

Say on pay report

Compensation and benefits of the Executive and Supervisory board members

May 19, 2017

I PRINCIPLES AND CRITERIA OF DETERMINATION, ALLOCATION AND ATTRIBUTION OF THE COMPENSATION (“EX ANTE” VOTE)

In accordance with Law 2016-1691 dated December 9 2016, named “Sapin II” Law, which established an “*ex ante*” mandatory vote, the following paragraphs present the general principles of the compensation policy for the 2017 fiscal year.

Under the provisions of Article L. 225-82-2 of the French Code of commerce as modified by article 161 of the “Sapin II” Law and Article R. 225-2961 of the French Code of commerce, incorporated by Article 4 of the 2017-340 Decree dated March 16, 2017, a report on the principles and criteria of determination, allocation and attribution of the fixed, variable and exceptional components of the total compensation and the benefits of the Executive board and Supervisory board members, will also be attached to the Management report issued in accordance with Articles L. 225-100 *et seq* of the French Code of Commerce.

This principles and criteria will be submitted to the approval of the shareholders at the next General Meeting, on June 23, 2017, deciding on the accounts for the 2016 fiscal year and can only be implemented after having received the favorable vote on the simple majority of the shareholders present or represented.

1.1 Executive board members compensation

The Executive board members compensation is decided by the Supervisory board upon recommendation of the Compensation and nomination committee. For the 2017 fiscal year, the compensation will be fixed according to the same general principles, and except if provided otherwise below, composed of the same components than those applicable during the 2016 fiscal year.

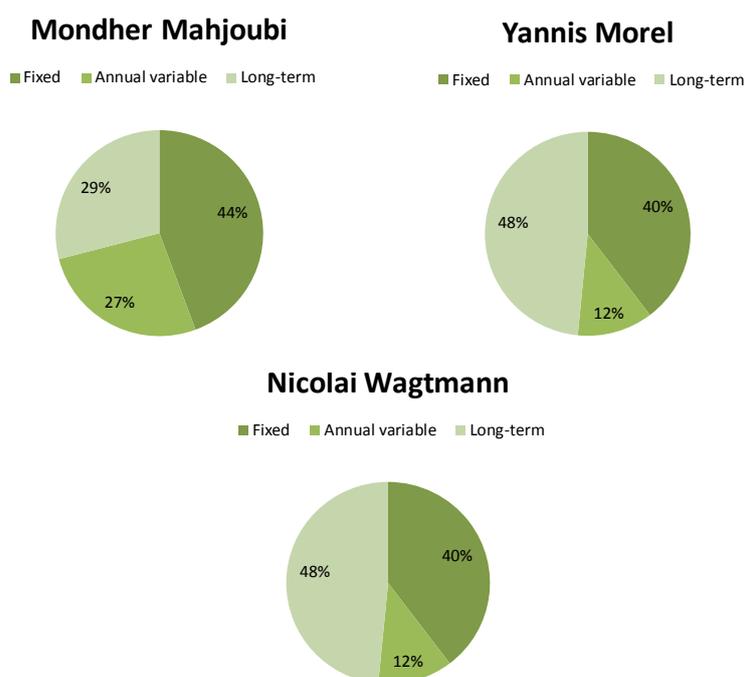
The compensation of the Chairman of the Executive board is paid under his social mandate and he’s not bound to the Company by an employment contract. The other Executive board members are remunerated under their employment contract and are not remunerated under their social mandate.

The compensation of the Executive board members is determined according to the Company’s strategy and growth. It takes into consideration the Executive board members individual contribution in the achievement of the collective performance objectives and aims at aligning the corporate officer’s long-term interests with the interests of the Company, the shareholders and the other stakeholders. For this, the variable components of the compensation are subject to the achievement of short-term operational performance objectives and long-term stock market performance. The compensation of the Executive board members is determined in relation with the existing compensation policies in companies with similar size and maturity in the biotechnology sector in France and in Europe (notably the France Biotech survey “Survey on the 2014 compensation policies” and the information published by comparable companies in the sector and internal survey conducted by the Company on the basis of a panel of eleven peer companies).

The compensation of the Executive board members is made of the following components:

- a short-term component including:
 - a fixed compensation, which reflects its responsibility, its level of experience and its skills; and
 - a variable compensation remunerating the individual contribution to the annual collective performance, paid in cash. As from the 2017 fiscal year (subject to the favorable vote of the Annual general meeting and the Supervisory board decision adopted upon recommendation of the Compensation and nomination committee), a part could be paid in free shares to interest the Executive board members to the long-term value creation of the Company and encourage them, through the ownership of shares, to efficiently contribute to such value creation.
- a long-term incentive: free preferred shares attribution (AGAP), which interest the Executive board members to the long-term results of the Company, retain them and align their interests on the shareholders' interests.
- other benefits attached to the exercise of the Executive board members including a supplementary pension plan, in-kind benefits and an unemployment insurance (GSC) for the Chairman of the Executive board.

The diagrams below show the allocation of each compensation component of the Executive board members in their total compensation (for the AGAP 2017 we used a valuation of € 440 per AGAP, according to the provisional valuation calculated at the date of this report by a financial expert – the equity instruments are valued at the date of this report):



1.1.1 Fixed compensation

The fixed compensation is determined on the basis of the general principles applicable to the Company's compensation policy.

The fixed compensation is also used as basis to determine the annual variable compensation of the Executive board members.

For the 2017 fiscal year, the annual fixed compensation of the Executive board members is:

	2017 fixed compensation	Evolution between 2016 and 2017
Mondher Mahjoubi , Chairman of the Executive board since December 30, 2016	470,000	/
Yannis Morel , Executive board member	180,000	+9.1%
Nicolai Wagtmann , Executive board member	180,000	+5.9%

Mondher Mahjoubi was appointed as Chairman of the Executive board by the Supervisory board meeting of December 14, 2016, with effect as from December 30, 2016, for a three-year period. His compensation has been negotiated at the time of his appointment and evaluated according to standard market practices in comparable companies and with respect to his previous compensation at AstraZeneca. It takes into account his specific expertise, coming from his experience in leading late stage development programs until the commercialization stage, into international pharmaceutical groups. As leader of the oncology area at AstraZeneca, Mondher Mahjoubi notably contributed to build the medico-marketing and commercial teams, significantly develop the oncology products pipeline and set up a leadership and differentiation strategy, which lead to the commercialization of two therapeutics innovations (Lynparza® et Tagrisso®) and to prepare the commercialization of their anti(PD-L1 (Imfimiz®) for the advanced bladder cancers. It is noted that by choosing to leave his function at AstraZeneca to become Chairman of the Executive board of the Company, Mondher its variable compensation and (iii) around 40% regarding its long-term compensation.

To fix the compensation of Mondher Mahjoubi, in addition to his previous compensation at AstraZeneca, experience and expertise, the Supervisory board, upon recommendation of the Compensation and nomination committee, observed the corporate officer's compensation practices into a representative sample of companies with comparable size and maturity in the biotechnology sector in France and Europe¹ as published in their public reports.

It resulted from such observation that the total compensation (fixed and annual variable) of Mondher Mahjoubi is in the upper range of the total compensation (fixed and annual variable) of the peers choose. This can be explained by the profile of Mondher Mahjoubi, coming from a "big pharma", which remains exceptional in the biotechnology sector (only one other company in the sample used). Furthermore, within the sample used, the total compensation of Mondher Mahjoubi is barely above the average of total compensation of the three companies having a stock market value similar to the Company's stock market value.

The table below shows the fixed and annual variable compensation of Mondher Mahjoubi for 2017 against the mean and the median of the fixed and annual variable compensation of the Chairman of the Executive board (or their equivalent) of the peers observed.

Compensation of Mondher Mahjoubi for 2017	Median	Mean	Minimum and maximum compensation
€ 752,000	€ 622,000	€ 621,000	€ 375,000 - 945,000

During the 2015, 2016 and 2017 fiscal years, the fixed compensation of the Executive board members was yearly increased to (i) get closer to the French and European market practices in the biotechnology sector and thus attract and retain talents and (ii) take into account the Executive board members role in Company's growth.

¹ Including AB Science, Ablynx, Adaptimmune, Adocia, Celyad, DBV, Galapagos, Genfit, Molecular Partners, Morphosys et Nordic Nanovector

With regard to the actual context of growth of the Company and its fast development, the Company wishes to keep such flexibility in the evolution of the fixed compensation of the Executive board members and has not yet set the Executive board members compensation for the next years.

1.1.2 Annual variable compensation

(i) Principles of determination

At the beginning of the year, the Supervisory board decides on, upon recommendation of the Compensation and nomination committee, the part of the annual variable compensation, expressed as a percentage of the fixed compensation and the individual objectives to be achieved as well as their weights.

Such objectives are divided into four key priorities shared between all the Company's members and defined as the basis for a sustainable growth. They help aligning the Executive board members interests with those of the Company and are defined as follows:

- scientific leadership ;
- organization readiness;
- financial discipline ; and
- great place to work.

Within the key priorities, the Supervisory board, upon recommendation of the Compensation and nomination committee, determines the individual contribution of each Executive board member to the collective performance as well as their weights.

At the end of the year (or at the beginning of the following year), the Supervisory board, upon recommendation of the Compensation and nomination committee, determines the level of achievement of the individual objectives of the Executive board members. In case of achievement of 100% of the objectives, 100% of the corresponding bonus is paid. In the event that 100% of the objectives are not achieved, the percentage of the bonus paid is in proportion to the percentage of the objectives achieved. In the event of performance beyond expectations, as observed by the Compensation and nomination committee, it may be decided to raise the bonus amount beyond 100%, within the limit of 125%. Moreover, in the event of an obviously exceptional performance, whose achievement could not have been taken into account in the definition of the objectives, the Compensation and nomination committee may propose payment of an exceptional bonus.

- For the 2017 fiscal year, the individual variable compensation of the Executive board members could represent, at the maximum, the following percentages and the following amounts of their fixed compensation:

Executive board members	Maximum percentage of fixed compensation if:		Maximum amount of variable compensation (in euros) if	
	Achievement of 100% of objectives	Performance beyond the expectations	Achievement of 100% of objectives	Performance beyond expectations
Mondher Mahjoubi, Chairman of the Executive board	60%	75%	€ 282,000 €	352,500 €
Yannis Morel, Executive board member	30%	37,5%	€ 54,000 €	67,500 €
Nicolai Wagtman, Executive board member	30%	37,5%	€ 54,000 €	67,500 €

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- The Compensation and nomination committee, on April 11, 2017 determined the individual contribution of each Executive board member and its weight within the four key priorities mentioned above.
- The objectives defined by the Compensation and nomination committee for each member of the Executive board are operational objectives, adapted to the context of strong growth and development of the Company.
- The Compensation and nomination committee choose to use operational performance criteria to fix the annual performance objectives. Such operational criteria are in relation with the implementation of the Company's strategic plan and allow notably assessing the Company's performance within the achievement of the steps planned under such strategic plan. The long-term performance objectives used for the long-term compensation (see 1.1.3) are backed to stock market criteria to align the

Executive board members interests with the shareholders' interests and considering that the intrinsic stock market performance of the Company is mainly due, on long-term, to the development of its pipeline of drug candidates. Besides, the Company's current business model (no recurrent income) does not allow a performance assessment through financial criteria such as the growth of income, the results or the margin.

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- The table below shows the performance criteria determined for each key priority and the internal measures, which will be used by the Compensation and nomination committee at the end of each year (or at the beginning of the following year) to assess the level of achievement of each criterion. The criteria relating to the "scientific leadership" and the "financial discipline" are measurable criteria; those relating to the "organization readiness" and "great place to work" are on one hand measurable criteria and on the other hand qualitative criteria. The targets of each criterion cannot be disclosed for strategic and confidential purposes.
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Objectives and performance criteria	Measure of the criteria
Scientific leadership :	
- Progress and diversification of the preclinical pipeline	- Achievement of a number of target projects reaching development milestones
- Progress of the clinical pipeline	- Achievement of clinical objectives defined under the strategic plan
- Commercial development	- Number of in and out licensing according to the strategic plan
- Scientific communication	- Reaching a target number of scientific publications
Organization readiness	
Evolution of the human, financial and organizational resources of the Company to boost its development	Implementation of the recruitment plan as defined and figured at the beginning of the year within a strong growth context; development of new competences area in relation with the strategic plan
Financial discipline	
Achievement or overachievement of the budget targets	Budget targets as defined under the strategic plan, evolution of the management tools in relation with the Company's development
Great place to work	
- Attract and develop human potentials and maintain a strong team spirit	Implementation and starting of training programs (including development and leadership programs); development of internal communication tools, evolution of the internal process of decision
- Efficiency of the decision process	

- For 2017, the individual contribution of each Executive board member is as follows:
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Criteria	Mondher (collective weight)	Mahjoubi	Yannis Morel	Nicolai Wagtmann
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Scientific leadership :				
- Progress and diversification of the preclinical pipeline	30%		20%	50%
- Progress of the clinical pipeline	30%			20%
- Commercial development	5%		35%	
- Scientific communication	5%			15%

Organization readiness

Evolution of the financial and human resources and of the Company's organization to follow the programs development to the marketing authorization	10%	5%	5%
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Financial discipline

Achievement or overachievement of the budget targets	10%	10%	5%
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Great place to work

- Attract and develop human potentials and maintain a strong team spirit measured through the implementation of training programs	10%	30%	5%
- Efficiency of the decision process			

(ii) Payment terms

As from the 2017 fiscal year, with a view of interesting the Executive board members to the Company's long-term creation value and encourage them, through the ownership of shares, to efficiently contribute to such value creation, the annual variable compensation may be composed of one part paid in cash and, subject to the favorable vote of the Annual general meeting and the Supervisory board decision adopted upon recommendation of the Compensation and nomination committee, of another part paid in free shares.

Each executive board member could opt, subject to the approval of the General meeting of June 23, 2017, for the payment of one part of its annual variable compensation in free shares. The free shares will be attributed by the Executive board, upon recommendation of the Compensation committee, after the General meeting of June 23, 2017, according to the part of the annual variable compensation paid in free shares. 50% of the annual variable compensation could be paid in free shares and such percentage will be increased by a premium varying between 10% and 50% of the annual variable compensation in order to encourage such term of payment and compensate the absence of cash payment for the Executive board members.

The number of free shares attributed will be determined according to their value in euros calculated on the weighted average of the last twenty stock market prices preceding the attribution.

Then, immediately after the determination, by the Supervisory board, upon recommendation of the Compensation and nomination committee, at the end of the year (or at the beginning of the following year) of the level of achievement of the objectives defined at the beginning of the year for the annual variable compensation in cash and the part of the annual variable compensation in free shares, will decide, for each Executive board member, on the number of free shares, which could be definitely acquired by the latter at the end of the acquisition period (one year following the attribution date) depending on the achievement of the objectives.

The free shares attributed (which will be Company's ordinary shares) will be subject, as provided by law, to a one-year acquisition period followed by a one-year retention period and a presence condition at the end of the acquisition period. In accordance with recommendation 22 of the AFEP-MEDEF Code of the governance, 15% of such shares, one definitely attributed, must be registered on a nominative account.

The attribution of free shares is subject, in addition to the vote provided under Article L. 225-82-2 of the Code of commerce, to the shareholders' approval, at the vote conditions of the extraordinary general meetings, of a resolution allowing the attribution of free shares (see resolution 27).

In accordance with Article L. 225-100 of the Code of commerce, the annual variable compensation, will only be paid after having received the favorable vote of the simple majority of the shareholders presents or represented at the annual general meeting voting on the 2017 accounts.

1.1.3 Long-term incentive – Attribution of free preferred shares

The attributions of free preferred shares (or AGAP) consist in the free attribution, under Article L. 225-197-1 et. Seq. of the Code of commerce, of a number of ordinary shares of the Company depending on the achievement of performance criteria determined at the attribution and evaluated over a three-year period.

The AGAP are subject to a one-year acquisition period with presence condition. During the two-year period following, the AGAP cannot be sold, neither converted into ordinary shares. At the end of the one-year acquisition period, each AGAP will benefit from the same voting and dividend rights than those attached to the holding of one ordinary shares. At the end of such two-year period, provided the achievement of the performance criteria (and the presence condition) on that date, the AGAP could be converted into ordinary shares for a six-year and six-month period and will give right to the same number of voting rights and right to dividends than the number of ordinary shares obtained following the conversion. At the end of such six-year and six-month period, the AGAP that would not have been converted, will lose their rights and could be purchased by the Company, and, as the case may be, cancelled.

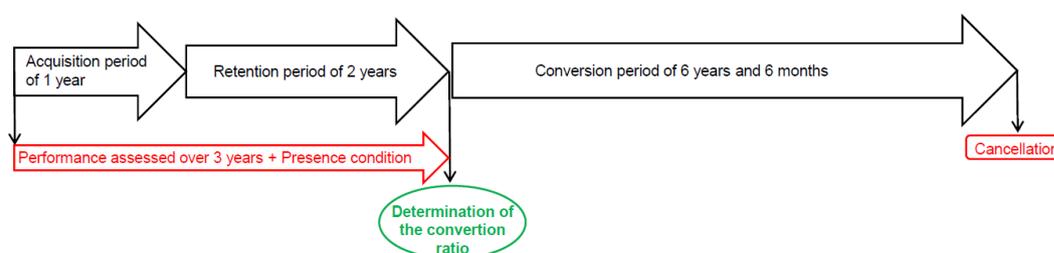
In accordance to recommendation 22 of the AFEP-MEDEF Code, 15% of the ordinary shares so obtained by the Executive board members must be kept at the nominative form.

The number of AGAP attributed to each Executive board member and the performance criteria are determined by the Supervisory board (being specified that, as provided by law, the Executive board remains solely competent to make the attribution, but will only apply the decision of the Supervisory board).

For 2017, it will be proposed to the general meeting to vote AGAP with performance criteria based on the stock market evolution.

The target performance will be an increase of the current stock market price to € 30 by ordinary share representing a 180% increase of the stock market price over a three-year period at the date of this Report. In case of achievement of such performance criteria, each AGAP may be converted into a maximum of 100 ordinary shares. The performance will be observed on the stock market price average over three consecutive months during the twelve-month period preceding the end of the two-year retention period (*i.e.* during the third year following the attribution).

The timeline below shows these different steps of attribution, definitive acquisition and conversion of the AGAP:



For 2017, the Compensation and nomination committee recommends, subject to the approval of the General meeting of June 23, 2017, the attribution the following volumes of AGAP ⁽¹⁾:

Executive board members	Number of AGAP which the attribution is contemplated	Percentage of AGAP within the total compensation ⁽¹⁾
Mondher Mahjoubi, Chairman of the Executive board	700 ⁽²⁾	Circ. 29%
Yannis Morel, Executive board member	500 ⁽³⁾	Circ. 48%
Nicolai Wagtmann, Executive board member	500 ⁽³⁾	Circ. 48%

(1) In case of maximum conversion, *i.e.* 100 ordinary shares for 1 AGAP and taking into account the AGAP valuation calculated at their fair value by a financial expert on the date of this Report (*i.e.* € 440)

(2) Equivalent to 70,000 ordinary shares in case of maximum conversion of the AGAP

(3) Equivalent to 50,000 ordinary shares in case of maximum conversion of the AGAP.

The attribution of AGAP is subject, in addition to the vote provided under Article L. 225-82-2 of the Code of commerce, to the shareholders' approval, at the vote conditions of the extraordinary general meetings, of resolutions allowing the creation and attribution of AGAP. Such resolutions will detail the performance criteria determined by the Supervisory board, the maximum number of AGAP to be attributed and their terms and conditions, including some exceptions to the presence condition.

1.1.4 Other benefits

The Executive board members benefit from the following social benefits and benefits in kind:

- Company vehicle;
- Supplemental health insurance, subscribed with AG2r Prémalliance, which terms and conditions are identical to the Company's employees (two different types of contributions depending on the family status);
- Collective provision contract, subscribed with AG2r Prémalliance, which terms and conditions are identical to the Company's employees (management contribution applicable to the Executive board members);
- Complementary pension plan « Article 83 » subscribed with AG2r Prémalliance, which terms and conditions are identical for all the Company's employees and financed by a contribution equivalent to 2% of the annual salary, including 1.20% paid by the Company;
- For Nicolai Wagtmann, Danish national, who came to live in Marseille, the Company reimburse a part of the school fees for his children; and
- The Company subscribed to a contract of unemployment insurance (GSC) for the Chairman of the Executive board. Such contract guarantees the payment of an indemnity in case of unemployment (within the limit of 70% of the last professional income declared to the Tax administration), to the company leaders and corporate officers not entitled to the ASSEDIC unemployment benefits.
- Mondher Mahjoubi's non-competition indemnity

The Chairman's mandate agreement entered into between Mondher Mahjoubi and the Company provides that as consideration for a non-competition and a non-solicitation clause, Mondher Mahjoubi will benefit as from the end of its functions as Chairman of the Executive board, from a fixed compensation paid monthly over a two-year period. However, the Company may, at any moment, waive such non-competition and non-solicitation obligation at any moment as from the end of the social mandate. In such case, the indemnity shall not be due. Such indemnification qualifies as undertaking under Article L. 225-190-1 § 6 of the Code of commerce and was authorized by the Supervisory board as provided under Article L. 225-86 of the Code of commerce. Such indemnification will be subject to a specific resolution at the general meeting on the 2016 accounts. In accordance with Article R. 225-86-1, 9° of the Code of commerce such non-competition indemnity is regarded as being part of the total compensation and the benefits mentioned in Article L. 225-82-2 of the Code of commerce and is thus subject to the shareholders' mandatory vote.

1.1.5 Exceptional attributions of free shares for new executives

Subject to the approval of the General meeting, upon recommendation of the Compensation and nomination committee and approval of the principle by the Supervisory board, the Executive board may attribute free shares to the executives newly appointed or recruited.

Such attributions will be made for the purpose of attracting and keeping high level profiles.

The number of free shares attributed during each fiscal year will be 50,000 free shares, for two people at the maximum.

The attribution of free shares is subject, in addition to the vote provided under Article L. 225-82-2 of the Code of commerce, to the shareholders' approval, at the vote conditions of the extraordinary general meetings, of a resolution allowing the attribution of free shares.

1.2 Supervisory board members compensation

The Supervisory board members compensation is made of attendance fees and warrants (BSA) giving right to the subscription of ordinary shares. As from the 2017 fiscal year, the Chairman of the Supervisory board will no longer be remunerated with attendance fees but benefits from a distinct compensation.

1.2.1 Attendance fees

The Company pays attendance fees to the independent members of the Supervisory board include a fixed part for each member, a fixed part for the Chairman of the Audit and Compensation and nomination committees and a variable part depending on their presence to the board and committees. The variable part depending on the presence to the meetings of the Supervisory board and committees overrides the fixed part.

The table below shows the allocation grid of the attendance fees applicable as from the 2017 fiscal year. Such grid was modified by the Chairman of the Supervisory board at the Supervisory board meeting on December 14, 2016 following the decision to grant a distinct compensation to the Chairman of the Supervisory board.

Envelop voted at the Annual general meeting		€ 200,000
Fixed part	Supervisory board	€ 15,000
	Committee Chairman	€ 3,000
Variable part depending on the presence to the Supervisory board meetings		€1,500
Variable part depending on the presence to the Committees meetings	Committee Chairman	€1,500
	Committee member	€1,000

In case of conference call or videoconference, the variable part is reduced by 50%.

The censor, who is called to the Supervisory board meetings and has a consultative voice, is not remunerated under his mandate.

The possibility to pay such attendance fees is subject, in addition to the vote provided under Article L. 225-82-2 of the Code of commerce, to the shareholders' approval, at the vote conditions applicable to the ordinary general meetings, of the envelop mentioned above (resolution 15).

1.2.2 Warrants (BSA)

The Company attributes warrants (BSA) to the independent members of the Supervisory board. Such attributions aim at attracting high level profiles to the Supervisory board and maintaining the Company's cash position.

In 2017, in the context of the renewal of the Supervisory board members and the appointment of new Supervisory board members, the Executive board contemplates attributing the warrants authorized by the Extraordinary general meeting of June 2, 2016 with the following characteristics:

- Warrants attribution to the independent Supervisory board members at the time of their appointment and renewal (every two years), within the limit of 10,000 warrants by member;
- Each warrant will give right to subscribe one share with a strike price equal to the stock market average of the last twenty days following the attribution (without discount);
- The warrants will become exercisable two years after their attribution and over an eight year period.

The warrants authorized by the Extraordinary general meeting of June 2, 2016, have not been used. Therefore, the Supervisory board does not contemplate proposing to the vote at the Extraordinary general meeting of June 23, 2017 a new envelop of warrants.

It is noted that the attribution of warrants to the Supervisory board members is not regarded as a compensation and does not depend on the achievement of performance criteria but aims at attracting and retaining high level qualification personalities to the Supervisory board.

1.2.3 Chairman of the Supervisory board compensation

Hervé Brailly was appointed as Chairman of the Supervisory board by the Supervisory board meeting of December 14, 2016, with effect as from December 30, 2016. He benefits from a fixed compensation and an exceptional temporary compensation.

1.2.3.1 Fixed compensation

The Supervisory board of December 14, 2016 decided that Hervé Brailly, as new Chairman of the Supervisory board, will benefit from a specific compensation under Article L. 225-84 of the Code of commerce and would no longer be remunerated on the attendance fees envelop voted by the Ordinary general meeting. As non-independent member of the Supervisory board, Hervé Brailly does not benefit from attendance fees, neither from equity instruments.

For the 2017 fiscal year, Hervé Brailly's specific compensation for his functions as Chairman of the Supervisory board amounted to € 50,000 per year.

1.2.3.2 Exceptional temporary compensation

The Supervisory board of December 14, 2016 decided to entrust Hervé Brailly with a special mission under Article L. 225-84 of the Code of commerce, in addition to his functions as Chairman of the Supervisory board. Such mission will be achieved during the 2017 fiscal year and will end on December 31, 2017, with a possible one-year renewal, decided after assessment, by the Compensation and nomination committee, of the performance of the mission and the interest of renewing such mission for the following year.

Such special mission aims at accompanying the new Chairman of the Executive board and ensuring a smooth internal and external transition. Such mission consists in:

- Supporting the change of Company's team and facilitate the transition for the next six months;
- Introducing Mondher Mahjoubi to the local, regional and French interlocutor (politicians, scientifics, economists) of the Company and to the key opinion leaders in the Company's fields of activities;
- Advising the Company with regard to scientific strategy and notably with regard to bi-specifics platforms and ADC and new targets and technologies;
- Contingence and, as the case may be, establish some contacts required for business development activities;
- Helping to identify new targets of acquisition (pré-clinical projects, companies) ; and
- Being involved in some investor relations activities to insure a smooth transition.

Under such mission and until its term, Hervé Brailly will benefit, in addition to its compensation as Chairman of the Supervisory board, a gross compensation of € 100,000 per year.

II COMPENSATION OF THE EXECUTIVE BOARD MEMBERS IN 2016 (“EX POST” CONSULTATIVE VOTE)

This paragraph shows the compensation of the Executive board members in function during the 2016 fiscal year (*i.e.* Mr. Brailly, Wagtmann and Morel).

2.1 Equity instruments definitions

AGA Management Mean the free shares granted by the Executive Board to the members of the Executive board and the Executive committee, which distribution has been authorized by the General Meeting of June 2, 2016 within its 21st resolution, with a fixed acquisition period of three years subject to presence condition.

AGAP Management Mean the free preferred shares convertible into ordinary shares granted by the Executive Board to the members of the Executive board, which distribution has been authorized by the General Meeting of June 2, 2016 within its 24th resolution.

Each AGAP Management may be converted into a maximum of 200 ordinary shares by application of a conversion ratio depending on multiple years criteria defined by the General Meeting of June 2, 2016.

The AGAP Management are subject to a fixed acquisition period of one year and a retention period of two years. Performance criteria will be evaluated over such three-year period.

AGA Employees Mean the free shares granted by the Executive Board to the employees, which distribution has been authorized by the General Meeting of June 2, 2016 within its 22nd resolution, with a fixed acquisition period of one year and a retention period of two years.

AGAP Employees Mean the free preferred shares convertible into ordinary shares granted by the Executive Board to the employees, which distribution has been authorized by the General Meeting of June 2, 2016 within its 25th resolution.

Each AGAP Employee may be converted into a maximum of 200 ordinary shares by application of a conversion ratio depending on multiple years criteria defined by the General Meeting of June 2, 2016.

The AGAP employees are subject to a fixed acquisition period of one year and a retention period of two years. Performance criteria will be evaluated over such three-year period.

BSA Mean the warrants giving the right to subscribe new shares.

BSAAR Mean the redeemable equity warrants or BSAAR, which are securities whose subscription price and exercise price are fixed at their fair value as determined by an expert. The BSAAR subscription therefore represents an investment on the part of the beneficiary. At the end of the exercise period, if they have not been exercised, the BSAAR becomes void. The Company benefits from a clause called «forcing» making it possible to encourage holders to exercise their redeemable equity warrants when the market price exceeds the exercise price and reaches a threshold defined in the BSAAR issuance agreement. The Company may, then, subject to a time period for notifying holders that will permit them to exercise the BSAAR, decide to reimburse the warrants not exercised at a unit price equal to the BSAAR acquisition price paid by its holder.

2.2 Components of the compensation granted to the Executive board members during the 2016 fiscal year

2.2.1 Fixed compensation

The compensations mentioned in the table below summarize the wages paid in 2016 to the Executive board members under their employment contract or to the fees paid to them under their consultancy agreement.

	2015	2016
Hervé Brailly , Chairman until December 30, 2016	260,000	300,000
<i>Variation</i>	+13.0%	+15.4%
Yannis Morel , Member of the Executive Board	141,000	165,000
<i>Variation</i>	+23.7%	+17.0%
Nicolai Wagtmann , Member of the Executive Board	161,928	170,964
<i>Variation</i>	0%	+5.6%
Catherine Moukheibir , Member of the Executive Board until December 30, 2016	320,000	288,000
<i>Variation</i>	+20.5%	-10.0%

The decision to increase the fixed compensation of the salaried Executive board members is motivated by the desire to be in step with French and European biotechnology market practices and accordingly attract and retain talents. The compensation of the salaried Executive board members is in the lower range of the compensation granted in similar companies in the biotechnology area in France and in Europe.

Mrs. Catherine Moukheibir, member of the Executive board bound to the Company by a consultancy agreement, resigned from her mandate as Executive Board member on December 14, 2016, with effect on December 30, 2016. During the 2016 fiscal year, she was bound to the Company by a consultancy agreement and did not benefit from any compensation linked to annual performance. Under her consultancy agreement, the day rate of Catherine Moukheibir amounted to € 2,000 with a minimum guaranteed of 120 work's days by year. During the 2016 fiscal year, Catherine Moukheibir invoiced 144 worked days to the Company (*i.e.* € 288,000). Such volume of worked days is explained by her position as Executive board member and Senior Advisor Finance during the 2016 fiscal year.

Mrs. Moukheibir is still bound to the Company through her consultancy agreement, which provisions have been modified to take into consideration the willing of the Company to use the services of Mrs. Moukheibir occasionally until June 30, 2017. Under this amendment, the day rate of Catherine Moukheibir still amounts to € 2,000 but the minimum guaranteed of worked days has been deleted, to allow the Company to request Catherine Moukheibir's services depending of its needs.

2.2.2 Annual variable compensation paid in cash

The table below shows the maximum of the fixed compensation that represents the annual variable compensation in cash (on the basis of a 100% achievement) for 2016.

Executive board members with employment contract	2016
Hervé Brailly, Chairman of the Executive Board	40%
Nicolai Wagtmann, Executive Board member	30%
Yannis Morel, Executive Board member	30%

In 2016, the collective objectives defined by the Supervisory Board upon recommendation of the Compensation and nomination committee at the beginning of the year, included 60% for the objectives tied to progress and success of the programs and 40% for the corporate objectives.

For the Executive board members, the Supervisory Board, upon recommendation of the Compensation and nomination committee, has fixed individual objectives, which embraced the collective objectives with a specific weight for each member of the Executive board.

The tables below show, for each member of the Executive Board, the individual objectives, which have been assigned to them by the Supervisory Board, their respective weight and their level of achievement

- Hervé Brailly

Individual performance criteria for Hervé Brailly (40% of variable annual compensation)	Individual Weighting	Achievement
R&D (40%)		
Management and progress of clinical programs (e.g. enrollment in the clinical trials, regulatory approvals, partnerships' management)	30%	>30%
Progress of preclinical programs (preM0 to M1)	10%	>10%
Corporate (60%)		
Corporate development activity	20%	20%
IR activity	15%	15%
Implementation of recruitment plan	25%	25%
Total	100%	>100%

- Yannis Morel

Individual performance criteria of Yannis Morel (30% of annual variable performance)	Individual weighting	Achievement
R&D (50%)		
Management and progress of clinical programs (e.g. enrollment in the clinical trials, regulatory approvals, partnerships' management)	40%	>40%
Progress of preclinical programs (preM0 to M1)	10%	>10%
Corporate (50%)		
Corporate development activity	50%	40%
IR activity	/	/
Implementation of recruitment plan	/	/
Budget and cash target	/	/
Total	100%	>100%

-

- Nicolai Wagtmann

Individual performance criteria of Nicolai Wagtmann (30% of annual variable compensation)	Individual weighting	Achievement
R&D (70%)		
Management and progress of clinical programs (e.g. enrollment in the clinical trials, regulatory approvals, partnerships' management)	40%	>40%
Progress of preclinical programs (preM0 to M1)	30%	>30%
Corporate (30%)		
Corporate development activity	10%	10%
IR activity	/	/
Implementation of recruitment plan	10%	10%
Budget and cash target	10%	10%
Total	100%	>100%

The individual performance criteria, as shown in the tables above, are divided into sub criteria with an achievement percentage for each member of the Executive board. For confidentiality and strategic purposes, such subcriteria cannot be disclosed.

In 2016, several subcriteria were overachieved with respect to the achievement criteria:

- Clinical subcriteria with a major expansion of trial for the combination of lirilumab and nivolumab and a recruitment beyond the objectives determined for IPH4102; and
- Clinical subcriteria with a number of new preclinical projects and achievement of predetermined milestones higher than the target.

To reflect the objectives' overachievement and the Company's success in 2016, and notably the milestones achieved, which helped the Company to become more mature and to begin its transition to the next development stages, the Compensation and nomination committee, after having assessed the percentage of achievement of such criteria and subcriteria, has noticed that each member of the Executive board had overachieved several criteria. The Compensation and nomination committee therefore recommended to the Supervisory board to pay an annual variable compensation in cash corresponding to 115% of achievement of the target amount fixed at the beginning of the year. The Supervisory board followed the recommendation of the Compensation and nomination committee. It is to be noted that for the collective objectives of the employees (other than the Executive board members), the overachievement was fixed to 130%.

The table below shows the amount of the annual variable compensation paid to each member of the Executive board for the 2016 fiscal year following such decisions:

Amounts to be paid to the members of the Executive Board under the compensation relating to annual performance	Fixed compensation (€)	% of variable on the fixed compensation	% of achievement of the performance criteria for the calcul of the variable compensation	Variable 2016 (€)
Hervé Brailly	280,000	40%	115%	128,800
Yannis Morel	165,000	30%	115%	56,925
Nicolai Wagtmann	170,964	30%	115%	58,650

2.2.3 Long-term incentive – Distribution of free preferred shares

Following the decision of the Supervisory board dated December 14, 2016, adopted upon recommendation of the Compensation and nomination committee, the Supervisory Board, on October 21, 2016, used the delegation granted by the 24th resolution of the General Meeting held on June 2, 2016 to grant 1,400 AGAP Management to the three Executive Board members

The table below shows such distribution:

Executive Board members	Number of AGAP Management distributed	% of maximum dilution ⁽¹⁾
Hervé Brailly	500	0.19%
Yannis Morel	450	0.17%
Nicolai Wagtmann	450	0.17%

(1) On the basis of the number of shares of the non-diluted share capital on the date of attribution by the Executive board and assuming that the AGAP Management have been fully converted (1 AGAP = 200 ordinary shares)

- Valuation of the AGAP Management distributed on October 21, 2016

On the date of their distribution on October 21, 2016 to Hervé Brailly, Yannis Morel and Nicolai Wagtmann, the AGAP Management were valued at € 836 per AGAP by an independent auditor.

On December 31, 2016, such AGAP Management distributed on October 21, 2016 were valued at € 911 to take into account the variation relating to internal criteria.

- Valuation of the AGAP Management distributed on December 30, 2016

On the date of their distribution on December 30, 2016 to Mondher Mahjoubi (see 2.2.4 of this Report and Table 6-1 of this Report), the AGAP Management were valued at € 956 per AGAP by an independent auditor.

On December 31, 2016, the valuation of the AGAP Management distributed on December 30, 2016 was still € 956.

The number of AGAP distributed to each member of the Executive board was decided according to their experience and their level of liability.

2.2.4 Exceptional distribution of free shares for recruitments

At the time of his recruitment, Mondher Mahjoubi benefited from the following exceptional attributions of AGA Management and AGAP Management on December 30, 2016:

- 250,000 AGA Management, and
- 3,000 AGAP Management (representing 1.11% of maximum dilution, calculated on the same basis than above).

2.2.5 Summary of the equity instruments owned by the Executive board members

The table below summarizes the share equivalents of the equity instruments owned by the members of the Executive board on the date of this Report:

Executive board members	AGAP Management ⁽²⁾		(number of shares in case of maximum conversion)	AGA Management ⁽²⁾	TOTAL	% of maximum dilution ⁽¹⁾
	BSAAR	BSA				
Mondher Mahjoubi	-	-	600,000	250,000	850,000	1.57%
Yannis Morel	88,000	-	90,000	-	178,000	0.33%
Nicolai Wagtmann	68,500	-	90,000	-	158,500	0.29%
Total	156,500	-	780,000	250,000	1,186,500	2.20%

(1) On the basis of the number of shares comprising the undiluted share capital on the date of this Report and assuming that the AGAP have been fully converted (1 AGAP = 200 ordinary shares)

(2) Non definitely acquired by the beneficiaries at the date of this Report

2.2.6 Exceptional compensation of Mr. Hervé Brailly

On December 14, 2016, as part of the Company's change of management, the Supervisory board, upon recommendation of the Compensation and nomination committee, approved the payment of an exceptional discretionary compensation amounting to € 300,000 (gross amount) to Mr. Hervé Brailly, as founder of the Company since 1999 and Chairman of the Executive board since 2005. Such compensation comes to reward Mr. Brailly's 17 years of effort of Mr. Brailly, who has been able to make Innate Pharma becoming one of the world's leader in immune oncology and one of the French biotechnology success. Such compensation results from a discretionary and unilateral decision of the Supervisory board and cannot be regarded as an amount due under a commitment under Article L. 225-90-1 of the French code of commerce.

2.2.7 Other components to be noted under the compensation of the Executive board members in 2016

- Consultancy agreement with Mrs. Moukheibir

Mrs. Catherine Moukheibir, Executive Board member until December 30, 2016, was bound to the Company since 2011 by a consultancy agreement that made changing the volume of her work flexibly possible, depending on the Company's needs and enabled the Company to have a high level consultant available with work volume and financial expense adapted to its needs.

This consultancy agreement was entered into force for a 2-year term and was renewed twice on April 30, 2011 and March 4, 2013 and then on March 6, 2015.

Under the resignation of Mrs. Catherine Moukheibir from its functions as member of the Executive Board on December 30, 2016, the consultancy agreement as renewed on March 6, 2015 was amended on December 14, 2016 with effect on December 30, 2016 for a six-month period (*i.e.* until June 30, 2017). The amendment of December 14, 2016 allows the Company to request, occasionally, the services of Mrs. Moukheibir and therefore to switch from a fixed number of days to *ad hoc* services, upon request of the Company.

2.2.8 Consultation of shareholders concerning the elements of compensation of the Executive board members

In accordance with the recommendations of the AFEP/MEDEF code (French corporate governance code for publicly traded companies) revised in November 2016 (Article 26.1 of the AFEP/MEDEF code), with which Company complies in accordance with Article L.225-37 of the French Commercial Code, the following information on the elements of compensation due or paid for the 2016 fiscal year to each executive company officers must be submitted to the shareholders' opinion.

Consequently, it will be proposed at the next General Meeting approving the financial statements of the fiscal year ended December 31, 2016 that an opinion be given on the elements of compensation due or paid for the 2016 fiscal year to Mr. Hervé Brailly, Chairman of the Executive Board and Mr. Nicolai Wagtmann, Ms. Catherine Moukheibir and Mr. Yannis Morel, members of the Executive Board.

Elements of the compensation due or paid for the fiscal year ended December 31, 2016 to Mr. Hervé Brailly, chairman of the Executive Board, submitted for the opinion of the shareholders

Elements of compensation	Amounts	Commentaries
Fixed remuneration	280,000	<p>Gross compensation of 280,000 euros for the 2016 fiscal year approved by the Supervisory Board meeting on February 17, 2016 on the proposal of the Compensation and nomination Committee.</p> <p>Changes in fixed compensation are presented on section 2.2.1 of this document.</p> <p>This compensation corresponds only to the salary paid to Mr. Brailly under the terms of his employment contract.</p>
Annual variable compensation	128,800	<p>On the recommendation of the Compensation and nomination Committee meeting on December 13, 2016, Mr Brailly's variable remuneration is 128,800 euros, corresponding to achievement of 115% of the 2016 performance criteria. The criteria and their level of achievement are described in paragraph 2.2.2 of this Report.</p>
Exceptional compensation	300,000	<p>Upon recommendation of the Compensation and nomination committee meeting of December 13, 2016, the Supervisory Board meeting of December 14, 2016 granted to Mr Brailly an exceptional compensation (see 2.2.6 of this Report).</p>
Variable pluri-annual compensation	89,852 ⁽¹⁾	<p>Mr. Brailly benefited from being awarded 500 AGAP by the Executive Board meeting of October 21, 2016 upon authorization by the General Meeting of June 2, 2016 (24th resolution).</p> <p>By way of information, it is stated that as of December 31, 2016 Mr. Brailly also held: 200,000 BSAAR 2011 and 150,000 BSAAR 2015.</p>
Attendance fees	N/A	<p>Like all members of the Executive Board, Mr. Brailly does not receive attendance fees.</p>
Value of all types of benefits	13,009	<p>Mr. Brailly receives a management vehicle and a supplementary pension plan "Article 83".</p>
Severance pay	N/A	<p>Mr. Brailly does not receive any severance pay.</p>
Non-competition indemnity	N/A	<p>Mr. Brailly does not receive any non-competition indemnity.</p>
Collective pension plan with defined contributions (components took into account to determine the global compensation)	3,635	<p>Mr. Brailly has an "Article 83" pension contract with AG2R La Mondiale, at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.</p>

(1) On 12/31/16, the AGAP were valued at € 911 per AGAP (see 2.2.3 of this Report)

Elements of the remuneration due or paid for the fiscal year ending December 31, 2016 to Ms. Catherine Moukheibir, member of the Executive Board, submitted for the opinion of the shareholders

Elements of compensation	Amounts	Commentaries
Fixed compensation	280,000	<p>The continuation of the contract including compensation awarded to Ms. Moukheibir was approved by the Supervisory Board meeting on March 6, 2015. An amendment to the Consultant Agreement approved by the Supervisory Board meeting of December 14, 2016 was signed to change the conditions of intervention and the contractual period following the resignation of Mrs. Moukheibir from its functions as member of the Executive Board.</p> <p>The changes in fixed compensation are presented in paragraph 2.2.1 of this Report.</p> <p>This compensation corresponds only to the fees paid to Ms. Moukheibir under the terms of her consultancy agreement.</p>
Annual variable compensation	N/A	Ms. Moukheibir does not receive any annual variable compensation.
Exceptional compensation	N/A	Ms. Moukheibir does not receive any exceptional compensation.
Long-term compensation elements	0	<p>Mrs. Moukheibir did not benefit from any variable long-term compensation in 2016.</p> <p>For information purposes, Ms. Moukheibir held the following as at December 31, 2016: 50,000 BSA 2013, 75,000 BSA 2014 and 40,000 BSAAR 2015.</p>
Attendance fees	N/A	Like all members of the Executive Board, Ms. Moukheibir does not receive attendance fees.
Value of all types of benefits	N/A	Ms. Moukheibir does not benefit from any benefit in-kind.
Severance pay	N/A	Ms. Moukheibir does not receive any severance pay.
Non-competition indemnity	N/A	Ms. Moukheibir does not receive any non-competition indemnity.
Collective pension plan with defined contributions (components took into account to determine the global compensation)	N/A	Ms. Moukheibir does not have any supplementary pension plan.

Elements of compensation due or paid for the fiscal year ending December 31, 2016 to Mr. Nicolai Wagtmann, member of the Executive Board, submitted for the opinion of the shareholders

Elements of compensation	Amounts	Commentaries
Fixed compensation	170,964	<p>Gross compensation of 170,964 for the 2016 fiscal year approved by the Supervisory Board meeting on February 17, 2016 on the proposal of the Compensation and Nomination Committee.</p> <p>Changes in fixed compensation are presented in paragraph 2.2.1 of this Report.</p> <p>This compensation corresponds only to the salary paid to Mr. Wagtmann under the terms of his employment contract.</p>
Annual variable compensation	58,650	<p>On the recommendation of the Compensation and nomination committee meeting on December 13, 2016 the annual variable remuneration of Mr. Wagtmann is 58,650 euros, corresponding to achievement of 115% of the 2016 performance criteria.</p> <p>Changes in fixed compensation are presented in paragraph 1.1.1 of this Report.</p>
Allowance	16,158	School fee allowance amounting to 16,158 euros.
Exceptional compensation	–	Mr. Wagtmann does not received any exceptional compensation.
Variable long-term compensation	80,867 ⁽¹⁾	<p>Mr. Wagtmann was granted 450 AGAP Management by the Executive Board meeting of October 21, 2016 upon authorization of the General Meeting of June 2, 2016 (26th resolution)</p> <p>For information purposes, M; Wagtmann held the following as at December 31, 2016: 68,500 BSAAR 2015.</p>
Attendance fees	N/A	Mr. Wagtmann receives a management vehicle and benefited from a supplementary pension plan “Article 83”.
Value of all types of benefits	4,841	Mr. Wagtmann does not receive any severance pay.
Severance pay	N/A	Mr. Wagtmann does not receive any non-competition indemnity.
Non-competition indemnity	N/A	Mr. Wagtmann has an “Article 83” Retirement Plan with AG2R La Mondiale, at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.
Collective pension plan with defined contributions (components took into account to determine the global compensation)	2,121	

(1) On 12/31/16, the AGAP were valued at € 911 per AGAP (see 2.2.3 of this Report)

Elements of the compensation due or paid for the fiscal year ending December 31, 2016 to Mr. Yannis Morel, member of the Executive Board, submitted for the opinion of the shareholders

Elements of compensation	Amounts	Commentaries
Fixed compensation	165,000	Gross compensation of 165,000 for the 2016 fiscal year approved by the Supervisory Board meeting on February 17, 2016 on the proposal of the Compensation and Nomination Committee. Changes in fixed compensation are presented in paragraph 2.2.1 of this Report. This compensation corresponds only to the salary paid to Mr. Morel under the terms of his employment contract.
Annual variable compensation	56,925	On the recommendation of the Compensation and nomination committee on December 13, 2016 the annual variable compensation of Mr. Morel is 56,925 euros corresponding to the achievement of 115% of the 2016 performance criteria. The criteria and their level of achievement are described in paragraph 2.2.2 of this Report.
Exceptional compensation	-	Mr. Morel does not receive any exceptional compensation.
Variable long-term compensation	80,867 ⁽¹⁾	Mr. Morel was granted 450 AGAP Management by the Executive Board meeting of October 21, 2016 upon authorization of the General Meeting of June 2, 2016 (24 th resolution)
Attendance fees	N/A	Like all members of the Executive Board, Mr. More does not receive attendance fees.
Value of all types of benefits	3,982	Mr. Morel received a management vehicle and benefited from a supplementary pension plan "Article 83".
Severance pay	N/A	Mr. Morel does not receive any severance pay.
Non-competition indemnity	N/A	Mr. Morel does not receive any non-competition indemnity.
Collective pension plan with defined contributions (components took into account to determine the global compensation)	2,032	Mr. Morel has an "Article 83" Retirement Plan with AG2R La Mondiale, at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.

(1) On 12/31/16, the AGAP were valued at € 911 per AGAP (see 2.2.3 of this Report)

2.3 Compensation of the Supervisory Board members for 2016

2.3.1 Attendance fees

The Annual General Meeting of June 2, 2016 voted a total amount of 200,000 euros in attendance fees. This amount is distributed among the members of the Supervisory Board according to a calculation, which depends on their rate of attendance at meetings and their responsibility in committees.

The table below shows the attendance rate of the Supervisory board members during the 2016 fiscal year:

	Supervisory board	Audit committee	Compensation and nomination committee	Transactions committee	% of attendance
Gilles Brisson	100% (8/8)	100% (5/5)	100% (6/6)	–	100%
Philippe Pouletty	88% (7/8)	–	83% (5/6)	–	86%
Patrick Langlois	75% (6/8)	100% (5/5)	100% (6/6)	–	92%
Irina Staatz-Granzer	100% (8/8)	100% (5/5)	–	–	100%
Michael A. Caligiuri	100% (8/8)	–	–	–	100%
Véronique Chabernaud	100% (8/8)	–	83% (5/6)	–	92%
Novo Nordisk A/S	88% (7/8)	–	–	–	88%

On the basis of such elements and the allocation grid applicable during the 2016 fiscal year (before its change following the appointment of Hervé Brailly as Chairman of the Supervisory Board – see paragraph 2.2.3.1 of the Reference Document), the Company paid attendance fees to the members of the Supervisory board in 2016 amounting to € 199,990, allocated as follows:

Amount of the attendance fees paid	
Gilles Brisson	€ 47,113
Philippe Pouletty	€ 35,335
Patrick Langlois	€ 38,700
Irina Staatz-Granzer	€ 27,643
Michael A. Caligiuri	€ 23,076
Véronique Chabernaud	€ 28,123

2.3.2 Warrants (bons de souscription d'actions)

The independent members of the Supervisory board received, in the past, some BSA. No BSA was granted during the 2016 fiscal year.

The table below summarizes the share equivalents of the equity instruments held by the members of the Supervisory board on December 29, 2016:

Members of the Supervisory board	BSA circulating	% dilution ⁽¹⁾
Gilles Brisson	40,000	0.07%
Philippe Pouletty	10,000	0.02%
Irina Staatz-Granzer	35,000	0.07%
Patrick Langlois	–	–
Novo Nordisk A/S	–	–
Michael Caligiuri	25,000	0.05%
Véronique Chabernaud	14,200	0.03%
TOTAL	124,200	0.23%

(1) based on the number of shares comprising the undiluted share capital at the date of this Report

2.4 Summary of the compensation according to AMF n°2009-16 recommendation: compensation, benefits, options and free shares given to members of the executive board, supervisory board and general management bodies

The following tables are resulting from the AMF recommendation No. 2009-16 of December 20th, 2010 and updated on April 13th, 2015 on the guidelines for the elaboration of the reference document.

The following table (Table 1) summarizes the compensation, options and ordinary shares allocated to each member of the Executive Board for the last two fiscal years:

Table 1	Summary table of compensation, options and shares allocated to each member of the Executive Board ⁽²⁾	
	2016	2015
Hervé Brailly , Chairman of the Executive Board		
Compensation for the fiscal year (see details in Table 2)	721,809	459,766
Valuation of variable long-term compensation allocated during the fiscal year	89,852 ⁽¹⁾	-
Valuation of options allocated during the fiscal year		
Valuation of free shares allocated during the fiscal year (see details in Tables 6 and 6-1) – Excluding additional social security charges	-	-
Total	811,661	459,766
Nicolai Wagtmann , Member of the Executive Board since December 12, 2013		
Compensation for the fiscal year (see details in Table 2)	250,613	281,264
Valuation of variable long-term compensation allocated during the fiscal year	80,867 ⁽¹⁾	-
Valuation of options allocated during the fiscal year		
Valuation of free shares allocated during the fiscal year (see details in Tables 6 and 6-1) – Excluding additional social security charges	-	-
Total	331,480	281,264
Yannis Morel , Member of the Executive Board since December 12, 2015		
Compensation for the fiscal year (see details in Table 2)	225,907	242,696
Valuation of variable long-term compensation allocated during the fiscal year	80,867 ⁽¹⁾	-
Valuation of options allocated during the fiscal year		
Valuation of free shares allocated during the fiscal year (see details in Tables 6 and 6-1) – Excluding additional social security charges	-	-
Total	306,774	242,696
Catherine Moukheibir , Member of the Executive Board		
Compensation for the fiscal year (see details in Table 2)	280,000	320,000
Valuation of variable long-term compensation allocated during the fiscal year	-	-
Valuation of options allocated during the fiscal year		
Valuation of free shares allocated during the fiscal year (see details in Tables 6 and 6-1) – Excluding additional social security charges	-	-
Total	280,000	320,000

(1) On 12/31/16, the AGAP were valued at € 911 per AGAP (see 2.2.3 of this Report)

(2) The reported amount corresponds to the accounting expense recorded in the consolidated accounts in accordance with the IFRS 2 standard.

To the best of the Company's knowledge, no hedging instrument has been set up by the corporate officers at the date of this Report

The following table (Table 2) summarizes the compensation allocated to each member of the Executive Board for the last two fiscal years:

Table 2

Compensation allocated to each member of the Executive Board

	2016		2015	
	Due for the fiscal year	Paid during the fiscal year	Due for the fiscal year	Paid during the fiscal year
Hervé Brailly , Chairman of the Executive Board				
Fixed compensation	280,000	280,000	260,000	260,000
Variable compensation	128,800	104,000	104,000	105,133
Exceptional compensation	300,000	60,000	83,197	23,197
Variable compensation over several years	89,852 ⁽¹⁾	0 ⁽¹⁾	0 ⁽¹⁾	0 ⁽¹⁾
Attendance fees	-	-	-	-
Other compensation items ⁽²⁾	13,009	13,009	12,569	12,569
Total	811,661	457,009	459,766	400,899
Nicolai Wagtmann , Member of the Executive Board				
Fixed compensation	170,964	170,964	161,928	161,928
Variable compensation	58,650	44,000	44,000	39,441
Exceptional compensation	-	30,000	44,277	14,277
Variable compensation over several years	80,867 ⁽¹⁾	0 ⁽¹⁾	0 ⁽¹⁾	0 ⁽¹⁾
School fee allowance	16,158	16,158	26,932	26,932
Attendance fees	-	-	-	-
Other compensation items ⁽²⁾	4,841	4,841	4,127	4,127
Total	331,480	265,963	281,264	246,702
Yannis Morel , Member of the Executive Board				
Fixed compensation	165,000	165,000	141,000	141,000
Variable compensation	56,925	36,000	36,000	28,050
Exceptional compensation	-	50,000	62,580	12,580
Variable compensation over several years	80,867 ⁽¹⁾	0 ⁽¹⁾	0 ⁽¹⁾	0 ⁽¹⁾
Attendance fees	-	-	-	-
Other compensation items ⁽²⁾	3,982	3,982	3,116	3,116
Total	306,774	254,982	242,696	184,746
Catherine Moukheibir , Member of the Executive Board				
Fixed compensation	280,000	264,004	320,000	287,669
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Variable compensation over several years	0 ⁽¹⁾	0 ⁽¹⁾	0 ⁽¹⁾	0 ⁽¹⁾
Attendance fees	-	-	-	-
Other compensation items ⁽²⁾	-	-	-	-
Total	280,000	264,004	320,000	287,669

(1) Messrs. Brailly, Wagtmann and Morel have respectively been granted in 2016, 500, 450 and 450 AGAP Management giving them right to a maximum of, respectively, 100,000, 90,000 and 90,000 ordinary shares (see paragraph 2.2.3). On 12/31/16, the AGAP were valued at € 911 per AGAP (see 2.2.3 of this Report).

(2) Messrs. Brailly, Wagtmann and Morel and Mrs. Moukheibir have respectively been granted in 2015 150,000, 68,500, 88,000 and 40,000 BSAAR 2015. The subscription price paid by the beneficiaries was €1.15 per BSAAR 2015, which corresponds to the fair value at the time of the subscription (this price was fixed by the Executive Board on the recommendation of an independent expert). Consequently, there is no advantage according to IFRS 2.

(3) Company car and pension benefits. Pension benefits to the Executive Board members are described in 4.6 of the Reference document and in Note 2.1 in the appendix to the 2016 Consolidated Accounts.

The amounts given in the table above are gross pre-tax amounts. They include the advantage resulting from a collective retirement plan with defined contributions.

The following table (Table 3) summarizes the compensation allocated to each member of the Supervisory Board for the last two fiscal years:

Table 3	Compensation allocated to each member of the Supervisory Board	
	Paid in 2017 for 2016	Paid in 2016 for 2015
Gilles Brisson , Chairman, independent member		
Attendance fees	47,113	44,500
Other compensation	-	-
Philippe Pouletty , independent member of the Supervisory Board.		
Attendance fees	35,335	36,000
Other compensation	-	-
Patrick Langlois , independent ⁽¹⁾ member of the Supervisory Board		
Attendance fees	38,700	40,500
Other compensation	-	-
Irina Staatz-Granzer , independent member of the Supervisory Board		
Attendance fees	27,643	27,500
Other compensation	-	-
Michael Caligiuri , independent member of the Supervisory Board		
Attendance fees	23,076	21,750
Other compensation	-	-
Véronique Chabernaud , independent member of the Supervisory Board		
Attendance fees	28,123	17,000
Other compensation	-	-

It is stated that Bpifrance Participations does not receive any compensation related to its position as observer.

The following table (Table 4) summarizes the equity instruments allocated to each company officer during the fiscal year. It replaces the summary of stock options granted during the year to each company officer by the issuer, not applicable for the year.

Table 4 Equity instruments allocated to the members of the Executive Board in 2016

	Date of decision of the Executive Board	Nature of the instrument	Valuation of the instrument ⁽¹⁾	Number of instruments allocated during the year	Definitive allocation
Mondher Mahjoubi	12/30/16	AGAP Management	€956	3,000	12/30/17 ⁽²⁾
Mondher Mahjoubi	12/30/16	AGA Management	€14.6	250,000	12/30/19
Hervé Brailly	10/21/16	AGAP Management	€911	500	10/21/17 ⁽²⁾
Yannis Morel	10/21/16	AGAP Management	€911	450	10/21/17 ⁽²⁾
Nicolai Wagtmann	10/21/16	AGAP Management	€911	450	10/21/17 ⁽²⁾
Catherine Moukheibir	-	-	-	-	-

(1) According to the same method as that used for the consolidated financial statements (for the valuation of the AGAP see paragraph 2.2.3 of this Report)

(2) Definitive allocation at the end of a two-year retention period.

The following table (Table 5) summarizes the equity instruments exercised during the year by each company officer. It replaces the summary of stock options exercised by each company officer during the year.

Table 5 Equity instruments exercised by each member of the Executive board during the year

	Date of decision of the Executive Board	Nature of the instrument	Date of definitive acquisition	Availability date	Performance criteria	Number of instruments exercised during the year	Exercise price
Hervé Brailly					(1)		
Yannis Morel					(1)		
Nicolai Wagtmann					(1)		
Catherine Moukheibir	07/17/13	BSA 2013			(1)	25,000	2.36 €

(1) Performance criteria are defined by the 23rd resolution of the General Meeting of June 2, 2016.

The following table (Table 6) summarizes the free shares allocated to each company officer during the year:

Table 6 Free ordinary shares allocated for each member of the Executive Board⁽²⁾

	Date of the Executive Board	Number of shares attributed	Valuation of the shares ⁽¹⁾	Date of definitive acquisition	Availability date	Performance criteria
Mondher Mahjoubi	12/30/16	250,000	€ 14.6	12/30/19	12/30/19	no
Hervé Brailly	-	-	-	-	-	-
Yannis Morel	-	-	-	-	-	-
Catherine Moukheibir	-	-	-	-	-	-
Nicolai Wagtmann	-	-	-	-	-	-

(1) According to the same method as that used for the consolidated financial statements.

(2) The members of the Supervisory Board are not eligible for the free shares.

The following table (Table 6-1) summarizes the free preferred shares allocated to each company officer:

	Date of decision of the Executive Board	Number of shares allocated	Valuation of the shares ⁽²⁾	Definition acquisition date	Availability date	Performance criteria
Mondher Mahjoubi	12/30/2016	3,000	€ 956	12/30/2017	12/30/2019	(1)
Hervé Brailly	10/21/2016	500	€ 911	10/21/2017	10/21/2019	(1)
Yannis Morel	10/21/2016	450	€ 911	10/21/2017	10/21/2019	(1)
Nicolai Wagtmann	10/21/2016	450	-	10/21/2017	10/21/2019	(1)
Catherine Moukheibir	-	-	-	-	-	-

(1) On 12/31/16, the AGAP were valued at € 911 per AGAP (see 2.2.3 of this Report)

(2) For the valuation, see paragraph 2.2.3 of this Report.

The following table (Table 7) summarizes the free shares available for each company officer:

Table 7	Date of decision of the Executive board	Number of available ordinary shares	Conditions for acquisition
Hervé Brailly	—	—	—
Nicolai Wagtmann	—	—	—
Catherine Moukheibir	—	—	—
Yannis Morel	—	—	—

(1) The members of the Supervisory Board are not eligible for the free shares

The following table (Table 8) summarizes the history of allocation of equity instruments to the company officers as of January 31, 2017:

Table 8 – History of allocation of equity instruments

Equity instruments	BSA					BSAAR		Free shares	
Equity instruments	BSA 2011-2	BSA 2013	BSA 2014	BSA 2015-1	BSA 2015-2	BSAAR 2011	BSAAR 2015	AGAP Management	AGA Management
Date of shareholders meeting	06/29/11	06/28/13	03/27/14	04/27/15	04/27/15	06/29/11	04/27/15	06/02/16	06/02/16
Date of decision of the Executive Board or Executive Committee	07/29/11	07/17/13	07/16/14	04/27/15	07/01/15	09/09/11	07/01/15	01/21/16 12/30/16	12/30/16
Total number of equity instruments that could be subscribed	350,000	300,000	150,000	150,000	150,000	1,000,000	1,500,000	5,000 ⁽³⁾	350,000
Total number of shares that could be subscribed following the Executive Board allocation	225,000	237,500	150,000	70,000	14,200	650,000	1,050,382	1,000,000	300,000
Number of equity instruments allocated to company officers and subscribed	132,500	100,000	75,000	35,000	14,200	300,000	346,500	4,400	250,000
Hervé Brailly	-	-	-	-	-	200,000	150,000	500	-
Mondher Mahjoubi	-	-	-	-	-	-	-	3,000	250,000
Catherine Moukheibir ⁽⁴⁾	70,000	75,000	75,000	-	-	-	40,000	-	-
Nicolai Wagtman	-	-	-	-	-	-	68,500	450	-
Yannis Morel	-	-	-	-	-	100,000	88,000	450	-
Gilles Brisson	25,000	-	-	15,000	-	-	-	-	-
Philippe Pouletty ⁽⁴⁾	-	-	-	10,000	-	-	-	-	-
Patrick Langlois	-	-	-	-	-	-	-	-	-
Irina Staatz-Granzer	25,000	-	-	10,000	-	-	-	-	-
Michael A. Caligiuri	-	25,000	-	-	-	-	-	-	-
Véronique Chabernaude	-	-	-	-	14,200	-	-	-	-

Table 8 – History of allocation of equity instruments

Equity instruments	BSA					BSAAR		Free shares	
Equity instruments	BSA 2011-2	BSA 2013	BSA 2014	BSA 2015-1	BSA 2015-2	BSAAR 2011	BSAAR 2015	AGAP Management	AGA Management
Starting date of the exercise period	07/29/11	07/17/13	07/16/14	04/27/15	07/01/15	09/09/11	07/01/15	10/21/17 or 12/30/17	12/30/19
Expiration date	07/29/21	07/17/23	07/16/24	04/26/25	06/30/25	09/09/21	06/30/25	04/21/26 or 06/30/26	-
Subscription price	1.77€	2.36€	8.65€	9.59€	14.05€	2.04€	7.20€	-	-
Total number of ordinary shares subscribed as of 01/31/17	120,560	153,640	75,000	-	-	395,000	1,940	-	-
Cumulated number of equity instruments cancelled or lapsed	-	-	-	-	-	-	2,720	-	-
Number of equity instruments outstanding as of 01/30/17	104,440	83,860	75,000	70,000	14,200	255,000	1,045,722	1,000,000	300,000

(1) All beneficiaries of BSA 2014, BSA 2015-1 and BSA 2015-2 are authorized to exercise 1/24th of their share warrants on a monthly basis over a 2-year period after the date the shares were granted. The BSA allocated in 2011, 2013 and 2014 are fully available.

(2) All beneficiaries of BSAAR 2015 are authorized to exercise 1/24th of their share warrants on a monthly basis over a 2-year period after the date the shares were granted and the shares issued following such exercise are subject to a two-year retention period ending on July 1st, 2017

(3) The achievement of the performance criteria gives right to the conversion of one free preferred share to a maximum of 200 ordinary shares

(4) The equity instruments have been allocated to Catherine Moukheibir and Philippe Pouletty while they were corporate officers. At the date of this document, Catherine Moukheibir and Philippe Pouletty resigned from their respective mandates.

The following tables (Table 9-1 and 9-2) summarize equity instruments allocated to Executive committee members during the year (excluding Executive board members) and the equity instruments exercised during the year:

Table9-1 Equity instruments allocated to Executive committee members excluding Executive board members

	Date of decision of the Executive board	Nature of the instrument	Aggregate number of instruments subscribed or purchased	Definitive acquisition date	Availability date	Performance criteria (1)
Jérôme Tiollier	10/21/16	AGAP Management	100	10/21/2017	10/21/2019	Yes
Marcel Rozenzweig	10/21/16	-	-	-	-	-
Pierre Dodion	10/21/16	AGAP Management	250	10/21/2017	10/21/2019	Yes
Laure-Hélène Mercier	10/21/16	AGAP Management	250	10/21/2017	10/21/2019	Yes
Laure-Hélène Mercier	10/21/16	AGA Management	50,000	10/21/2019	10/21/2019	No
Laure-Hélène Mercier	10/21/16	AGA Employees	1,162	10/21/2017	10/21/2019	No

(1) The performance criteria of the AGAP Management are defined under 23rd resolution of the General Meeting of June 2, 2016

Tableau 9-2 Equity Instruments exercised by Executive committee members (excluding Executive board members) during the year

	Date of Executive board	Nature of the instrument	Aggregate number of instruments subscribed or purchased	Subscription price of the instrument	Exercise price
Marcel Rozenzweig	07/29/11	BSA 2-2011	700	0.01 €	1.77 €
Marcel Rozenzweig	07/16/14	BSA 2014	37,500	0.01 €	8.65 €

The following table (Table 10) summarizes the history of the allocation of free shares, including the shares allocated from employee savings plan to company officers over the three last fiscal years:

Table 10 Allocation of free shares to each company officer⁽²⁾

	Date of Executive board	Number of free shares	Acquisition conditions
Hervé Brailly	01/26/2015	588	Corresponding to 300% of the premium invested in the PEE by the beneficiary ⁽¹⁾
Yannis Morel	01/26/2015	549	Corresponding to 300% of the premium invested in the PEE by the beneficiary ⁽¹⁾
Nicolai Wagtmann	01/26/2015	300	Corresponding to 300% of the premium invested in the PEE by the beneficiary ⁽¹⁾

(1) See paragraph 2.3.3 of the Reference document "Company savings plan"

(2) The members of the Supervisory Board are not eligible to free shares

The following table (Table 11) provides details concerning conditions of compensation and other benefits offered to each company officer during the fiscal year:

Additional information on conditions of compensation and other benefits offered to Executive board members				
Table 11	Work contract	Complementary retirement savings scheme⁽³⁾	Benefits or advantages due or likely to be due in the case of retirement or change of position	Benefits due to non-competition clause
Hervé Brailly⁽¹⁾ Chairman & CEO Start of term: 1999 End of term: 12/29/16	Yes	Yes	No	No
Yannis Morel ⁽²⁾ Business development Start of term : 2015 End of term : 12/29/16	Yes	Yes	No	No
Nicolai Wagtmann EVP CSO ⁽³⁾ Start of term: 2014 End of term: underway	Yes	Yes	No	No
Catherine Moukheibir⁽⁴⁾ EVP Senior Advisor Finance Start of term: 2011 End of term: underway	No	No	No	No

(1) On March 27, 2014, the Supervisory board renewed Mr. Brailly as Chairman of the Executive Board and has authorized the combination of Mr. Brailly's employment contract and his board mandate. It is understood that he does not receive any specific compensation for his board mandate in 2016, such as the other members of the Executive Board.

(2) Mr. Morel resigned from his mandate as Executive Board member on December 14, 2016, with effect on December 30, 2016 and was appointed as member of the Executive Board by the Supervisory Board meeting of December 14, 2016, with effect on December 30, 2016. The Supervisory Board meeting of December 14, 2016 authorized him to combine his employment contract and his board mandate. It is understood that he does not receive any specific compensation for his board mandate in 2016, such as the other members of the Executive Board.

(3) Mr. Wagtmann resigned from his mandate as Executive Board member on December 14, 2016, with effect on December 30, 2016 and was appointed as member of the Executive Board by the Supervisory Board meeting of December 14, 2016, with effect on December 30, 2016. The Supervisory Board meeting of December 14, 2016 authorized him to combine his employment contract and his board mandate. It is understood that he does not receive any specific compensation for his board mandate in 2016, such as the other members of the Executive Board.

(4) Catherine Moukheibir had, during the 2016 fiscal year, a consultancy contract described in paragraph 2.2.1 of this Report.

(5) The characteristics of the collective retirement plan with defined contributions ("Article 83" retirement plan) are described in Note 2) k) of the Consolidated Accounts for the year ended December 31, 2016 contained in paragraph 3.3.1 of the Reference document.

The total amounts of the amounts recorded as charges during the 2016 fiscal year under the Complementary retirement savings scheme amounted to 785,000 euros.

Table 12 – Summary of the equity interests in the company held by the members of the Executive Board, Supervisory Board and Executive Committee as of January 31st, 2017

Executive Board, Supervisory Board or Executive Committee	Number of shares directly owned (I)	Number of shares owned by related entities ⁽¹⁾ (II)	Total (IV) (I+II)	Total number of new shares upon exercise of, warrants redeemable warrants, AGA and AGAP (III)Total (IV) (I+II)	Total (III+IV)	Percentage of diluted capital ⁽²⁾	
Executive Board Members							
Mondher Mahjoubi	-	-	-	850,000	850,000	1.47	%
Nicolai Wagtmann	58,600	-	58,600	158,500	217,100	0.37	%
Yannis Morel	54,937	-	54,937	178,000	232,937	0.40	%
Supervisory Board Members							
Hervé Brailly	1,084,784	-	1,084,784	450,000	1,534,784	2.66	%
Gilles Brisson	48,059	-	48,059	40,000	88,059	0.15	%
Patrick Langlois	4,141	4,000	8,141	-	8,141	0.00	%
Irina Staatz – Granzer	100	-	100	35,000	35,100	0.06	%
Novo Nordisk A/S represented by Mr. Karsten Munk Knudsen	5,564,708	-	5,564,708	-	5,564,708	9.63	%
Michael A. Caligiuri	1	-	1	25,000	25,001	0.04	%
Véronique Chabernaud	10	-	10	14,200	14,210	0.02	%
Executive Committee							
Jérôme Tiollier	160,982	-	160,982	90,000	250,982	0.43	%
Marcel Rozenzweig	0	-	-	-	-	0.00	%
Pierre Dodion	372	-	372	107,000	107,372	0.18	%
Laure–Hélène Mercier	4,914	-	4,914	145,662	150,576	0.26	%
Total	6,981,608	-	6,985,608	2,093,362	9,078,970	15.72	%
Other shareholders	47,029,146	-	47,025,146	1,666,135	48,691,281	84.28	%
Total	54,010,754	-	54,010,754	3,759,497	57,770,251	100.00	%

(1) Related entities refer to entities with which the member has a capital, statutory or contractual relationship (employment or other contract).

(2) The diluted capital is calculated after the theoretical exercise of all options, company founder share subscription warrants and redeemable warrants and after a final allocation of the shares distributed free of charge on that date.