ADOCIA

innovative medicine
for everyone, everywhere

***This is a free translation into English of Adocia 2017 interim financial report issued in the French language for informational purposes only***

# INTERIM FINANCIAL REPORT

# AS OF JUNE 30, 2017


A French société anonyme (corporation) with € de 686 176.3 in share capital

Registered office: 115 avenue Lacassagne
69003 Lyon, France

Lyon Trade and Companies Registry no. 487 647 737

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# I. RESPONSIBILITY STATEMENT IN RESPECT OF THE INTERIM FINANCIAL REPORT

I hereby certify that, to my knowledge, the consolidated condensed financial statements for the six months ended June 30, 2017 have been prepared in accordance with applicable accounting standards and give a true and fair view of the Company and its subsidiaries included in the consolidated account assets and liabilities, financial position and income, and that the accompanying interim management report gives a true and fair view of the significant events of the first six months of the year, their impact on the financial statements, major related-party transactions and a description of the major risks and uncertainties for the remaining six months of the year.

Gérard Soula

Chairman and Chief Executive Officer of Adocia

## II. INTERIM MANAGEMENT REPORT – AT JUNE 30, 2017

The table below summarizes the condensed consolidated interim financial statements prepared for the six-months periods ended June 30, 2016 and June 30, 2015:

| *In euros thousands IFRS* | **06/30/2017** | **06/30/2016** |
|---|---|---|
| Revenue | 19 469 | 11 934 |
| Grants, reserach tax credit and others | 3 652 | 3 961 |
| **Operating revenue** | **23 121** | **15 895** |
| **Operating expenses** | **(15 840)** | **(20 063)** |
| **Profit (loss) from operating activities** | **7 281** | **(4 168)** |
| **Financial income** | **(210)** | **41** |
| **Net profit (loss)** | **7 050** | **(4 181)** |

The financial results of the Company at June 30, 2017 are characterized by:

- **A solid financial position**: The Company shows a cash position as of June 30, 2017 close to 52.3 million euros compared to 58 million euros in January 1st 2017.

  Including the research and tax credit ("*Crédit d'Impôt Recherche*") collected mid-June 2017 for an amount of 7.8 million euros, the company reports a net cash flow of 5.8 million euros in the first semester 2017. Excluding this non-recurrent item, the cash burnt for the first six months of 2017 is 13.6 million euros, compared to 11.2 million euros in the first six months of 2016.

  This increase reflects the advancement of projects and the clinical developments conducted during the period which, contrary to last year are all financed by the Company.

  Debts as of June 30, 2017 totaled 7 million euros, which is stable compared to the beginning of 2017. They primarily result from the bank loan contracted in 2016 to finance the acquisition of the building in which the headquarters and research center of the Company are located.

- **Operating income** of 23.1 million euros as of the end of June 2017 primarily derives from the research and collaborative contract signed with Eli Lilly (19.5 million euros) and from research and tax credit ("Crédit d'Impôt Recherche") of 3.5 million euros. The termination of the collaboration with Lilly led to the recognition in revenue of 18.8 million euros relating to the remaining non-amortized amount of the up-front payment received when signing the contract in December 2014. This revenue has no impact on the Company's cash position.

- **Operating expenses** of 15.8 million euros were mostly (81%) dedicated to research and development activities. These expenses have decreased by 4.2 million euros compared to the first half of 2016, mainly due to lower external expenses. Last year, the first six months were marked by a strong clinical activity, especially in relation to the collaboration with Lilly, whereas this year, the new clinicals trials recently launched by the Company have a limited impact on the current first half year.

- After net financial income is included, the result of the Company is a net profit of 7.1 million euros compared to a net loss of 4.2 million euros. Excluding the exceptional impact resulting from the termination of the agreement with Lilly, the net result of the Company is a loss of 6.3 million euros.

## A. SIGNIFICANT EVENTS OF THE FIRST HALF OF 2017

The beginning of the year was marked by the decision of Eli Lilly to terminate the license and collaboration agreement which had been signed in December 2014 for the development of BioChaperone Lispro.

Early June 2017, a first clinical trial was launched to compare the pharmacodynamics and pharmacokinetics of BioChaperone® Lispro to those of both Fiasp® (faster-acting insulin aspart, Novo Nordisk) and Novolog® (insulin aspart, Novo Nordisk) in people with type 1 diabetes. Results are expected before year end and should consolidate the current dossier. Adocia is actively seeking a partner to pursue the development and conduct the clinical phase 3 program.

Regarding BioChaperone Combo, the results of the clinical study phase 1/2 monitoring postprandial glycemic control (meal-test study) in people with type 2 diabetes were published in early June 2017. Based on these positive results, the Company launched a new phase 1b clinical study on the dose-proportionality relationship of BioChaperone Combo in people with type 2 diabetes. Results are expected during the fourth quarter of 2017.

Regarding Hinsbet, Adocia's strategy is to license this product to a regional diabetes player for its development and commercialization in emerging countries.

Early in 2017, Adocia announced the launch of a new preclinical program which aims to develop multi-hormonal combinations for the prandial treatment of type 1 diabetes (BioChaperone Prandial combinations) enabling to combine insulin lispro with pramlintide (Symlin®, AstraZeneca) and insulin lispro with exenatide (Byetta®, AstraZeneca). These new projects could offer people with type 1 diabetes improved treatments, without increasing the number of injections. The launch of a first clinical trial for one of these combinations is expected during the fourth quarter of 2017.

This new program strengthens Adocia's portfolio dedicated to the treatment of diabetes, which was already enriched last year by two other programs: BioChaperone Human Glucagon and BioChaperone Glargine GLP-1.

In June 2017, Adocia initiated a first-in-man clinical study of BioChaperone Glucagon in order to compare the safety and tolerability of the product to those of commercially available human glucagon (Glugagen® Hypokit™, Novo Nordisk), as well as their pharmacodynamics and pharmacokinetics profiles in people with type 1 diabetes. Results are expected in the fourth quarter of 2017.

Adocia is also preparing a clinical study for BioChaperone Glargine GLP-1, expected to be initiated in 2017.

## A. EVENTS SUBSEQUENT TO JUNE 30, 2017

None.

## B. OPERATING REVENUE

The following table provides details on operating income for each period:

| *In thousand euros - IFRS* | **06/30/2017** | **06/30/2016** |
|---|---|---|
| Research and cooperation agreements | 650 | 6 560 |
| Income from licenses | 18 819 | 5 375 |
| **Revenue (a)** | **19 469** | **11 934** |
| Grants, public financing and research tax credits (b) | 3 652 | 3 961 |
| **Operating revenue (a)+(b)** | **23 121** | **15 895** |

Operational revenues resulted from the licensing and research agreements and also from the public financing of research and development expenses. At June 30, 2017, they amounted to 23.1 million euros versus 15.9 million euros last year over the same period.

**Revenues** of 19.5 million euros at June 30, 2017 resulted primarily from the collaborative and licensing agreement signed with Lilly end of 2014 and which was terminated in May 31, 2017.

Lilly's decision to terminate the collaboration on BioChaperone Lispro impacted significantly the revenue for the first half 2017. Indeed, under IFRS norms, the upfront payment received from Lilly in December 2014, for a total amount of 40.8 million euros (50 million dollars), was recognized linearly in licensing revenues over the duration of clinical development plan as anticipated at the time of the signature of the agreement. The termination of the agreement led to the recognition of the non-amortized part of this amount, i.e. 18.8 million euros. **This license income** has no impact on the cash of the Company since the payment was totally received at the signing of the contract in December 2014.

Throughout this collaboration which was completely closed end of May 2017, Lilly supported internal and external costs incurred by Adocia for the development of BioChaperone Lispro. These revenue from research agreement totaled 0.7 million euros for the first six months of 2017 whereas they reached 6.6 million euros over the same period in 2016.

**Other operating income** consisted primarily of the French research development tax credit amounting to 3.6 million euros for the first half 2017, compared to 3.9 million euros during the first half 2016. This decrease reflects lower operational expenses compared to the same period last year.

Moreover, following its real estate acquisition, the Company now invoices rents to three tenant companies located in the building. As of June 2017, these revenues amounted to 0.1 million euros, stable compared to last year.

## C. OPERATING EXPENSES

Consolidated operating expenses for the first half 2017 amounted to 15.8 million euros versus 20.1 million euros in the same period last year, representing a decrease of 21% (4.2 million euros).

These expenses are presented by function and by nature below.

| ***EXPENSES BY FUNCTION*** *(in € thousands)* | **06/30/2017** | **06/30/2016** |
|---|---|---|
| Research and development costs | (12 815) | (16 356) |
| Administrative costs | (3 025) | (3 707) |
| **Operating expenses** | **(15 840)** | **(20 063)** |

Over the first six months of the year, **research and development costs** represented close to 81% of the total operating expenses (81,5% in the first half 2016). They mainly include payroll costs assigned to research and development operations, subcontracting costs (including preclinical and clinical studies) and intellectual property rights expenses.

The decreased expenditure of 4.2 million euros compared to the first semester of 2016 mainly results from lower external expenses, as the first semester of 2016 was marked by intense clinical activity, especially related to the partnership with Lilly.

**General and administrative expenses** primarily include expenses for employees not directly working on research and development (including share-based payment), as well as services related to management, the business development of the Company and its subsidiary in the US.

*Operating expenses by nature :*

| ***EXPENSES BY NATURE*** ***(in € thousands)*** | **06/30/2017** | **06/30/2016** |
|---|---|---|
| Cost of goods sold | (909) | (755) |
| Payroll expense | (6 492) | (8 440) |
| External charges | (7 824) | (10 423) |
| Taxes | (100) | (138) |
| Depreciation, amortization & provisions | (515) | (307) |
| **Operating expenses** | **(15 840)** | **(20 063)** |

**External expenses** represent the largest expenditure item with nearly half of total operating expenses. They amounted to 7.8 million euros in 2017 compared to 10.4 million euros for the same period in 2016. The first semester last year was marked by intense clinical activity for the development of BioChaperone Lispro within the partnership with Lilly. Over the first six months of 2017, clinical activity has been less intense and the three clinical studies launched end of May will impact the expenses of the second semester.

**Personnel costs** represent the second significant expenditure item with 44% of total operating expenses.

The decrease of 1.9 million euros is explained by a lower impact of the incentive share policy, during the first semester 2017 compared to last year. Under IFRS, share-based payments are recognized at the fair value of the equity instruments and represent an amount of 1.1 million euros at June 30, 2017 (compared to 2.1 million euros at June 30, 2016).

Excluding these elements that have no impact in French GAAP, nor on the cash position of the Company, personnel expenses decreased from 6.3 million euros in the first half of 2016 to 5.4 million euros at the end of June 2017, reflecting a prudent wage policy implemented as a result of the termination of the partnership with Lilly.

## D. BALANCE SHEET ITEMS

| *In euros thousands IFRS* | 06/30/2017 | 12/31/2016 |
|---|---|---|
| **Net cash and cash equivalents** | **52 280** | **58 037** |
| Total assets | 68 415 | 78 798 |
| **Equity** | **51 106** | **42 762** |
| **Financial Debt** | **7 005** | **7 072** |

On June 30, 2017, the amount of cash and cash equivalents held by the Company amounted to 52.3 million euros compared to 58 million euros at December 31, 2016.

Consolidated shareholders' equity decreased from 42.8 million euros at end December 2016 to 51.1 million euros at end June 2017, mainly reflecting the positive result at the end of June 2017.

Financial liabilities of 7 million euros at June 2017, are mainly related to the real estate loan used to finance the acquisition and renovation of the building in which the Company's headquarters and research center are located, amounting to 5.6 million euros, as well as refundable advances from the French Agency for Innovation (Bpifrance), for the insulin project for 0.8 million euros.

## E. RISKS AND UNCERTAINTIES RELATING TO THE COMPANY'S ACTIVITIES IN THE SECOND HALF OF 2017

The risk factors affecting the company are presented in Chapter 4 of the registration document filed with the Autorité des marchés financiers (AMF) and available on the company's website: www.adocia.com.

There were no new risk factors for the first half of 2017.

## F. RELATIONS WITH RELATED PARTIES

Relations with related parties during the period are presented in the notes to the interim financial reporting prepared under IAS 34 below (Part 5).

## A. CONSOLIDATED BALANCE SHEET – IFRS RULES

| *In thousand euros - IFRS* | Notes | 06/30/2017 | 12/31/2016 |
|---|---|---|---|
| Inventories | | 103 | 66 |
| Trade and similar receivables | 3.4 | 180 | 2 462 |
| Other current assets | 3.5 | 6 611 | 9 442 |
| Cash and cash equivalents | 3.6 | 52 280 | 58 037 |
| **Current assets** | | **59 174** | **70 008** |
| Goodwill | | 0 | 0 |
| Other intangible fixed assets | | 71 | 0 |
| Land | 3.2 | 2 025 | 1 751 |
| Landscaping | 3.2 | 220 | 0 |
| Buildings and constructions | 3.2 | 4 029 | 3 793 |
| Laboratory equipment | 3.2 | 1 363 | 1 521 |
| Other property, plant and equipment | 3.2 | 1 499 | 1 388 |
| Actifs financiers | | 33 | 338 |
| **Non-current assets** | | **9 240** | **8 790** |
| **Total assets** | | **68 415** | **78 798** |
| Short-term financial debt | 3.8 | 682 | 679 |
| Other current financial liabilities | 3.8 | 123 | 112 |
| Trade and similar payables | 3.10 | 5 974 | 4 572 |
| Other current liabilities | 3.10 | 2 435 | 22 655 |
| **Current liabilities** | | **9 215** | **28 017** |
| Long-term financial debt | 3.8 | 6 200 | 6 281 |
| Long-term provisions | 3.9 | 1 894 | 1 738 |
| Other non-current liabilities | | 0 | 0 |
| **Non current liabilities** | | **8 094** | **8 019** |
| Share capital | | 686 | 686 |
| Share premium | | 78 841 | 78 942 |
| Group translation gains and losses | | -22 | 7 |
| Group reserves | | (35 449) | (28 981) |
| Group net profit/loss | | 7 050 | (7 892) |
| **Capitaux propres** | 3.7 | **51 106** | **42 762** |
| **Total liabilities** | | **68 415** | **78 798** |

## B. CONSOLIDATED INCOME STATEMENT – IFRS RULES

| *In thousand euros - IFRS* | Notes | 06/30/2017 | 06/30/2016 |
|---|---|---|---|
| Revenue | 3.12 | 19 469 | 11 934 |
| Grants, research tax credits and others | 3.13 | 3 652 | 3 961 |
| **Operating revenue** | | **23 121** | **15 895** |
| Operating expenses excluding additions and reversals | 3.14-15 | (15 326) | (19 756) |
| Additions to and reversals of depreciation, amortization and | 3.16 | (515) | (307) |
| **Profit (loss) from ordinary operating activities** | **3.11** | **7 281** | **(4 168)** |
| Other operating revenue and expenses | | 0 | 0 |
| **Profit (loss) from ordinary operating activities** | | **7 281** | **(4 168)** |
| Financial income | | 81 | 390 |
| Financial expense | | (291) | (350) |
| **Financial income** | 3.17 | **(210)** | **41** |
| **Profit (loss) before tax** | | **7 071** | **(4 128)** |
| Tax expense | | (21) | (54) |
| **Net profit (loss)** | | **7 050** | **(4 181)** |
| Non-controlling interests | | 0 | 0 |
| **Group net profit (loss)** | | **7 050** | **(4 181)** |
| Base earnings per share (€) | 3.18 | 1,0 | (0,6) |
| Diluted earnings per share (€) | | 1,0 | (0,6) |
| **Group net profit (loss)** | | **7 050** | **(4 181)** |
| *Actuarial adjustments on defined pension liabilities* | | *0* | *(350)* |
| *Deferred taxes* | | *0* | *0* |
| *Unclassified elements in the Group net profit (loss)* | | *0* | *(350)* |
| **Total profit (loss) for the year** | | **7 050** | **(4 532)** |

## C. STATEMENT OF CHANGES IN EQUITY – IFRS RULES

| *(in € thousands)* | Number of shares | Amount | Paid-in capital | Reserve | Net profit (loss) | Other comprehensive income (OCI) | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 12/31/2015** | **6 846 363** | **685** | **78 670** | **(44 299)** | **12 553** | **(558)** | **47 052** |
| Profit for the first semester of 2016 | | | | | (4 181) | | (4 181) |
| Gain (losses) on actuarial adjustments on defined pension liabilities | | | | | | (350) | (350) |
| Translation adjustment | | | | | | | 0 |
| **Comprehensive income for the period** | **0** | **0** | **0** | **0** | **(4 181)** | **(350)** | **(4 532)** |
| Allocation of profit for the year 2015 | | | | 12 553 | (12 553) | | 0 |
| Augmentation de capital | | | | | | | 0 |
| Increase in capital | | | | | | | 0 |
| Exercise of equity instruments (warrants) | 700 | 0 | 4 | | | | 4 |
| Share-based payment | | | | 2 024 | | | 2 024 |
| Liquidity Contract - Elimination of treasury shares | | | 135 | (118) | | | 17 |
| Others | | | | | | | 0 |
| **Total shareholder relations** | **700** | **0** | **139** | **14 459** | **(12 553)** | **0** | **2 044** |
| **Balance at 06/30/2016** | **6 847 063** | **685** | **78 809** | **(29 840)** | **(4 182)** | **(909)** | **44 564** |
| Profit for the second semester of 2016 | | | | | (3 711) | | (3 711) |
| Gain (losses) on actuarial adjustments on defined pension liabilities | | | | | | (82) | (82) |
| Translation adjustment | | | | | | | 0 |
| **Comprehensive income for the period** | **0** | **0** | **0** | **0** | **(3 711)** | **(82)** | **(3 793)** |
| Augmentation de capital | | | | | | | 0 |
| Increase in capital | | | | | | | 0 |
| Exercise of equity instruments (warrants) | 12 700 | 1 | (1) | | | | 0 |
| Share-based payment | | | | 1 798 | | | 1 798 |
| Liquidity Contract - Elimination of treasury shares | | | 134 | 52 | | | 186 |
| Others | | | | 6 | | | 6 |
| **Total shareholder relations** | **12 700** | **1** | **133** | **1 856** | **0** | **0** | **1 990** |
| **Balance at 12/31/2016** | **6 859 763** | **686** | **78 942** | **(27 984)** | **(7 893)** | **(990)** | **42 762** |
| Profit for the year 2017 | | | | | 7 050 | | 7 050 |
| Gain (losses) on actuarial adjustments on defined pension liabilities | | | | | | | 0 |
| Translation adjustment | | | | (29) | | | (29) |
| **Comprehensive income for the period** | **0** | **0** | **0** | **(29)** | **7 050** | **0** | **7 021** |
| Allocation of profit for the year 2016 | | | | (7 893) | 7 893 | | 0 |
| Augmentation de capital | | | | | | | 0 |
| Increase in capital | | | | | | | 0 |
| Exercise of equity instruments (warrants) | 2 000 | | | 40 | | | 40 |
| Share-based payment | | | | 1 588 | | | 1 588 |
| Liquidity Contract - Elimination of treasury shares | | | (100) | (204) | | | (304) |
| Others | | | | 144 | | (144) | 0 |
| **Total shareholder relations** | **2 000** | **0** | **(100)** | **(6 325)** | **7 893** | **(144)** | **1 324** |
| **Balance at 06/30/2017** | **6 861 763** | **686** | **78 841** | **(34 338)** | **7 050** | **(1 134)** | **51 106** |

## D. CONSOLIDATED STATEMENT OF CASH FLOWS – IFRS RULES

| *In thousand euros - IFRS* | 06/30/2017 | 06/30/2016 |
|---|---|---|
| **Net profit (loss)** | **7 050** | **(4 181)** |
| Net depreciation, amortization & provisions (excl. current assets) | 515 | 387 |
| Capital gains and losses on non-current assets | 0 | 0 |
| Calculated income and expenses | 1 638 | 2 047 |
| Loan writte-off | 0 | 0 |
| Tax paid | (16) | 0 |
| **Cash flow from operations before cost of net financial debt and tax** | **9 187** | **(1 747)** |
| Cost of gross financial debt | (26) | 0 |
| **Change in deferred revenues** | **(18 819)** | **(5 361)** |
| **Change in working capital requirement (including employee benefits)** | **5 092** | **(3 464)** |
| **Net cash flow related to operating activities** | **(4 566)** | **(10 572)** |
| Acquisitions of property, plant and equipment & intangible assets | (1 309) | (6 000) |
| Disposals of property, plant and equipment & intangible assets | 43 | 170 |
| Acquisitions of non-current financial assets | 0 | (21) |
| Disposals of non-current financial assets | 0 | 24 |
| Other cash flows related to investing activities | (0) | (0) |
| **Net cash flow related to investing activities** | **(1 266)** | **(5 828)** |
| Capital increase | 40 | 4 |
| New loans and reimbursable advances | 268 | 5 234 |
| Repayments of loans and reimbursable advances | (233) | 0 |
| Net financial interest paid | 0 | (2) |
| Other cash flows related to financing activities | 0 | 0 |
| **Net cash flow related to financing activities** | **76** | **5 236** |
| | | |
| **Change in net cash and cash equivalents** | **(5 756)** | **(11 164)** |
| Opening cash | 58 037 | 72 062 |
| Closing cash | 52 280 | 60 899 |

Detailed analysis of changes in working capital requirement (WCR):

| *In thousand euros - IFRS* | **Change 2017/2016** |
|---|---|
| Inventories | (36) |
| Trade and similar receivables | 2 282 |
| Other receivables and advances | 4 379 |
| Pre-paid expenses / other receivables | (1 548) |
| Trade and similar payables | (1 198) |
| Other debt | 1 212 |
| **Change in working capital requirement** | **5 091** |

Components of net cash and cash equivalents analyzed by type and reconciliation with the balance sheet:

| *In thousand euros - IFRS* | **06/30/2017** | **12/31/2016** |
|---|---|---|
| Short-term investment securities (due in < 3 months) | 10 087 | 10 094 |
| Cash on hand | 42 194 | 47 942 |
| **Net cash and cash equivalents** | **52 280** | **58 037** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## AS OF JUNE 30, 2017

*Unless otherwise specified, the amounts presented in these notes are in € thousands.*

# 1. PRESENTATION OF BUSINESS ACTIVITY AND MAJOR EVENTS

## 1.1. INFORMATION ABOUT THE COMPANY AND ITS ACTIVITY

Adocia is biotechnology company that specializes in the development of innovative formulations of already-approved therapeutic proteins. It has a particularly strong expertise in the field of insulins. Adocia's proprietary BioChaperone® technological platform is designed to enhance the effectiveness and safety of therapeutic proteins and their ease of use for patients.

Adocia is a corporation (société anonyme) formed under French law on December 22, 2005.

The company has been listed on NYSE Euronext (compartment B) since February 20, 2012.

The Company holds a 100% subsidiary (Adocia Inc.) established in March 2015, whose purpose is to represent Adocia in the United States.

Adocia's half-year condensed financial statements under IFRS for the period from January 1 to June 30, 2017, are presented on a consolidated basis for Adocia and its subsidiary (Adocia Inc.), the whole being called « the Company »). These financial statements were approved for publication by the board of directors on July 19, 2017.

## 1.2. MAJOR EVENTS OF THE FIRST HALF OF 2017

On January 26, 2017, Adocia announced that Eli Lilly decided to terminate the license and collaboration contract signed in December 2014 for the development of BioChaperone Lispro. The contract came to an end after a 4-month period during which data and manufactured products were transferred to Adocia. The Company regained the product rights and carries on its development. This decision impacts the 2017 interim financial statements: € 18.8 million - the non-amortized part of the € 40.8 million upfront payment of December 2014 – are fully recognized over the first semester of 2017.

Lilly fully took over the internal and external expenses initiated by Adocia, as part of BioChaperone Lispro development, until the end of collaboration, on May 31, 2017. The related revenue reached € 0.7 million over the first six months of 2017.

New studies, fully funded by the Company, have been launched during the first semester of 2017. They described on subsection §A Significant events of the first half of 2017.

### 1.3. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

None.

## 2. ACCOUNTING METHODS ANS PRINCIPLES USED TO DRAW UP THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2.1. PRINCIPLES USED TO DRAW UP THE FIANCIAL STATEMENTS

#### 2.1.1. Déclaration of compliance

In accordance with EU regulation 1606/2002 of July 19, 2002 on international standards, Adocia's interim consolidated financial statements for the period ended June 30, 2016 were prepared according to the standards and interpretations published by the International Accounting Standards Board (IASB) and adopted by the European Union as of the reporting date.

These standards, available on the European Commission website at the following address : http://ec.europa.eu/internal_market/accounting/ias_fr.htm.

It include the international accounting standards (IAS and IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and the IFRS Interpretations Committee (IFRIC).

#### 2.1.2. Principles used to prepare the financial statements

Following the creation of the subsidiary Adocia Inc. in March 2015, the company has established for the first time consolidated financial statements. Selected consolidation and conversion methods of accounts are described below (§ Consolidation methods).

The consolidated interim financial statements were prepared in accordance with international financial reporting standard IAS 34 (condensed interim financial reporting).

They do not include all the information and notes as presented in the year-end financial statements. They should therefore be read in conjunction with the company's financial statements for the year ended December 31, 2016, which are available at www.adocia.com.

#### 2.1.3. Going concern

The going concern assumption was used given the company's financial ability (available cash assets) to meet its financing requirements over the next 12 months.

#### 2.1.4. Accounting principles and methods

The accounting principles and methods used by the company for the interim financial statements are the same as those used in the financial statements for the year ended December 31, 2016.

In addition, the new mandatory texts applicable to fiscal years beginning on January 1, 2017 are as follows:

Standards, amendments to standards and interpretations not yet applied by the Company:

*Standards, amendments to standards and interpretations applied by European Union but not yet mandatory for 2017 interim financials*

- IFRS 9 : Financial instruments
- IFRS 15 : Revenue from contracts with customers

*Standards, amendments to standards and interpretations published by IASB but not yet applied by European Union at June 30, 2017*

- IFRS 14 : Regulatory deferral accounts
- IFRS 16 : Leases
- IFRS 17 : Insurance contracts
- Amendements to IFRS 10 and IAS 28 : Sales or contributions of assets between an investor and its associate/joint venture
- Amendements to IAS 12 : Recognition of deferred tax assets for unrealised losses
- Amendements to IAS 7 : Disclosure on changes in financing liabilities
- Amendements to IFRS 2 : Clarifications of classification and measurement of share based payment transactions
- Amendements to IFRS 4 : Applying IFRS 9 with IFRS 4
- Amendements to IAS 40 : Transfers of investment property
- Clarifications to IFRS 15
- IFRIC 22 : Foreign Currency Transactions and Advance Consideration
- IFRIC 23 : Uncertainty over Income Tax Treatments
- IFRS annual improvement (2014-2016 cycle)

The Company is currently under assessment of consequential impacts to the first application of these new texts. It does not anticipate any significant impact on its financial statements.
The Company revenue is mostly due to license contracts, of which revenue recognition method must be analyzed on a case-by-case basis. Regarding license contracts, the implementation of IFRS 15 can affect the duration of revenue recognition, according to performance requirements defined by the contract. In 2017, the main contract was terminated and will not lead to future revenue recognition.

### 2.1.5. Consolidated methods

The consolidated financial statements include by full consolidation, the accounts of all subsidiaries whose Adocia directly or indirectly controls. Control is determined in accordance with IFRS10 based on three criteria: power, exposure to variable returns and relationship between power and those returns.

In March 2015, the Company created a subsidiary called Adocia Inc. 100% owned and consolidated at the end of June 2017 by global integration.

The entrance to the Adocia Inc. subsidiary in the scope of consolidation is effective on the creation date. Income and expenses are recorded in the consolidated income statement since the creation date.

All transactions between the subsidiary and the Company Adocia Inc. and internal results of the consolidated group are eliminated.

#### 2.1.6. Conversion of foreign subsidiary accounts

The financial statements of the Company are prepared in euro which is the presentation currency.

The Company used the closing rate method. This method involves converting the balance sheet at the closing rate and income statement at the average rate of the period; unrealized exchange gain or losses recognized, on the opening balance sheet items as well as on the income statement, are included in equity under "unrealized exchange gains or losses".

### 2.2. USE OF JUDGEMENTS AND ESTIMATES

To prepare the financial statements in accordance with IFRS, certain estimates, judgments and assumptions have been made by the company's management, which may have affected the amounts shown for the assets, liabilities and contingent liabilities as of the date of preparation of the financial statements, and the amounts shown for income and expenses during the year.

These estimates are based on the going concern assumption and are based on the information available at the time they were made. They are assessed continuously based on past experience and various other factors deemed reasonable which form the basis of the estimates of the carrying amount of the assets and liabilities. The estimates may be revised if the circumstances on which they were based change or as a result of new information. Actual results may differ significantly from these estimates based on different assumptions or conditions.

In preparing its half year financial statements, the main judgments made by management and the main assumptions used are the same as those used to prepare the financial statements for the fiscal year ended December 31, 2016. These assumptions include fall of IFRS 2 ( "Share-based Payment") and IFRS 15 ( "Revenue from contracts with customers").

# 3. ADDITIONNAL INFORMATION REGARDING CERTAIN BALANCE SHEET AND INCOME STATEMENT ITEMS

## 3.1. SCOPE OF CONSOLIDATION

Companies included in the scope of consolidation:

| Company | Country | Consolidation method | % Control | % Interest | |
|---|---|---|---|---|---|
| **End of June 2017** | | | | | |
| Adocia | France | | Holding | | |
| Adocia Inc. | Etats-Unis | IG * | 100,00% | 100,00% | (*) full consolidation |

| Companies | | Adresse | identification N° |
|---|---|---|---|
| Adocia | Holding | 115, avenue Lacassagne - 69003 Lyon, France | 48764773700021 |
| Adocia Inc. | | 2090 DiPinto Ave.Henderson, NV 89052 USA | 47-3246163 |

**Adocia Inc.**

Adocia Inc. is the commercial subsidiary of Adocia in the US. The company was founded in March 2015.

Adocia Inc. activity is to represent and defend the Company interests in the US, in particular in the following areas:

- Relations with the pharmaceutical industry companies and local biotech companies through active collaboration or for the implementation of partnerships,
- Relations with the scientific community and local regulatory authorities (scientific experts, FDA),
- Relations with the local financial community (investors, banks, analysts ...).

An annual contract services ("Services Agreement") was signed between Adocia and Adocia Inc. in March 2015. That contract mentions the re-invoicing of costs incurred by the company as part of its business, plus a 10% commission, to cover the operating costs of the US subsidiary.

The impact linked to this company on the accounts to June 30, 2017 amounts to 0.6 million euros. This expenditure corresponds to personnel costs of one employee and his travel and representation expenses.

## 3.2. FIXED ASSETS

| *Gross amount (in € thousands)* | Land and landscaping | Building | Laboratory equipment | Fixtures and facilities | Furniture, office equipment | Total |
|---|---|---|---|---|---|---|
| **Total value at December 31, 2016** | **1 751** | **3 927** | **3 341** | **1 618** | **1 066** | **11 702** |
| Acquisitions | 513 | 375 | 17 | 164 | 167 | 1 237 |
| Disposals | (19) | (42) | (18) | 0 | (81) | (160) |
| **Total value at June 30, 2017** | **2 245** | **4 259** | **3 340** | **1 782** | **1 152** | **12 779** |

| *Depreciation and impairment (in € thousands)* | Land and landscaping | Building | Laboratory equipment | Fixtures and facilities | Furniture, office equipment | Total |
|---|---|---|---|---|---|---|
| **Total value at December 31, 2016** | **0** | **134** | **1 820** | **657** | **638** | **3 250** |
| Additions | 0 | 98 | 176 | 58 | 161 | 492 |
| Reversals/Disposals | 0 | (1) | (18) | 0 | (79) | (99) |
| **Total value at June 30, 2017** | **0** | **230** | **1 977** | **715** | **720** | **3 643** |

| *Net amount (in € thousands)* | Land and landscaping | Building | Laboratory equipment | Fixtures and facilities | Furniture, office equipment | Total |
|---|---|---|---|---|---|---|
| **Total value at December 31, 2016** | **1 751** | **3 793** | **1 521** | **960** | **428** | **8 452** |
| **Total value at June 30, 2017** | **2 245** | **4 030** | **1 363** | **1 067** | **432** | **9 136** |

In February 2016, the Company acquired the building in which the Company offices, research center and headquarters are located since its creation. The acquisition total amount has been split between land and building. The land amount, valued by an independent expert, reaches 1.7 million euros. The building, valued 3.8 million euros, is amortized over 20 years.

During the first semester of 2017, the Company acquired an additional surface area in the parking building and converted part of the outsides into a garden. The cumulated cost amounts to 0.9 million euros.

The Company owns laboratory equipment financed by leaseback contracts. At end-June 2017, 4 contracts finance these assets for a total acquisition amount of 0.9 million euros. These contracts terminate between 2017, for the oldest, and 2020, for the most recent.

## 3.3. ADDITIONNAL INFORMATION REGARDING DEFERRED TAXES

Based on the same rules as those of December 31, 2016, the company did not recognize any deferred tax assets as of June 30, 2017. Considering the non-significant amounts of deferred tax liabilities due to temporary differences, they have not been accounted for, and neither have been deferred tax assets.

As a reminder, the amount of tax losses carried forward at January 1, 2017 amounts to 63 million euros. This loss carryforward is not limited in time.

## 3.4. RECEIVABLES

| *Trade receivables (in € thousands)* | 06/30/2017 | 12/31/2016 |
|---|---|---|
| Gross amount | 180 | 2 462 |
| Impairment | 0 | 0 |
| **Total net value** | **180** | **2 462** |

All receivables are not yet due. Receivables at 30 June 2017, essentially correspond to the last invoicing within the collaboration agreement with Eli Lilly.

### 3.5. OTHER CURRENT ASSETS

| ***Other current assets** (in € thousands)* | **06/30/2017** | **12/31/2016** |
|---|---|---|
| Research tax credit | 3 566 | 7 884 |
| VAT claims | 683 | 699 |
| Receivables from suppliers | 234 | 338 |
| Pre-paid expenses | 1 737 | 189 |
| Carryback | 333 | 333 |
| Miscellaneous | 58 | |
| **Total other current assets** | **6 611** | **9 442** |

All other current assets are due in less than one year.

The Company benefits from Research Tax Credit since its creation. At June 30, 2017, the balance of receivables Research Tax Credit for the year to 3.6 million euros, includes the debt generated by the spending of the first semester of 2017. 7.8 million euros related to the spending of 2016, appearing in 2016 year-end receivables was cashed in by the Company early June 2017, following its reimbursement request.

Pre-paid expenses relate to current expenses. Due to the new controlling software implementation during the first semester of 2017, the Company now proceeds to a period-end provision calculation by identifying separately the amounts of pre-paid expense or pending invoices for each service of a single supplier. This new calculation results in an increase of the amounts of pre-paid expenses and pending invoices compared to previous calculation.

The carryback debt as of June 30, 2017 was born from the allocation of part of its fiscal deficit as of December 31, 2015 on the result of the previous year, generating a tax receivable (carryback) 0.3 million euros.

The miscellaneous item includes social security claims and other receivables.

### 3.6. CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS

The only financial assets measured at fair value are cash and cash equivalents, which include money market mutual funds in euro, time accounts quoted in an active market and interest-bearing accounts. They therefore constitute level 1 financial asset at fair value.

### 3.7. EQUITY

For easier cross-reference between periods, the number of shares has been restated to reflect the decision by the shareholders' meeting on October 24, 2011 to approve a 10-for-1 stock split and to grant 10 shares, each with a par value of €0.10, for a previously held share with a par value of €1.

### 3.7.1. Share capital

The company was created on December 22, 2005.

| | Number of shares (*) | Ordinary shares | Preferred shares - category A | Preferred shares - category B | Nominal amount (euros) |
|---|---|---|---|---|---|
| **At January 1, 2007** | **140 000** | | | **140 000** | **1 400 000** |
| 10/19/2007 - Capital increase | 93 339 | | 93 339 | | 933 390 |
| 12/20/2007 - Capital increase | 46 668 | | 46 668 | | 466 680 |
| 10/22/2009 - Reduction of par value | | | | | -2 520 063 |
| 10/22/2009 - Capital increase | 119 007 | | 119 007 | | 119 007 |
| 01/20/2010 - Grant of bonus shares | 1 050 | 1 050 | | | 1 050 |
| 04/06/2010 - Capital increase | 5 424 | | 5 424 | | 5 424 |
| 06/06/2010 - Grant of bonus shares | 140 | 140 | | | 140 |
| 06/18/2010 - Capital increase | 1 283 | | 1 283 | | 1 283 |
| 12/10/2010 - Capital increase | 37 630 | | 37 630 | | 37 630 |
| 03/04/2011 - Grant of bonus shares | 1 050 | 1 050 | | | 1 050 |
| 06/17/2011 - Grant of bonus shares | 140 | 140 | | | 140 |
| 10/24/2011 - Reduction of par value | 4 011 579 | 21 420 | 2 730 159 | 1 260 000 | 0 |
| 12/15/2011 - Grant of bonus shares | 1 400 | 1 400 | | | 140 |
| 02/14/2012 - Issue of IPO shares | 1 592 798 | 1 592 798 | | | 159 280 |
| 02/14/2012 - Conversion of preferred shares to ordinary shares | | 4 433 510 | -3 033 510 | -1 400 000 | 0 |
| 03/07/2012 - Grant of bonus shares | 10 500 | 10 500 | | | 1 050 |
| 03/17/2012 - Issue of IPO shares | 130 268 | 130 268 | | | 13 027 |
| 06/15/2012 - Grant of bonus shares | 2 800 | 2 800 | | | 280 |
| 12/19/2012 - Grant of bonus shares | 2 800 | 2 800 | | | 280 |
| 03/26/2013 - Grant of bonus shares | 8 400 | 8 400 | | | 840 |
| 06/18/2013 - Grant of bonus shares | 2 800 | 2 800 | | | 280 |
| 12/13/2013 - Grant of bonus shares | 2 800 | 2 800 | | | 280 |
| 12/13/2013 - Grant of bonus shares | 1 400 | 1 400 | | | 140 |
| 12/13/2013 - Grant of bonus shares | 1 400 | 1 400 | | | 140 |
| 15/12/2014 - Grant of bonus shares | 1 400 | 1 400 | | | 140 |
| 02/12/2015 - Grant of BSA | 700 | 700 | | | 70 |
| 03/03/2015 - Grant of BSPCE | 700 | 700 | | | 70 |
| 03/27/2015 - Grant of BSPCE | 1 400 | 1 400 | | | 140 |
| 03/31/2015 - Issue of IPO Shares by private placement | 621 887 | 621 887 | | | 62 189 |
| 03/31/2015 - Grant of Bonus shares | 1 400 | 1 400 | | | 140 |
| 2015/07/28 - Grant of BSPCE | 2 800 | 2 800 | | | 280 |
| 2015/12/16 - Grant of bonus shares | 1 400 | 1 400 | | | 140 |
| 06/21/2016 - Exercice de BSPCE | 700 | 700 | | | 70 |
| 12/13/2016 - Grant of bonus shares | 12 700 | 12 700 | | | 1 270 |
| 06/27/2017 - Grant of bonus shares | 2 000 | 2 000 | | | 200 |
| **At June 30, 2017** | **6 861 763** | **6 861 763** | | | **686 176** |

All the shares issued are fully paid-up. The company owns treasury shares under its liquidity agreement. Following the initial public offering, preferred shares were converted into ordinary shares and the Ratchet stock warrants became null and void.

### 3.7.2. Stock warrants

Stock options were granted (i) to certain employees and managers in the form of start-up warrant of company stock (BSPCE) (ii) to two independent directors of the Board in the form of warrants of shares ("BSA") and (iii) scientific consultants in the form of warrants of shares ("BSA").

The main characteristics of the warrants of shares and the principal assumptions used to measure the fair value of the options based on the Black-Sholes model are as follows:

| *Situation at 06/30/2017* | BSPCE$_{12-2013}$ Plan N°1 | BSPCE$_{12-2013}$ Plan N°2 | BSA$_{12-2013}$ |
|---|---|---|---|
| Recipients | Employees | Employees | Independent directors |
| Number of warrants issued | 28 000 | 22 400 | 20 000 |
| Number of warrants granted | 28 000 | 22 400 | 20 000 |
| Number of warrants subscribed | 28 000 | 22 400 | 20 000 |
| Date of shareholders' meeting | 06/18/2013 | | |
| Date of Board of Directors' meeting | 12/13/2013 | | |
| Issue price | free | free | |
| Strike price | 5.76€ | 5.76€ | 5.88€ |
| Deadline to exercise warrants | 12/13/2023 | 12/13/2023 | 12/13/2023 |
| Start date to exercise options | 1/4 : Jan. 1, 2014<br>1/4 : Jan. 1, 2015<br>1/4 : Jan. 1, 2016<br>1/4 : 1er janv 2017 | 1/4 : Jan. 1, 2015<br>1/4 : Jan. 1, 2016<br>1/4 : Jan. 1, 2017<br>1/4 : Jan. 1, 2018 | 13 333 : Jan. 1, 2014<br>3 333 : Jan. 1, 2015<br>3 333 : Jan. 1, 2016 |
| Parity | One warrant for one share | | |
| Dividend yield | none | | |
| Volatility | 67% | | |
| Risk-free rate of return | 2% (iBoxx Sovereign AA 7-10) | | |

| *Situation at 06/30/2017* | BSPCE 2014 Plan N°1 | BSPCE 2014 Plan N°2 | BSPCE 2014 "Executives" |
|---|---|---|---|
| Recipients | Employees | Employees | Employees and Executives |
| Number of warrants issued | 14 000 | 5 600 | 100 000 |
| Number of warrants granted | 14 000 | 5 600 | 100 000 |
| Number of warrants subscribed | 14 000 | 5 600 | 100 000 |
| Date of shareholders' meeting | 06/24/2014 | | |
| Date of Board of Directors' meeting | 09/25/2014 | | |
| Issue price | free | | |
| Strike price | 34.99€ | | |
| Deadline to exercise warrants | 09/25/2024 | | |
| Start date to exercise options | 1/4 : Jan. 1, 2015<br>1/4 : Jan. 1, 2016<br>1/4 : Jan. 1, 2016<br>1/4 : Jan. 1, 2018 | 1/4 : Jan. 1, 2016<br>1/4 : Jan. 1, 2017<br>1/4 : Jan. 1, 2018<br>1/4 : Jan. 1, 2019 | Immediate vesting on 1 Jan 2015, following the fulfillment of conditions set out in Plan |
| Parity | One warrant for one share | | |
| Dividend yield | none | | |
| Volatility | 97% | | |
| Risk-free rate of return | 0,9% (iBoxx Sovereign AA 7-10) | | |

| *Situation at 06/30/2017* | BSPCE 2015 Executives | Plan BSPCE 2016 Executives | Plan BSA 2017 | Plan SO 2017 |
|---|---|---|---|---|
| Recipients | Executives | Executives | Consultant | Employees |
| Number of warrants issued | 40 000 | 40 000 | 40 000 | 13 000 |
| Number of warrants granted | 40 000 | 24 000 | 40 000 | 13 000 |
| Number of warrants subscribed | 40 000 | 24 000 | 40 000 | 13 000 |
| Date of shareholders' meeting | 11/12/2015 | 11/12/2015 | 11/12/2015 | 11/12/2015 |
| Date of Board of Directors' meeting | 12/16/2015 | 03/15/2016 | 03/07/2017 | 04/14/2017 |
| Issue price | free | free | free | free |
| Strike price | 74.60€ | 61.73€ | 20.65€ | 18.00€ |
| Deadline to exercise warrants | 12/16/2025 | 03/15/2026 | 03/07/2027 | 04/14/2027 |
| Start date to exercise options | immediate vesting to 16 December 2015, following the completion of conditions in Plan | immediate vesting if completion of conditions in Plan | immediate vesting if completion of conditions in Plan | 6 500 : Jan. 1, 2018<br>3 250 : Jan. 1, 2019<br>3 250 : Jan. 1, 2020 |
| Parity | One warrant for one share | One warrant for one share | One warrant for one share | One warrant for one share |
| Dividend yield | none | none | none | none |
| Volatility | 74% | 73% | 67% | 67% |
| Risk-free rate of return | 1% (iBoxx Sovereign AA 7-10) | 1% (iBoxx Sovereign AA 7-10) | 0,95% (iBoxx Sovereign AA 7-10) | 0,95% (iBoxx Sovereign AA 7-10) |

The service cost is recognized as personnel costs and external expenses over the vesting period.

During the first half of 20147, making use of the authorization granted at the General Meeting of November 12, 2015, the Board of Directors decided :

- On March 7, 2017, to issue 40,000 "BSA Consultant 2017" for the benefit of a consulting company, entitling to subscribe for 40,000 new shares with a par value of €0.10. The acquisition of the rights is subject to performance conditions unrelated to market conditions.
- On April 14, 2017, to cancel 2 stock option plans, granted in 2015 to 2 employees of the US subsidiary, and to replace them by a new plan. Following the Chief Medical Officer leaving, a 13,000 stock option issuance was granted to the General Manager.

The exercise period is 10 years.

### 3.7.3. Bonus shares

Bonus shares were granted to some salaries of the Company since 2008. Movements on bonus shares are as follows:

| Date of the Boards decided to award | 01/23/2008 | 06/06/2008 | 12/15/2009 | 03/05/2010 | 12/07/2010 | 12/10/2015 | 12/16/2015 | 03/15/2016 | 12/13/2016 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of shares granted | 42 000 | 5 600 | 5 600 | 5 600 | 5 600 | 39 150 | 22 600 | 20 000 | 40 000 | **186 150** |
| Shares cancelled | 2 100 | 0 | 0 | | 0 | 1 960 | 1 800 | 0 | 0 | **5 860** |
| Acquired and available shares | 39 900 | 5 600 | 5 600 | 4 200 | 4 200 | 0 | 0 | 2 000 | 0 | **61 500** |
| Exercised stock | 12 100 | | 410 | 400 | 0 | 0 | 0 | 0 | 0 | **12 910** |
| Acquired and remaining available shares | 27 800 | 5 600 | 5 190 | 3 800 | 4 200 | 0 | 0 | 2 000 | 0 | **48 590** |
| Sahres acquired under conservation | 0 | 0 | 0 | 1 400 | 1 400 | 0 | 12 700 | 0 | 0 | **15 500** |
| Shares granted but not yet vested | 0 | 0 | 0 | 0 | 0 | 37 190 | 8 100 | 18 000 | 40 000 | **103 290** |

During the first half of 2017, 2,000 shares were issued on the "Plan 2016 Executives".

As of June 30, 2017, remains 103,290 shares granted but not yet vested.

| ***BONUS SHARES - EGM date authorizing the grant*** | 20/12/2007 | | | | 20/12/2007 | | | | 20/12/2007 | | | | 20/12/2007 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Date of grant decided by the Board*** | **23/01/2008** | | | | **06/06/2008** | | | | **15/12/2009** | | | | **05/03/2010** | | | |
| Number of years of vesting | 2 | 3 | 4 | 5 | 2 | 3 | 4 | 5 | 2 | 3 | 4 | 5 | 2 | 3 | 4 | 5 |
| Performance criteria | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non |
| Total number of bonus shares granted | 10 500 | 10 500 | 10 500 | 10 500 | 1 400 | 1 400 | 1 400 | 1 400 | 1 400 | 1 400 | 1 400 | 1 400 | 1 400 | 1 400 | 1 400 | 1 400 |
| Value of the shares when granted (Euros) | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 |
| Fair value of a bonus share (Euros) | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 | 8,57 |
| Initial value (thousands of Euros) | 90 | 90 | 90 | 90 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| **Number of bonus shares to be issued as of 12/31/2016** | | | | | | | | | | | | | | | | |
| Number of bonus shares granted | | | | | | | | | | | | | | | | |
| Number of bonus shares cancelled | | | | | | | | | | | | | | | | |
| Number of bonus shares definitively granted | | | | | | | | | | | | | | | | |
| **Number of bonus shares to be issued as of 06/30/2017** | | | | | | | | | | | | | | | | |
| Expenses accounted June 2016 (thousands of Euros) | 0 | | | | 0 | | | | 0 | | | | 0 | | | |
| Expenses accounted June 2017 (thousands of Euros) | 0 | | | | 0 | | | | 0 | | | | 0 | | | |

| *BONUS SHARES - EGM date authorizing the grant* | 20/12/2007 | | | | 11/12/2015 | 11/12/2015 | 11/12/2015 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Date of grant decided by the Board*** | **07/12/2010** | | | | **12/16/2015** | **12/16/2015** | **12/16/2015** | | | |
| Number of years of vesting | 2 | 3 | 4 | 5 | 1 | 1 | 1 | 2 | 3 | 4 |
| Performance criteria | Non | Non | Non | Non | Non | Non | No | No | No | No |
| Total number of bonus shares granted | 1 400 | 1 400 | 1 400 | 1 400 | 5 000 | 5 000 | 3 150 | 3 150 | 3 150 | 3 150 |
| Value of the shares when granted (Euros) | 8,57 | 8,57 | 8,57 | 8,57 | 76,74 | 76,74 | 76,74 | 76,74 | 76,74 | 76,74 |
| Fair value of a bonus share (Euros) | 8,57 | 8,57 | 8,57 | 8,57 | 76,74 | 76,74 | 76,74 | 76,74 | 76,74 | 76,74 |
| Initial value (thousands of Euros) | 12 | 12 | 12 | 12 | 384 | 384 | 242 | 242 | 242 | 242 |
| Number of bonus shares to be issued as of 12/31/2016 | | | | | - | - | - | 2 700 | 2 700 | 2 700 |
| Number of bonus shares granted | | | | | | | | | | |
| Number of bonus shares cancelled | | | | | | | | | | |
| Number of bonus shares definitively granted | | | | | | | | | | |
| Number of bonus shares to be issued as of 06/30/2017 | | | | | - | - | 0 | 2 700 | 2 700 | 2 700 |
| Expenses accounted June 2016 (thousands of Euros) | 0 | | | | 191 | 191 | 215 | | | |
| Expenses accounted June 2017 (thousands of Euros) | 0 | | | | 0 | 0 | 111 | | | |

| *BONUS SHARES - EGM date authorizing the grant* | 11/12/2015 | 11/12/2015 | | | | 11/12/2015 | 11/12/2015 | | | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Date of grant decided by the Board*** | **12/10/2015** | **03/15/2016** | | | | **03/15/2016** | **12/13/2016** | | | | |
| Number of years of vesting | 2 | 1 | 2 | 3 | 4 | 2 | 1 | 2 | 3 | 4 | |
| Performance criteria | No | No | No | No | No | Yes | No | No | No | No | |
| Total number of bonus shares granted | 39 150 | 2 000 | 2 000 | 2 000 | 2 000 | 12 000 | 10 000 | 10 000 | 10 000 | 10 000 | **186 150** |
| Value of the shares when granted (Euros) | 70,80 | 62,27 | 62,27 | 62,27 | 62,27 | 62,27 | 51,50 | 51,50 | 51,50 | 51,50 | |
| Fair value of a bonus share (Euros) | 70,80 | 62,27 | 62,27 | 62,27 | 62,27 | 62,27 | 51,50 | 51,50 | 51,50 | 51,50 | |
| Initial value (thousands of Euros) | 2 772 | 125 | 125 | 125 | 125 | 747 | 515 | 515 | 515 | 515 | **8 364** |
| Number of bonus shares to be issued as of 12/31/2016 | 37 655 | 2 000 | 2 000 | 2 000 | 2 000 | 12 000 | 10 000 | 10 000 | 10 000 | 10 000 | 105 755 |
| Number of bonus shares granted | | | | | | | | | | | |
| Number of bonus shares cancelled | -465 | | | | | | | | | | **-465** |
| Number of bonus shares definitively granted | | | | | | | | | | | |
| Number of bonus shares to be issued as of 06/30/2017 | 37 760 | 2 000 | 2 000 | 2 000 | 2 000 | 12 000 | 10 000 | 10 000 | 10 000 | 10 000 | 105 860 |
| Expenses accounted June 2016 (thousands of Euros) | 673 | 75 | | | | 109 | 109 | | | | **1 562** |
| Expenses accounted June 2017 (thousands of Euros) | 645 | 92 | | | | 167 | 532 | | | | **1 547** |

### 3.7.4. Dividends

There was no decision on a dividend distribution in the first half of 2017.

### 3.7.5. Capital management

The company's policy is to maintain a solid capital base and promote the liquidity of transactions in order to safeguard investor and creditor confidence and support future business development.

In 2014, the Company signed a liquidity contract with Kepler Capital Markets SA by allocating the following resources: 15,026 treasury shares and 0.3 million euros in cash.

As of December 2016, under this agreement, the Company held 760 shares and 0.3 million euros in cash.

As of June 30, 2017, 6,671 shares have been accounted for in deduction of equity and 0.03 million euros in cash appeared in the non-current financial assets.

## 3.8. FINANCIAL DEBT

| *FINANCIAL DEBT (in € thousands)* | Current | Non current | Total | Bank overdrafts |
|---|---|---|---|---|
| Reimbursable advances | 123 | 633 | 756 | 0 |
| Bank Loan | 464 | 5 077 | 5 541 | 0 |
| Other financial debt | 219 | 489 | 708 | 0 |
| **Total financial debt** | **805** | **6 200** | **7 005** | **0** |

### 3.8.1 Reimbursable advances

At June 30, 2017, repayable advances include advances received from Bpifrance in the insulin project, as well as advance received from COFACE under business development in new markets.

| *REIMBURSABLE ADVANCES* | (in € thousands) | Historical cost | |
|---|---|---|---|
| **Value at December 31, 2016** | **810** | **891** | ( A ) |
| Grant during the year | *0* | | |
| Repayment during the year | *(65)* | *(65)* | |
| Discount on grant during the year | *0* | | |
| Financial expenses | *12* | | |
| **Value at June 30, 2017** | **756** | **826** | ( B ) |
| *Long terme portion* | *633* | | |
| *Short term portion* | *123* | | |

**Breakdown of advances by historical cost:**

| *( A ) in € thousands* | 12/31/2016 | Less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|
| Insulin advance (2012) | 800 | 130 | 670 | 0 |
| Coface advance (2013) | 91 | 0 | 91 | 0 |
| | **891** | **130** | **761** | **0** |

| *( B ) in € thousands* | 06/30/2017 | Less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|
| Insulin advance (2012) | 735 | 140 | 595 | 0 |
| Coface advance (2013) | 91 | 0 | 91 | 0 |
| | **826** | **140** | **686** | **0** |

**As part of its insulin project**, the company signed an agreement with Bpifrance on April 25, 2012, under which it received a reimbursable advance of 0.8 million euros for the development of a fast-acting human insulin formulation, including the launch of a phase IIa clinical trial.

After fulfilling all the technical and financial conditions, the company received the full amount of this reimbursable assistance on April 30, 2012.

In the event of technical and/or commercial success, the advance will be repayable in full in accordance with a defined payment schedule.

In the event of technical and/or commercial failure, the terms of the agreement stipulated the repayment of the fixed sum of 0.3 million euros, of which 0.1 million euros in 2017 and 0.2 million euros in 2018.

The fair value of the new advance received was determined based on a 3% annual interest rate.

During the first semester of 2017, accordingly to the commitments in case of commercial failure, the Company began to reimburse the advance received from Bpi France. The amount of reimbursements at June 30, 2017 reaches 65,000 euros.

**As part of its business development in new markets** (India and China) the company signed a business development agreement with Coface (French insurance company for foreign trade) on October 26, 2012 in return for the payment of a premium equivalent to 2% of the annual budget. Under the terms of the agreement, Coface guarantees the reimbursement of 75% of the expenses incurred during the four-year guarantee period, which runs from October 1, 2012 to September 30, 2016. The company agreed to repay the sums received from Coface according to the Terms and Conditions set out in the agreement during an amortization period that runs until September 30, 2021.

The sums repaid will first be deducted, by the same amount, from the amount of the advance granted for the first guarantee period and then for the following periods, it being understood that such repayments:

- are limited in time (repayment of the advance over a period ending on September 30, 2021),
- will not exceed the principal amount of the total advance received.

For the expenses incurred during the first insured period, i.e. from October 1, 2012 to September 30, 2013, the company received the sum of €91,000 on December 17, 2013.

### 3.8.2 Bank loans

As part of the financing of the acquisition and renovation of the building located 115 avenue Lacassagne, the company contracted in April 2016 a bank loan for a nominal amount of 5.5 million euros, with two banks. During the first semester of 2017, the Company financed building development projects for the amount intially predicted and negociated in April 2016, 0.3 million euros.

At June 30, 2017, the total amount of bank loans reaches 5.5 million euros. Over the first half 2017, the Company activated the available part of the loan for 0.3 million euros et reimbursed 0.2 million euros.

### 3.8.3 Other financial liabilities

Other financial liabilities relate to leasing commitments for an amount of 0.16 million euros between 2014 and 2016. These commitments were subject to repayment in the period up to 25 thousand euros.

### 3.9. PROVISIONS

| *PROVISIONS (in € thousands)* | Employee benefits | Other long-term provisions | Provisions for risks and charges - less than one year | TOTAL |
|---|---|---|---|---|
| **Value at December 31, 2016** | **1 738** | | | **1 738** |
| Additions | 156 | | | 156 |
| Reversal of used provisions | | | | |
| Reversal of unused provisions | | | | |
| **Value at June 30, 2017** | **1 894** | | | **1 894** |

The provision for retirement benefits was estimated on the basis of the disposition of the applicable collective agreement, namely the collective agreement 176 ("convention collective 176").

### 3.10. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

The company's current liabilities are as follows:

| *(in € thousands )* | 06/30/2017 | 12/31/2016 |
|---|---|---|
| Subsidiary accounts | 2 709 | 1 738 |
| Invoices pending | 3 265 | 2 833 |
| Trade payables | 5 974 | 4 572 |
| Customer credit balances | 0 | 0 |
| Tax and social security liabilities | 2 322 | 3 803 |
| Other debt | 37 | 28 |
| Unearned income | 77 | 18 823 |
| Other current liabilities | 2 435 | 22 655 |
| **Total current operating liabilities** | **8 410** | **27 226** |

All trade payables and other current liabilities are payable within less than one year.

The "Tax and social security liabilities" includes social and fiscal accruals.

The current operating liabilities variation mostly relates to the amortization of the unearned income remaining at the end of 2016 (18.8 million euros). It is due to the upfront payment from Lilly in December 2014. This variation has no impact on cash.

Pending invoices relate to current expenses. Due to the new controlling software implementation during the first semester of 2017, the Company now proceeds to a period-end provision calculation by identifying separately the amounts of pre-paid expense or pending invoices for each service of a single supplier. This new calculation results in an increase of the amounts of pre-paid expenses and pending invoices compared to previous calculation.

### 3.11. OPERATING PROFIT / LOSS

| *INCOME STATEMENT (in € thousands)* | Notes | 06/30/2017 | 30/06/2016 |
|---|---|---|---|
| Research agreements and license revenue | 3.12 | 19 469 | 11 934 |
| Grants, public financing and research tax credit and other | 3.13 | 3 652 | 3 961 |
| **Income** | | **23 121** | **15 895** |
| Cost of goods sold | | (909) | (755) |
| Payroll expense | 3.15 | (6 492) | (8 440) |
| External charges | 3.14 | (7 824) | (10 423) |
| Taxes | | (100) | (138) |
| Depreciation, amortization & provisions | 3.16 | (515) | (307) |
| Other current operating income and expenses | | 0 | 0 |
| **Operating expenses** | | **(15 840)** | **(20 063)** |
| **Profit (loss) from ordinary operating activities** | | **7 281** | **(4 168)** |
| Non-recurring operating income and expenses | | 0 | 0 |
| **Profiy (loss) from operating activities** | | **7 281** | **(4 168)** |

Consolidated operating expenses for the first half 2017 amounted to 15.8 million euros versus 20.1 million euros in the same period last year, representing a decrease of 21% (4.3 million euros).

**External expenses** represent the largest expenditure item with nearly half of total operating expenses. They amounted to 7.8 million euros in 2017 compared to 10.4 million euros for the same period in 2016. The first semester last year was marked by intense clinical activity for the development of BioChaperone Lispro within the partnership with Lilly. Over the first six months of 2017, clinical activity has been less intense and the three clinical studies launched end of May will impact the expenses of the second semester.

**Personnel costs** represent the second significant expenditure item with 44% of total operating expenses. The decrease of 1.9 million euros is explained by a lower impact of the incentive share policy, during the first semester 2017 compared to last year. Under IFRS, share-based payments are recognized at the fair value of the equity instruments and represent an amount of 1.1 million euros at June 30, 2017 (compared to 2.1 million euros at June 30, 2016).

Excluding these elements that have no impact in French GAAP, nor on the cash position of the Company, personnel expenses decreased from 6.3 million euros in the first half of 2016 to 5.4 million euros at the end of June 2017, reflecting a prudent wage policy implemented as a result of the termination of the partnership with Lilly.

These charges are presented by destination and by nature in the templates below.

| ***EXPENSES BY FUNCTION*** *(in € thousands)* | **06/30/2017** | **06/30/2016** |
|---|---|---|
| Research and development costs | (12 815) | (16 356) |
| Administrative costs | (3 025) | (3 707) |
| **Operating expenses** | **(15 840)** | **(20 063)** |

Over the first six months of the year, **research and development costs** represented close to 81% of the total operating expenses (81,5% in the first half 2016). They mainly include payroll costs assigned to research and development operations, subcontracting costs (including preclinical and clinical studies) and intellectual property rights expenses.

The decreased expenditure of 4.2 million euros compared to the first semester of 2016 mainly results from lower external expenses, as the first semester of 2016 was marked by intense clinical activity, especially related to the partnership with Lilly.

**General and administrative expenses** primarily include expenses for employees not directly working on research and development (including share-based payment), as well as services related to management, the business development of the Company and its subsidiary in the US.

Research and development expenses are broken down by nature as follows:

| ***RESEARCH AND DEVELOPMENT COSTS*** ***(in € thousands)*** | **06/30/2017** | **06/30/2016** |
|---|---|---|
| Cost of goods sold | (735) | (755) |
| Payroll expense | (5 252) | (5 562) |
| External charges | (6 330) | (9 729) |
| Taxes | (81) | (110) |
| Depreciation, amortization & provisions | (416) | (200) |
| **Total research and development costs** | **(12 815)** | **(16 356)** |

### 3.12. REVENUE

| ***REVENUE*** ***(in € thousands)*** | **06/30/2017** | **30/06/2016** |
|---|---|---|
| Research agreements | 650 | 6 560 |
| License revenue | 18 819 | 5 375 |
| **Total** | **19 469** | **11 934** |

**Revenues** of 19.5 million euros at June 30, 2017 resulted primarily from the collaborative and licensing agreement signed with Lilly end of 2014 and which was terminated in May 31, 2017.

Lilly's decision to terminate the collaboration on BioChaperone Lispro impacted significantly the revenue for the first half 2017. Indeed, under IFRS norms, the upfront payment received from Lilly in December 2014, for a total amount of 40.8 million euros (50 million dollars), was recognized linearly in licensing revenues over the duration of clinical development plan as anticipated at the time of the signature of the agreement. The termination of the agreement led to the recognition of the non-amortized part of this amount, i.e. 18.8 million euros. **This license income** has no impact on the cash of the Company since the payment was totally received at the signing of the contract in December 2014.

Throughout this collaboration which was completely closed end of May 2017, Lilly supported internal and external costs incurred by Adocia for the development of BioChaperone Lispro. **These revenue from research agreement** totaled 0.7 million euros for the first six months of 2017 whereas they reached 6.6 million euros over the same period in 2016.

### 3.13. OTHER INCOME

| *OTHER INCOME* *(in € thousands)* | 06/30/2017 | 06/30/2016 |
|---|---|---|
| Project financing | 0 | 0 |
| Research tax credit | 3 566 | 3 892 |
| Other | 86 | 69 |
| **Total** | **3 652** | **3 961** |

**Other operating income** consisted primarily of the French research development tax credit amounting to 3.6 million euros for the first half 2017, compared to 3.9 million euros during the first half 2016. This decrease reflects lower operational expenses compared to the same period last year.

Moreover, following its real estate acquisition, the Company now invoices rents to three tenant companies located in the building. As of June 2017, these revenues amounted to 0.1 million euros, stable compared to last year.

### 3.14. OTHER PURCHASES AND EXTERNAL CHARGES

These are mainly in-vivo studies, clinical trials, lease payments and all the company's operating expenses.

### 3.15. PAYROLL EXPENSES

Payroll expense is as follows:

| *PAYROLL EXPENSE (in € thousands)* | 06/30/2017 | 06/30/2016 |
|---|---|---|
| Wages and salaries | 4 185 | 4 538 |
| Social contributions | 1 256 | 1 772 |
| Share-based payment | 1 051 | 2 130 |
| **Total payroll expenses** | **6 492** | **8 440** |

| *STAFF* | 06/30/2017 | 12/31/2016 |
|---|---|---|
| Technicians | 59 | 57 |
| Management personnel | 71 | 68 |
| **Total employees** | **130** | **125** |

At June 30, 2016, the company had 46 PhD.

Nearly 81% of employees are directly allocated to research and development activities.

### 3.16. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Net depreciation, amortization and provisions are as follows:

| *DEPRECIATION, AMORTIZATION AND IMPAIRMENT (in € thousands)* | 06/30/2017 | 06/30/2016 |
|---|---|---|
| Depreciation of property, plant and equipment | 391 | 282 |
| Amortization of intangible assets | 5 | 0 |
| Depreciation of leased assets | 119 | 25 |
| **Depreciation, amortization and provisions for fixed assets** | **515** | **307** |
| Provisions for risks and charges (additions)Provisions pour risques et charges | 0 | 0 |
| Provisions for current assets (additions) | 0 | 0 |
| Reversals | 0 | 0 |
| **Additions to/Reversals of Depreciation, Amortization and Provisions** | **515** | **307** |

### 3.17. FINANCIAL INCOME / EXPENSE

| *FINANCIAL INCOME/EXPENSE (in € thousands)* | 06/30/2017 | 06/30/2016 |
|---|---|---|
| Cash and cash equivalents income | 81 | 390 |
| Interest on conditional advances | (56) | (29) |
| **Cost of net financial debt** | **26** | **361** |
| Foreign exchange gains and losses | 0 | 0 |
| Other financial income and expenses | (236) | (321) |
| **Financial Income / expense** | **(210)** | **41** |

### 3.18. EARNINGS PER SHARE

| | 06/30/2017 | 06/30/2016 |
|---|---|---|
| **Consolidated net profit/loss (in € thousands)** | **7 050** | **(4 181)** |
| Average number of shares | 6 859 796 | 6 846 398 |
| **Net earnings (loss) per share - in €** | **1,03** | **(0,61)** |
| **Net earnings (loss) per share - fully diluted- in €** | **0,97** | **(0,60)** |

Equity instruments outstanding are not included in the calculation of earnings per share since they are considered anti-dilutive given the company's losses over previous fiscal years.

## 4. RELATED PARTIES AND COMPENSATION OF THE CORPORATE OFFICERS

The amount of director's fees allocated to members of the board of director has been approved by the board of Director's meeting held on June 27, 2017 and is for a maximum amount of k€100 per year.

The amount allocated for the first half of 2017 was k€44 and related to two board members.

Compensation paid to the management and board members is as follows:

| *in € thousands* | 06/30/2017 | 30/06/2016 |
|---|---|---|
| Short-term benefits | 688 | 886 |
| Posterior employment benefits | 72 | 10 |
| Other long term benefits | 0 | 0 |
| Termination benefits employment contract | 0 | 0 |
| Share-based payment | 259 | 838 |
| **Total** | **1 020** | **1 734** |

Share-based payment, as post-employment benefits correspond to the services rendered by corporate officers during the first halves 2017 and 2016.

## 5. OFF BALANCE SHEET COMMITMENTS

The Company has granted mortgages in connection with the loans taken out to purchase its building and parking spaces as followed:

- registration of a lender's privilege ("prêteur de deniers") and subrogation in the vender's privilege on the amount of the building

- mortgage on the budget of renovation expenses.

# IV. STATUTORY AUDITORS' REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ODICEO ERNST & YOUNG et Autres

Adocia

Period from January 1 to June 30, 2017

**Statutory auditors' report on the interim financial reporting**

**ODICEO**
115, boulevard de Stalingrad
C.S.52038
69616 Villeurbanne Cedex
Corporation with €275,000 in share capital

Statutory Auditor
Member of the Compagnie
Régionale de Lyon

**ERNST & YOUNG et Autres**
Tour Oxygène
10-12, boulevard Marius Vivier Merle
69393 Lyon Cedex 03
Simplified joint stock company with variable capital

Statutory Auditor
Member of the Compagnie
Régionale de Versailles

Adocia

Period from January 1 to June 30, 2017

**Statutory auditors' report on the interim financial reporting**

Dear Shareholders,

Pursuant to the mission entrusted to us by your shareholders' meetings, and in application of Article L.451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we have:

- performed a limited review of the accompanying consolidated condensed interim financial statements of Adocia for the period from January 1 to June 30, 2017;
- verified the information provided in the interim management report.

These condensed consolidated interim financial statements were prepared under the responsibility of the board of directors. It is our task, on the basis of our limited review, to express a conclusion on these financial statements.

## 1. Conclusion on the financial statements

We have conducted our limited review in accordance with the accounting standards applicable in France. A limited review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France. Therefore, the assurance that the financial statements taken as a whole, does not contain any significant anomalies obtained in the context of a limited review is moderate, lower than that obtained in an audit.

Based on our limited review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared in all material respects in accordance with IAS 34, a standard of the IFRS as adopted by the European Union applicable to interim financial reporting.

## 2. Specific verification

We also verified the information provided in the interim management report in respect of the condensed consolidated interim financial statements subject to our review.

We have no observation to make as to its fairness and consistency with the condensed interim financial statements.

**Villeurbanne and Lyon, July 21, 2017**

The Statutory Auditors

ODICEO

ERNST & YOUNG et Autres

Agnès LAMOINE

Mohamed MABROUK