support its operations. Proceeds shall be used mainly to support ongoing regulatory and development activities as well as general corporate purposes.

Operation arrangements
In accordance with the terms of the agreement, IRIS, acting as a specialized investor without a strategy to retain a stake in the Company's share capital, has committed to subscribe to bonds convertible into new ordinary shares of the Company for an initial amount of EUR 4 million. At the Company's sole discretion, two additional tranches of EUR 1 million each, may be drawn down in Q4 2022.

IRIS has the right to request the conversion of its bonds into new ordinary shares of the Company at any time in one or several occasions until full repayment of the bonds. The issuance of shares upon conversion of the bonds shall be made on each conversion date on the basis of the average volume weighted share price over the last trading day preceding each issue, less a discount of 8%, subject to a floor corresponding to the average volume weighted share price over the twenty trading days preceding each issue, less a discount of 20%.

During the term of the financing, IRIS is expected to sell the newly issued shares received upon conversion of the convertible bonds on the market or in block trades. In connection with the financing, Poxel will issue shares out of its authorized share capital in accordance with the 17th resolution of the Annual General Meeting of Shareholders of June 21, 2022 with excluded pre-emptive rights of the existing shareholders for the benefit of certain category of investors.

The new shares issued under the terms of this agreement shall be admitted to trading on

Euronext Paris.

No application for admission to trading on any market whatsoever will be made for the convertible bonds.

Considering the anticipated number of shares to be issued upon conversion of the convertible bonds issued, based on the share price of the Company on the last trading day preceding the date of this press release, this operation does not give rise at this stage to publication of a prospectus to be submitted to the approval by the French securities regulator, the *Autorité des marchés financiers* (AMF). Should a prospectus be required in the future due to a potentially higher than expected issuance of shares, the Company and IRIS have agreed that the issuance program will be suspended for a maximum period of three months, until such prospectus has been approved by the AMF.

On the basis of the issuance of all three tranches of the financing facility with IRIS and the average price weighted by volumes of the Company's share during the last trading day preceding the date of this press release, the stake of a shareholder with 1% of the Company's share capital would decrease to 0.91%, i.e. a 9% dilution. As a reminder, based on the decisions of the general assembly meeting of the shareholders on June 21, 2022, the Company's board on July 29, 2022, and the CEO decision dated August 5, 2022, the maximum number of shares to be issued on redemption of convertible bonds is currently set at 15,800,000 shares. Should this maximum amount apply, the stake of a shareholder holding 1% of the Company's share capital would decrease to 0.65%, i.e. a 35% dilution.

To the Company's knowledge, on the basis of the same assumptions, the distribution of its share capital before and after redemption of all the convertible bonds in newly issued shares will be as follows:

Shareholders	**Before the transaction**		**After the transaction** *(on the basis of the drawdown of all Tranches and the average price weighted by Company's share volumes during the last trading day preceding the date of this press release)*		**After the transaction** *(on the basis of the maximum potential dilution authorized by the general assembly meeting of the shareholders under the 17th resolution)*	
	Number of shares	**% of capital**	**Number of shares**	**% of capital**	**Number of shares**	**% of capital**
Founders	2,778,947	9.6%	2,778,947	8.7%	2,778,947	6.2%
Bpifrance	5,753,662	19.9%	5,753,662	18.1%	5,753,662	12.9%
Free float	20,420,041	70.5%	23,318,311	73.2%	36,220,041	80.9%
Total	**28,952,650**	**100.0%**	**31,850,920**	**100.0%**	**44,752,650**	**100.0%**

The Company will make available to investors on its website an up-to-date summary chart of its outstanding convertible bonds and the number of shares in circulation.

The public's attention is drawn to the risk factors relative to the Company and its business, presented in its universal registration document filed with the AMF on 4 May 2022, which is available on the Company's website. The occurrence of all or some of these risks is likely to have an unfavourable effect on the Company's business, financial situation, results, development or prospects.

In addition, the public's attention is specifically drawn to the following main risks related to the IRIS financing and its implementation:

- Risk of dilution of the Company's shareholders: the Company's shareholders who cannot participate in the operation will suffer dilution when new shares are issued to IRIS upon conversion of the convertible bonds;

- Risk in the event of non-fulfillment of all the tranches the Company may have to seek additional financings and to review accordingly its development strategy and its objectives if an event of default occurs or certain minimum share price prevent the drawdown of the Tranches II and/or III of the financing, respectively of EUR 1 million each.

- Risk on the volatility, liquidity and share price of the Company's shares Given IRIS' strategy, which is to sell newly issued shares shortly after conversion of the convertible bonds it holds, the share price and the volatility of the Company's shares could fluctuate significantly after the issuance of the convertible bonds issued to IRIS.

This press release and the information it contains do not, and will not, constitute an offer to subscribe for or sell, nor the solicitation of an offer to subscribe for or buy, any securities of the Company in any jurisdiction.

Main Characteristics of the financing with IRIS:

Maturity Date	48 months
Total Commitment	EUR 6 million
Tranche I	EUR 4 million • IRIS has subscribed to the first tranche of EUR 4 million at signing
Tranche II	EUR 1 million maximum, at the option of Poxel • At the sole option of Poxel, IRIS will subscribe to a new tranche EUR 1 million on or before November 30, 2022
Tranche III	EUR 1 million maximum, at the option of Poxel • At the sole option of Poxel, IRIS will subscribe to a new tranche EUR 1 million on or before December 31, 2022
Nominal of Notes	EUR 2,500
Coupon	0%

Conversion	- IRIS may request that the convertible bonds be converted into shares of the company at the prevailing conversion ratio at any time upon delivery of a conversion notice to the Company - The conversion of the convertible bonds into new or existing shares of the Company is mandatory at the latest at maturity of the convertible bonds
Conversion Price	The average volume weighted share price over the last trading day preceding each issue, less a discount of 8%, subject to a floor corresponding to the average volume weighted share price over the twenty trading days preceding each issue, less a discount of 20%
Conditions precedent of drawdown for Tranche II and III	Usual condition precedents for this type of financing including absence of event of default and minimum share price at the time of drawdown
Event of defaults	Usual event of defaults for this type of financing including the absence of timely delivery of shares in conversion of the convertible bonds (e.g. in case of insufficient authorizations from the general assembly meeting of the shareholders or in the absence of publication of a prospectus, as the case may be)
Subscription price	100% of par value
New Shares	- New shares of the Company issued on redemption of the convertible bonds will bear current dividend rights. They will have the same rights as those attached to existing ordinary shares and be admitted for trading on the Euronext regulated market on Euronext Paris. The Company will keep on its website a chart for monitoring convertible bonds and the number of shares in circulation up to date. - Nominal value of the shares of the Company: EUR 0.02

Potential dilution – Maximum share number	• Pursuant to the decisions of the general assembly meeting of the shareholders on June 21, 2022, the Company's board on July 29, 2022 and the CEO decision on August 5, 2022, the maximum number of shares for issue on redemption of convertible bonds has been set at 15,800,000 shares. By way of illustration, assuming issuance of all the convertible bonds and the average price weighted by volumes of the Company's share during the last trading day preceding the date of this press release, i.e.€2.07, the number of new Company shares for subscription by the Investor on redemption of the convertible bonds in new shares would be 2,898,270 shares, representing approximately 10.0% of the share capital (on a non-diluted basis). Based on the same assumptions, the number of new Company shares for subscription by the Investor on redemption of the convertible bonds in new shares for Tranche I only would be 1,932,180 shares representing approximately 6.7% of the share capital (on a non-diluted basis), and the number of new Company shares for subscription by the Investor on redemption of the convertible bonds in new shares for each of Tranche II and III only would be 483,045 shares representing approximately 1.7% of the share capital (on a non-diluted basis). • On the date of this press release, the Company has a share capital of €579,053 divided into 28,952,650 ordinary shares
Share Loan Agreement	• As part of the equity-linked financing, certain shareholders of the Company have undertaken to loan part of their shares to IRIS. This loan will only be used to facilitate implementation of the financing and avoid potential delays related to the delivery-settlement of shares issued upon conversion of the bonds. Such loan agreement shall terminate at the latest on the date of full conversion of the bonds.
Structuring Fee	• The Company will pay IRIS a structuring fee of 3% of the nominal amount of each tranche drawn, payable in cash on each drawdown
No Penalty clauses	• No penalty clauses are included in the agreement including in case the conversion price would fall below the nominal value of the shares

About Poxel SA

Poxel is a **clinical stage biopharmaceutical company** developing **innovative treatments for chronic serious diseases with metabolic pathophysiology**, including **non-alcoholic steatohepatitis (NASH)** and rare disorders. Poxel has clinical and earlier-stage programs from its adenosine monophosphate-activated protein kinase (AMPK) activator and deuterated thiazolidinedione (TZD) platforms targeting chronic and rare metabolic diseases. For the treatment of NASH, **PXL065** (deuterium-stabilized *R*-pioglitazone) is in a streamlined Phase 2 trial (DESTINY-1). **PXL770**, a first-in-class direct AMPK activator, has successfully completed a Phase 2a proof-of-concept trial for the treatment of NASH, which met its objectives. For the rare inherited metabolic disorder, adrenoleukodystrophy (ALD), the company intends to initiate Phase 2a proof of concept studies with PXL065 and PXL770 in patients with adrenomyeloneuropathy (AMN). **TWYMEEG®** (Imeglimin), Poxel's first-in-class lead product that targets mitochondrial dysfunction, has been approved and launched for the treatment of type 2 diabetes in Japan. Poxel expects to receive royalties and sales-based payments from Sumitomo Pharma. Poxel has a strategic partnership with Sumitomo Pharma for Imeglimin in Japan, China, South Korea, Taiwan and nine other Southeast Asian countries. The Company intends to generate further growth through strategic partnerships and pipeline development. Listed on Euronext Paris, Poxel is headquartered in Lyon, France, and has subsidiaries in Boston, MA, and Tokyo, Japan.

For more information, please visit: www.poxelpharma.com

All statements other than statements of historical fact included in this press release about future events are subject to (i) change without notice and (ii) factors beyond the Company's control. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "estimate," "plan," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Forward-looking statements are subject to inherent risks and uncertainties beyond the Company's control that could cause the Company's actual results or performance to be materially different from the expected results or performance expressed or implied by such forward-looking statements. The Company does not endorse or is not otherwise responsible for the content of external hyperlinks referred to in this press release.

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[1] The Company shall then maintain minimum cash position of the higher of i) EUR 10 million and ii) the sum of the consolidated debt service of the Company plus the amount of cash required to be spent by the Company as part of its operations, in each case for the following 6-months period.

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