ADOCIA

innovative medicine
for everyone, everywhere

This is a free translation into English of Adocia' 2016 interim financial report issued in the French language for informational purposes only

INTERIM FINANCIAL REPORT

AS OF JUNE 30, 2016

A French société anonyme (corporation) with € de 684,706.3 in share capital

Registered office: 115 avenue Lacassagne
69003 Lyon, France

Lyon Trade and Companies Registry no. 487 647 737

CONTENTS

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, 2016 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, 2016

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 thousand euros - IFRS	**06/30/2016**	**06/30/2015**
Revenue	11 934	12 709
Grants, public financing and research tax credits and other	3 961	3 965
Operating revenue	**15 895**	**16 674**
Operating expenses	**(20 063)**	**(11 858)**
Operating income (loss)	**(4 168)**	**4 815**
Financial income	**41**	**1 904**
Net income (loss)	**(4 181)**	**6 719**

The financial results of the Company at June 30, 2016 are characterized by:

- **A solid financial position**: the Company shows a cash position as of June 30, 2016 close to 61 million euros compared to 72.1 million euros in January 1st 206.

  The cash needed to finance the operating cash flow for the first semester amounted to 10.6 million euros, compared to 7.1 million euros in the first six months of 2015. This increase reflects the advancement of projects and the clinical developments conducted during the period as well as the increase in staff to support program advancement and the Company growth.
- During the first semester, the Company finalized the acquisition, by a bank loan, of the building in which its headquarters and research center are located. Consequently, debts at June 30, 2016 totaled 6.3 million euros compared to 0.8 million euros at the beginning of the year.

- **Operating income** of 15.9 million euros as of June 2016 results primarily from the research and collaborative contract signed with Eli Lilly (11.9 million euros) and from research and tax credit ("Crédit d'Impôt Recherche") of 3.8 million euros.

- **Operating expenses** 20.1 million euros were dedicated by more than 81% to research and development activities. Compared to last year, the 70% increase in expenses (or 8.2 million euros) comes, in part, from the strong clinical activity (+ 3.8 million euros) and, also, from a significant in staff (+27.8 FTE's Full Time Equivalent or 33% increase). Payroll expenses for the first half also increased by 2 million euros (without any effect on the cash) as a result of the Company's share-based compensation policy implemented last year for the benefit of all employees (in the context of the Company's 10th anniversary).

- After taking into account the financial net income, the result of the Company is a loss of 4.2 million euros, compared to a net profit of 6.7 million euros as of June 30, 2015.

A. SIGNIFICANTS EVENTS OF THE FIRST HALF OF 2016

This first half was notable, with the release of positive results on three clinical studies launched in 2015 and conducted within the partnership with Eli Lilly:

- A phase 1b study of repeated administration of ultra-rapid BioChaperone Lispro in type 1 diabetic patients,
- A phase 1b study of repeated administration of ultra-rapid BioChaperone Lispro in type 2 diabetic patients,
- A phase 1 study in healthy Japanese subjects.

The results for the phase 1b study in patients with diabetes using an insulin pump launched in 2015 are expected in Q4 2016

The Company also pursued the development of its non-partnered:

- BioChaperone Combo, the unique combination of long-acting insulin glargine and fast-acting insulin lispro, with the preparation of a clinical study that should be launched in the third quarter,
- BioChaperone human insulin, HinsBet, with the launch of phase 1b study for which the results are expected in the third quarter,
- BioChaperone PDGF-BB, the diabetic foot ulcer wound healing project, currently tested in a phase 3 study in India and for which the rests are expected in the third quarter.

This first half 2016 was also marked by the strategic decision to reinforce the commitment of the Company in the field of diabetes, a market which presents a strong growth and is rich of new opportunities are appearing, with a need for treatments better adapted to patients, the emergence of new therapies and the development of combinations. In line with the new focused corporate strategy, Adocia announced the launch of new project (BioChaperone Glucagon) and the discontinuation of its non-diabetes programs (monoclonal antibodies and DriveIn)

Finally, during the first months of 2016, the Company was presented with an opportunity to secure its presence on the site that was occupied since its inception. The Company acquired this property of 7 120m², in the Center of Lyon, for a net amount of 5.2 million euros. This acquisition was financed with a bank loan.

B. EVENTS SUBSEQUENT TO JUNE 30, 2016

None.

C. OPERATING REVENUE

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

In thousand euros - IFRS	06/30/2016	06/30/2015
Research and cooperation agreements	6 560	7 334
Income from licenses	5 375	5 375
Revenue (a)	**11 934**	**12 709**
Grants, public financing and research tax credits and other (b)	3 961	3 965
Operating revenue (a) + (b)	**15 895**	**16 674**

Operational revenues resulted from the licensing and research agreements and also from the public financing of research and development expenses. At June 30, 2016, they amounted to 15.9 million euros versus 16.7 euros million last year over the same period.

Revenues of 11.9 million euros at June 30, 2016 resulted primarily from the collaborative and licensing agreement signed with Lilly end of 2014 and included:

- Revenues from research and collaborative agreement for a total of 6.6 million euros, reflecting Lilly's financial coverage of all internal and external costs incurred by Adocia in the development of the project developed in partnership. This amount, slightly decreasing compared to last year, still reflects the high activity conducted with the partner.
- License revenue for 5.4 million euros relating to the amortization of the initial payment received when the signing the agreement with Eli Lilly in December 2014. Under IFRS, this amount of 40.8 million euros (50 million dollars), is recognized linearly in licensing revenues over the duration of clinical development plan as anticipated at the time of the signature of the agreement.

Other operating income consisted primarily of the French research development tax credit amounting to 3.9 million euros for the first half 2016 compared to 2.9 million euros in first half 2015. The increase of more than 30% is in line with the expenditure recorded on this semester to support the development of our projects.
Moreover, following its real estate acquisition, the Company invoiced rents, from now on, to three tenants located in the building. As of June 2016, these revenues amounted to 0.1 million euros.
Furthermore, last year, the Company obtained from Bpifrance the decision of a partial failure of the bone reconstruction project (osteoporosis). Consequent to this decision, an amount of 1.05 million euros was forgiven and recognized as a grant in the June 2015 accounts (balance of 0.5 million euros was reimbursed by Adocia in September 2015).

D. OPERATING EXPENSES

Consolidated operating expenses for the first half 2016 amounted to 20.1 million euros versus 11.9 million euros in the same period last year, representing an increase of +70% (8.2 million euros).

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

Operating expenses by destination:

In thousand euros - IFRS	**06/30/2016**	**06/30/2015**
Research and development expenses	(16 356)	(9 492)
General and administrative expenses	(3 707)	(2 366)
Operating expenses	**(20 063)**	**(11 858)**

Over the first six months of the year, **research and development costs** represent more than 81% of the total operating expenses (80% in the first half 2015). They mainly include payroll costs assigned to research and development operations, subcontracting costs (including preclinical and clinical studies) and intellectual property rights expenses.
The increased spending comes for 3.8 million euros from clinical studies expenses, reflecting the high level of activity in 2016, and for 2.8 million euros from payroll costs (including shares-based payments), following the increase in enrollment.

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:

In thousand euros - IFRS	**06/30/2016**	**06/30/2015**
Cost of goods sold	(755)	(663)
Payroll expense	(8 440)	(4 172)
External charges	(10 423)	(6 832)
Taxes	(138)	(25)
Depreciation, amortization & provisions	(307)	(166)
Operating expenses	**(20 063)**	**(11 858)**

External expenses represent the largest expenditure item with nearly 52% of total operating expenses. They amounted to 10.4 million euros in 2016 compared to 6.8 million euros for the same period in 2015. The acceleration of clinical and preclinical developments explains this increase and reflects the progress of our portfolio.

Personnel costs represents the second significant area of expenses with 42% of total operating expenses. The increase of 4.2 million euros to 8.4 million euros reflects firstly the increase in staff and, secondly, the incentive policy in bonus shares implemented for the benefit of all staff at the end of last year. Under IFRS, share-based payments are recognized at the fair value of the equity instruments and represent an amount of 2.1 million euros at June 30, 2016 (compared to 0.3 million euros at June 30, 2015).

Excluding these elements that have no impact in French GAAP, nor on the cash position of the Company, personnel expenses amounted to 6.3 million euros (compared to 3.9 million euros in the first half of 2015) reflecting mainly enrollment growth of 33% between the two periods.

E. BALANCE SHEET ITEMS

In thousand euros - IFRS	06/30/2016	12/31/2015
Net cash and cash equivalents	**60 899**	**72 062**
Total assets	86 668	88 095
Equity	**44 564**	**47 052**
Financial Debt	6 260	838

On June 30, 2016, the amount of cash and cash equivalents held by the Company amounted to 60.9 million euros compared to 72.1 million euros at December 31, 2015.

Consolidated shareholders' equity decreased from 47.1 million euros at end December 2015 to 44.6 million euros at end June 2016, mainly reflecting the negative result at the end of June 2016.

Financial liabilities in the amount of 6.3 million euros at June 2016, mainly related real estate loan used to finance the acquisition and renovation of the building in which its headquarters and its research center are located, amounting to 5.2 million euros, as well as refundable advances from the French Agency for Innovation (Bpifrance), for the insulin project.

F. RISKS AND UNCERTAINTIES RELATING TO THE COMPANY'S ACTIVITIES IN THE FIRST HALF YEAR

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 2016.

G. 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).

III. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A. CONSOLIDATED BALANCE SHEET - IFRS RULES

In thousand euros - IFRS	Notes	06/30/2016	12/31/2015
Inventories		49	23
Trade and similar receivables	4.4	4 224	5 150
Other current assets	4.5	13 740	8 747
Cash and cash equivalents		60 899	72 062
Current assets		**78 912**	**85 983**
Goodwill			
Other intangible assets			
Land	4.2	1 637	0
Buildings and constructions	4.2	3 583	0
Laboratory equipment	4.2	1 090	812
Other property, plant and equipment	4.2	1 249	1 118
Financial assets		197	182
Non-current assets		**7 756**	**2 112**
Total assets		**86 668**	**88 095**
Short-term financial debt	4.8	410	89
Other current financial liabilities		75	46
Trade and similar payables	4.11	5 729	5 461
Other current liabilities	4.11	15 108	14 811
Current liabilities		**21 321**	**20 407**
Long-term financial debt	4.8	5 775	702
Long-term provisions		1 550	1 095
Other non-current liabilities	4.10	13 458	18 839
Non current liabilities		**20 783**	**20 636**
Share capital		685	685
Share premium		78 809	78 670
Group translation gains and losses		0	2
Group reserves		(30 749)	(44 858)
Group net profit/loss		(4 181)	12 553
Equity	4.7	**44 564**	**47 052**
Total liabilities		**86 668**	**88 095**

B. CONSOLIDATED INCOME STATEMENT – IFRS RULES

In thousand euros - IFRS	Notes	06/30/2016	06/30/2015
Revenue	4.13	11 934	12 709
Grants, public financing and research tax credits and other	4.14	3 961	3 965
Operating revenue		**15 895**	**16 674**
Operating expenses excluding additions and reversals	4.15	(19 756)	(11 692)
Additions to and reversals of depreciation, amortization and	4.17	(307)	(166)
Profit / loss from ordinary operating activities		**(4 168)**	**4 815**
Other operating revenue and expenses			
Profit / loss from ordinary operating activities		**(4 168)**	**4 815**
Financial income		390	2 199
Financial expense		(350)	(295)
Financial income / expense	4.18	**41**	**1 904**
Pofit / loss before tax		**(4 128)**	**6 719**
Tax expense		(54)	0
Net profit / loss		**(4 181)**	**6 719**
Non-controlling interests			
Group net profit / loss		**(4 181)**	**6 719**
Base earnings per share (€)	4.19	(0,6)	1,0
Diluted earnings per share (€)		(0,6)	1,0
Group net profit / loss		**(4 181)**	**6 719**
Actuarial adjustments on defined pension liabilities		(350)	
Deferred taxes			
Unclassified elements in the Group net profit/loss		*(350)*	*0*
Total profit / loss for the year		**(4 532)**	**6 719**

C. STATEMENT OF CHANGES IN EQUITY – IFRS RULES

In thousand euros - IFRS	Number of shares	Amount	Paid-in capital	Reserve	Net profit / (loss)	Other comprehensive income (OCI)	Total equity
Balance at 12/31/2014	**6 216 076**	**622**	**49 097**	**(26 571)**	**(20 715)**	**71**	**2 505**
Profit for the 1st semester 2015					6 719		6 719
Gain (losses) on actuarial adjustments on defined pension liabilities							0
Translation adjustment							0
Comprehensive income for the period	**0**	**0**	**0**	**0**	**6 719**	**0**	**6 719**
Allocation of profit for the year 2014				(20 715)	20 715		0
Increase in capital	621 887	62	31 903				31 965
Costs of capital increases			(2 043)				(2 043)
Exercise of equity instruments (warrants)	4 200	0	18				18
Share-based payment				37			37
Liquidity Contract - Elimination of treasury shares			(37)	238			201
Total shareholder relations	**626 087**	**63**	**29 841**	**(20 440)**	**20 715**	**0**	**30 178**
Balance at 06/30/2015	**6 842 163**	**684**	**78 938**	**(47 010)**	**6 719**	**71**	**39 402**
Profit for the year 2015					5 834		5 834
Gain (losses) on actuarial adjustments on defined pension liabilities						(629)	(629)
Translation adjustment							0
Comprehensive income for the period	**0**	**0**	**0**	**0**	**5 834**	**(629)**	**5 205**
Increase in capital	0	0	0				0
Costs of capital increases			(109)				(109)
Exercise of equity instruments (warrants)	4 200	0	16				16
Share-based payment				2 865			2 865
Liquidity Contract - Elimination of treasury shares			(175)	(154)			(328)
Total shareholder relations	**4 200**	**0**	**(268)**	**2 712**	**0**	**0**	**2 444**
Balance at 12/31/2015	**6 846 363**	**685**	**78 670**	**(44 299)**	**12 553**	**(558)**	**47 052**
Profit for the 1st semester 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
Increase in capital							0
Costs of capital increases							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 30/06/2016	**6 847 063**	**685**	**78 809**	**(29 840)**	**(4 181)**	**(909)**	**44 564**

D. CONSOLIDATED STATEMENT OF CASH FLOWS – IFRS RULES

In thousand euros - IFRS	**06/30/2016**	**06/30/2015**
Net profit / loss	**(4 181)**	**6 719**
Net depreciation, amortization & provisions (excl. current assets)	387	164
Capital gains and losses on non-current assets	0	0
Calculated income and expenses	2 047	308
Loan writte-off	0	(1 050)
Cash flow from operations after cost of net financial debt and tax	**(1 747)**	**6 142**
Cost of net financial debt		
Tax expense (including deferred taxes)		
Cash flow from operations before cost of net financial debt and tax	**(1 747)**	**6 142**
Taxes paid	0	(544)
Change in deferred revenues	**(5 361)**	**(5 277)**
Change in working capital requirement (including employee benefits)	**(3 464)**	**(7 465)**
Net cash flow related to operating activities	**(10 572)**	**(7 143)**
Acquisitions of property, plant and equipment & intangible assets	(6 000)	(521)
Disposals of property, plant and equipment & intangible assets	170	0
Acquisitions of non-current financial assets	(21)	(19)
Disposals of non-current financial assets	24	0
Other cash flows related to investing activities	(0)	700
Net cash flow related to investing activities	**(5 828)**	**160**
Capital increase	4	29 940
New loans and reimbursable advances	5 234	
Repayments of loans and reimbursable advances	0	0
Net financial interest paid	(2)	0
Other cash flows related to financing activities	0	0
Net cash flow related to financing activities	**5 236**	**29 940**
Change in net cash and cash equivalents	**(11 164)**	**22 957**
Opening cash	72 062	49 800
Closing cash	60 899	72 757

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

In thousand euros - IFRS	**Change 2016/2015**
Inventories	(26)
Trade and similar receivables	926
Other receivables and advances	(3 974)
Pre-paid expenses / other receivables	(1 019)
Provision - employees benefits	0
Trade and similar payables	(331)
Other debt	(297)
Variation du BFR	**(3 464)**

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

In thousand euros - IFRS	**06/30/2016**	**12/31/2015**
Short-term investment securities (due in < 3 months)	9 080	10 108
Cash on hand	51 819	61 954
Net cash and cash equivalents	**60 899**	**72 062**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2016

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

1. PRÉSENTATION 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, 2016, 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 20, 2016.

1.2. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

None.

2. ACCOUNTING METHODS AND 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, 2015, 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, 2015.

In addition, the new mandatory texts applicable to fiscal years beginning on January 1, 2016 are as follows:

Standards, amendments to standards and interpretations applicable from January 1, 2016:

The Company applied the new standards, amendments to standards and interpretations effective from January 1, 2016. These new standards had no material impact on the Company's accounts.

Standards and interpretations issued but not yet effective for the half-year 2016:

- IFRS 9: Financial instruments
- IFRS 14: Regulatory deferral accounts
- IFRS 15 : Revenue from contracts with customers
- IFRS 16: Leases

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.

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 on the basis of 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 2016 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, 2015. . These assumptions include fall of IFRS 2 ("Share-based Payment") and IFRS 15 ("Revenue from contracts with customers") and are explained in the following paragraphs of the reference document resp. §2.15 and §2.21.

3. SIGNIFICANT EVENTS

This first half was notable, with the release of positive results on three clinical studies launched in 2015 and conducted within the partnership with Eli Lilly:

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4. ADDITIONNAL INFORMATION REGARDINGCERTAIN BALANCE SHEETAND INCOME STATEMETS ITEMS

4.1. SCOPE OF CONSOLIDATION

Companies included in the scope of consolidation:

Company	Country	Consolidation method	% Control	% Interest	
End of June 2016					
Adocia	France		Holding		
Adocia Inc.	United States	IG *	100,00%	100,00%	(*) full consolidation

Companies		Adress	Identification number
Adocia	Holding	115, avenue Lacassagne - 69003 Lyon, France	48764773700021
Adocia Inc.		11 Biercliff Dove Canyon, CA 92679, Delaware - 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 Group 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, 2016 amounts to € 0.8 million. This expenditure corresponds to personnel costs of 2 employees and their travel and representation expenses.

4.2. FIXED ASSETS

Gross amount *(in thousand euros - IFRS)*	Building	Laboratory equipment	Fixtures and facilities	Furniture, office equipment	Total
Total value at December 31, 2015		**2 329**	**1 410**	**819**	**4 559**
Acquisitions	3 620	590	96	170	4 475
Cessions		(170)			(170)
Total value at June 30, 2016	**3 620**	**2 749**	**1 507**	**989**	**8 864**

Depreciation and impairment *(in thousand euros - IFRS)*	Building	Laboratory equipment	Fixtures and facilities	Furniture, office equipment	Total
Total value at December 31, 2015		**1 518**	**564**	**546**	**2 629**
Dotations	36	141	57	79	313
Reprises / Sorties					
Total value at June 30, 2016	**36**	**1 659**	**621**	**625**	**2 942**

Net amount *(in thousand euros - IFRS)*	Building	Laboratory equipment	Fixtures and facilities	Furniture, office equipment	Total
Total value at December 31, 2015		**811**	**846**	**273**	**1 930**
Total value at June 30, 2016	**3 583**	**1 090**	**885**	**364**	**5 922**

As of April 24, 2016, the Company signed a deed of sale with the Metropolis of Lyon for the acquisition of the building where are located its offices 115 Avenue Lacassagne, 69003 Lyon. The acquisition includes the building called "Pépinière Lacassagne" with a total area of 7.120 m², the land on which the building is located and 43 parking spaces. The purchase price of the set has been set at € 5.2 million registration fees included, including a land share of 1.6 million. The Company financed this acquisition through bank loans.

The Company has possession of the property since the signing on January 18, 2016 of the sale agreement.

During the first half of 2016, the Company acquired laboratory equipment financed by a leaseback for k€ 170. At end-June 2016, the total assets financed by leasing was k€ 327, with a 3 and 4 years terms.

4.3. ADDITIONNAL INFORMATION REGARDING DEFFERRED TAXES

Based on the same rules as those of December 31, 2015, the company did not recognize any deferred tax assets as of June 30, 2016.

As a reminder, the amount of tax losses carried forward at January 1, 2016 amounts to 41 million euros. This loss carryforward is not limited in time.

4.4. RECEIVABLES

Trade receivables *(in thousand euros - IFRS)*	**06/30/2016**	**12/31/2015**
Gross amount	4 224	5 150
Impairment		
Total net value	**4 224**	**5 150**

All receivables are not yet due. Receivables at 30 June 2016, essentially correspond to quarterly invoicing within the collaboration agreement with Eli Lilly.

4.5. OTHER CURRENT ASSETS

Other current assets *(in thousand euros - IFRS)*	**06/30/2016**	**12/31/2015**
Research tax credit	10 660	6 768
VAT claims	687	637
Receivables from suppliers	233	330
Pre-paid expenses	1 695	676
Carryback	333	333
Others	132	4
Total other current assets	**13 740**	**8 747**

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

At June 30, 2016, the balance of receivables Research Tax Credit for the year to 10.7 million euros, includes the debt generated by the spending of 2015 and whose application for refund will be made in the second half 2016 for 6.8 million euros, and the estimated research tax credit on the basis of costs of research and development incurred in the first half of 2016.

As of June 30, 2016, the research tax credit ("Crédit d'Impôt Recherche") is calculated on the basis of research expenses incurred as of that date and eligible for the research tax credit.

Pre-paid expenses relate to current expenses.

The carryback debt as of June 30, 2016 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.

4.6. 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.

4.7. 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.

4.7.1. 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 - Issuance of Bonus shares	1 050	1 050			1 050
04/06/2010 - Capital increase	5 424		5 424		5 424
06/06/2010 - Issuance 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 - Issuance of Bonus shares	1 050	1 050			1 050
06/17/2011 - Issuance 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 - Issuance of Bonus shares	1 400	1 400			140
02/14/2012 - Issue of IPO shares	1 592 798	1 592 798			159 280
14/02/2012 - Conversion of preferred shares to ordinary shares		4 433 510	-3 033 510	-1 400 000	0
03/07/2012 - Issuance 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 - Issue of IPO shares	2 800	2 800			280
12/19/2012 - Issuance of Bonus shares	2 800	2 800			280
03/26/2012 - Issuance of Bonus shares	8 400	8 400			840
06/18/2013 - Issuance of Bonus shares	2 800	2 800			280
12/13/2013 - Issuance of Bonus shares	2 800	2 800			280
12/13/2013 - Issuance of Bonus shares	1 400	1 400			140
12/13/2013 - Issuance of Bonus shares	1 400	1 400			140
15/12/2014 - Issuance of Bonus shares	1 400	1 400			140
02/12/2015 - Exercise of BSA	700	700			70
03/03/2015 - Exercise of BSPCE	700	700			70
03/27/2015 - Exercise of BSPCE	1 400	1 400			140
03/31/2015 - Issue of Shares by private placement	621 887	621 887			62 189
03/31/2015 - Issuance of Bonus shares	1 400	1 400			140
07/28/2015 - Exercise of BSPCE	2 800	2 800			280
12/16/2015 - Issuance of Bonus shares	1 400	1 400			140
06/21/2016 - Exercise of BSPCE	700	700			70
At June 30, 2016	**6 847 063**	**6 847 063**			**684 706**

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.

4.7.2. 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 06/30/2016	**$BSPCE_{12\text{-}2013}$ Plan N°1**	**$BSPCE_{12\text{-}2013}$ Plan N°2**	**$BSA_{12\text{-}2013}$**
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	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 1/4 : Jan. 1, 2015 1/4 : Jan. 1, 2016 1/4 : jan. 1, 2017	1/4 : Jan. 1, 2015 1/4 : Jan. 1, 2016 1/4 : Jan. 1, 2017 1/4 : Jan. 1, 2018	13 333 : Jan. 1, 2014 3 333 : Jan. 1, 2015 3 333 : Janv. 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 06/30/2016	**BSPCE 2014 Plan N°1**	**BSPCE 2014 Plan N°2**	**BSPCE 2014 "Exectutives"**
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 1/4 : Jan. 1, 2016 1/4 : Jan. 1, 2016 1/4 : Jan. 1, 2018	1/4 : Jan. 1, 2016 1/4 : Jan. 1, 2017 1/4 : Jan. 1, 2018 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 06/30/2016	SO 2015 Plan N°1	SO 2015 Plan N°2	BSPCE 2015 executives	BSPCE 2016 executives
Recipients	employees	employees	excecutives	excecutives
Number of warrants issued	10 000	4 000	40 000	40 000
Number of warrants granted	10 000	4 000	40 000	40 000
Number of warrants subscribed	10 000	4 000	40 000	40 000
Date of shareholders' meeting	06/24/2014	11/12/2015	11/12/2015	11/12/2015
Date of Board of Directors' meeting	03/31/2015	12/16/2015	12/16/2015	03/15/2016
Issue price	free	free	free	free
Strike price	55,64 €	71,12 €	74,60 €	61,73 €
Deadline to exercise warrants	03/31/2025	12/16/2025	12/16/2025	06/15/2026
Start date to exercise options	1/4 : Jan. 1, 2016 1/4 : Jan. 1, 2017 1/4 : Jan. 1, 2018 1/4 : Jan. 1, 2019	1/4 : Jan. 1, 2017 1/4 : Jan. 1, 2018 1/4 : Jan. 1, 2019 1/4 : Jan.1, 2020	immediate vesting to 16 December 2015, following the completion of conditions in Plan	immediate vesting, if fulfillment of the performance conditions in Plan
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%	74%	74%	73%
Risk-free rate of return	1% (iBoxx Sovereign AA 7-10)	1% (iBoxx Sovereign AA 7-10)	1% (iBoxx Sovereign AA 7-10)	1% (iBoxx Sovereign AA 7-10)

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

Allocation of start-up warrants of company stock ("BSPCE") of March 15, 2016:

Making use of the authorization granted at the General Meeting of November 12, 2015, the Board of Directors of March 15, 2016 decided to issue 40,000 "BSPCE 2016 Executives" for the benefit of Gérard Soula, President and CEO of the Company, entitling to subscribe for 40,000 new shares with a par value of €0.10.

Vesting is subject to presence and performance conditions not related to market conditions (such as signing a new license agreement, the consolidation of the cash position, or the transition from one stage key on a project...). The realization of the conditions in the allocation plan will be established by the Board of Directors at year end 2016.

The exercise period is 10 years.

4.7.3. Bonus shares

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

Grant date	01/23/2008	06/06/2008	12/15/2009	03/05/2010	12/07/2010	12/10/2015	12/16/2015	03/15/2016	*TOTAL*
Number of free shares awarded (1)	42 000	5 600	5 600	5 600	5 600	39 150	22 600	20 000	**146 150**
Number of free shares canceled	2 100	-		-	-	925	1 800		**4 825**
Number of bonus shares sold	11 600		410	200					**12 210**
Acquired shares, available or under conservation	28 300	5 600	5 190	5 400	5 600	-	-		**50 090**
Shares granted but not yet vested	-	-	-	-	-	38 225	20 800	20 000	**79 025**

During the first half of 2016, no shares were issued.

Allocation of bonus shares of March 15, 2016:

Making use of the authorization granted at the General Meeting of November 12, 2015, the Board of Directors of March 15, 2016 decided to grant 20,000 bonus shares "bonus shares 2016 Executives" for the benefit of Oliver Soula, Deputy CEO of the Company.

The new allocation occurred in the first half of 2016 has the following main features:

bonus shares	**bonus shares 2016 Executives**	
Dates boards decided to award	03/15/2016	03/15/2016
Number of free shares awarded	8 000	12 000
End of vesting period	2000 : march 2017 2000 : march 2018 2000 : march 2019 2000 : march 2020	march 2018
End of conservation period	2000 : march 2018 2000 : march 2019 2000 : march 2020 2000 : march 2021	march 2018
Presence conditions	yes	yes
Performance conditions	no	yes (*)

(*) vesting conditions: all 20,000 shares awarded are subject to presence conditions. The 12,000 shares are, in addition, subject to performance conditions not related to market conditions (such as obtaining a license agreement, the achievement of a clinical development plan).

As at June 30, 2016 remains 79,025 shares granted but not yet vested.

BONUS SHARES - Date dof ESM decision *Date of grant by the Board of Directors*	**12/20/2007 01/23/2008**				**12/20/2007 06/06/2008**				**12/20/2007 12/15/2009**			
Number of vesting years	2	3	4	5	2	3	4	5	2	3	4	5
Performance condition	No	No	No	No	No	No	No	No	No	No	No	No
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
Share value on grant date (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
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
Initial valuation (€ thousands)	90	90	90	90	12	12	12	12	12	12	12	12
Number of bonus shares to be issued on 12/31/2015												
Number of free shares granted												
Number of free shares canceled												
Number of free shares allotted												
Number of bonus shares to be issued on 12/31/2015												
Accounting charge December 2015 (milliers d'Euros)												
Accounting charge June 2016 (milliers d'Euros)												

BONUS SHARES - Date dof ESM decision *Date of grant by the Board of Directors*	12/20/2007 03/05/2010				12/20/2007 12/07/2010				11/12/2015 12/16/2015	11/12/2015 12/16/2015
Number of vesting years	2	3	4	5	2	3	4	5	1	1
Performance condition	No	No	No	No	No	No	No	No	No	No
Total number of bonus shares granted	1 400	1 400	1 400	1 400	1 400	1 400	1 400	1 400	5 000	5 000
Share value on grant date (euros)	8,57	8,57	8,57	8,57	8,57	8,57	8,57	8,57	76,74	76,74
Fair value of a bonus share (euros)	8,57	8,57	8,57	8,57	8,57	8,57	8,57	8,57	76,74	76,74
Initial valuation (€ thousands)	12	12	12	12	12	12	12	12	384	384
Number of bonus shares to be issued on 12/31/2015								**0**	**5 000**	**5 000**
Number of free shares granted										
Number of free shares canceled										
Number of free shares allotted										
Number of bonus shares to be issued on 12/31/2015									**5 000**	**5 000**
Accounting charge December 2015 (milliers d'Euros)	0				2				15	15
Accounting charge June 2016 (milliers d'Euros)	0				0				191	191

BONUS SHARES - Date dof ESM decision *Date of grant by the Board of Directors*	11/12/2015 12/16/2015				11/12/2015 12/10/2015	11/12/2015 03/15/2016				11/12/2015 03/15/2016	TOTAL
Number of vesting years	1	2	3	4	2	1	2	3	4	2	
Performance condition	No	No	No	No	No	No	No	No	No	Oui	
Total number of bonus shares granted	3 150	3 150	3 150	3 150	39 150	2 000	2 000	2 000	2 000	12 000	146 150
Share value on grant date (euros)	76,74	76,74	76,74	76,74	70,80	62,27	62,27	62,27	62,27	62,27	
Fair value of a bonus share (euros)	76,74	76,74	76,74	76,74	70,80	62,27	62,27	62,27	62,27	62,27	
Initial valuation (€ thousands)	242	242	242	242	2 772	125	125	125	125	747	6 304
Number of bonus shares to be issued on 12/31/2015	**3 150**	**3 150**	**3 150**	**3 150**	**39 150**						**61 750**
Number of free shares granted						2 000	2 000	2 000	2 000	12 000	
Number of free shares canceled	450	450	450	450	925						2 725
Number of free shares allotted											0
Number of bonus shares to be issued on 12/31/2015	**2 700**	**2 700**	**2 700**	**2 700**	**38 225**	**2 000**	**2 000**	**2 000**	**2 000**	**12 000**	**79 025**
Accounting charge December 2015 (milliers d'Euros)	19				76	0					127
Accounting charge June 2016 (milliers d'Euros)	215				673	75				109	1 454

4.7.4. Dividends

There was no decision on a dividend distribution in the first half of 2016.

4.7.5. 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 31, 2015, under this agreement, Kepler Capital Markets SA held 4,185 shares and nearly 0.1 million euros in cash.

As of June 30, 2016, under this agreement 3,575 treasury shares were recognized as a deduction from equity and cash in the amount of 0.1 million euros was recorded as short-term financial assets.

4.8. FINANCIAL DEBT

FINANCIAL DEBT (in thousand euros - IFRS)	Current	Non current	Total	Bank overdrafts
Reimbursable advances	90	713	803	
Bank loans	320	4 926	5 245	
Other financial debt	75	137	211	
Total financial debt	**485**	**5 775**	**6 260**	**0**

<u>Reimbursable advances:</u>

REIMBURSABLE ADVANCES	In euros thousands	Historical costs	
Value at December 31, 2015	**792**	**891**	(A)
Grant during the year			
Repayment during the year	0		
Discount on grant during the year			
Financial expenses	11		
Value at June 30, 2016	**803**	**891**	(B)
Long-term portion	*713*		
Short-term portion	*90*		

At June 30, 2016, repayable advances include advances received from Bpifrance in the insulin project, as well as advance received from COFACE under business development in new markets.

<u>Breakdown of advances by historical cost:</u>

(A) *in thousand euros - IFRS*	12/31/2015	Less than 1 year	1 to 5 years	More than 5 years
Insuline advance (2012)	800		800	
Coface advance (2013)	91		91	
	891			

(B) *in thousand euros - IFRS*	06/30/2016	Less than 1 year	1 to 5 years	More than 5 years
Insuline advance (2012)	800	65	735	
Coface advance (2013)	91		91	
	891			

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.

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.

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.

At June 30, 2016, 5.2 million euros were used to fund, first, the property complex for 5.1 million euros, and secondly the renovations for 0.1 million euros. The remaining 0.3 million euros will be used for the financing of future renovations and is mentioned as an off-balance sheet.

Other financial liabilities:

Other financial liabilities relates to leasing commitments for an amount of 0.16 million euros between 2013 and 2014, and a new leasing commitment made in the first half 2016 amounting to 0.17 million euros. These commitments were subject to repayment in the period up to 25 thousand euros.

4.9. PROVISIONS

PROVISIONS *(in thousand euros - IFRS)*	**Employee benefits**	**Other long-term provisions**	**Provisions for risks and charges - less than one year**	**TOTAL**
Value at December 31, 2015	**1 095**			**1 095**
Additions	455			455
Reversal of used provisions				
Reversal of unused provisions				
Value at June 30, 2016	**1 550**			**1 550**

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").

4.10. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities include the long term part of the initial up-front payment received from Eli Lilly for a total of 50 million dollars (40.7 million euros). Under IFRS rules, this amount is recognized in revenues linearly over the duration of the development plan as anticipated at the time of the signature of the agreement.

As of June 30, 2016, the non-amortized part (ie recognized as revenues) amounts to 24.2 million euros, and was recognized in other current liabilities (short term part of 10.7 million euros) and other non-current liabilities (long term part of 13.4 million euros).

4.11. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

The company's current liabilities are as follows:

in thousand euros - IFRS	**06/30/2016**	**12/31/2015**
Subsidiary accounts	3 095	2 303
Invoices pending	2 633	3 158
Trade payables	**5 729**	**5 461**
Customer credit balances	0	
Tax and social security liabilities	3 240	3 950
Other debt	21	13
Unearned income	11 847	10 848
Other current liabilities	**15 108**	**14 811**
TOTAL CURRENT OPERATING LIABILITIES	**20 837**	**20 272**

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.

4.12. OPERATING PROFIT / LOSS

INCOME STATEMENT (in thousand euros - IFRS)	Notes	06/30/2016	06/30/2015
Research agreements and license revenue	4.13	11 934	12 709
Grants, public financing and research tax credit	4.14	3 961	3 965
Income		**15 895**	**16 674**
Cost of goods sold		(755)	(663)
Payroll expense	4.16	(8 440)	(4 172)
External charges	4.15	(10 423)	(6 832)
Taxes		(138)	(25)
Depreciation, amortization & provisions	4.17	(307)	(166)
Other current operating income and expenses		0	(0)
Operating expenses		**(20 063)**	**(11 858)**
PROFIT / LOSS FROM ORDINARY OPERATING ACTIVITY		**(4 168)**	**4 815**
Non-recurring operating income and expenses			
PROFIT / LOSS FROM OPERATING ACTIVITIES		**(4 168)**	**4 815**

Consolidated operating expenses for the first half 2016 amounted to 20.1 million euros versus 11.9 million euros in the same period last year, representing an increase of +70% (8.2 million euros).

External expenses represent the largest expenditure item with nearly 52% of total operating expenses. They amounted to 10.4 million euros in 2016 compared to 6.8 million euros for the same period in 2015. The acceleration of clinical and preclinical developments explains this increase and reflects the progress of our portfolio.

Personnel costs represents the second significant area of expenses with 42% of total operating expenses. The increase of 4.2 million euros to 8.4 million euros reflects firstly the increase in staff and, secondly, the incentive policy in bonus shares implemented for the benefit of all staff at the end of last year. Under IFRS, share-based payments are recognized at the fair value of the equity instruments and represent an amount of 2.1 million euros at June 30, 2016 (compared to 0.3 million euros at June 30, 2015).

Excluding these elements that have no impact in French GAAP, nor on the cash position of the Company, personnel expenses amounted to 6.3 million euros (compared to 3.9 million euros in the first half of 2015) reflecting mainly enrollment growth of 33% between the two periods

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

Breakdown of expenses by function:

EXPENSES BY FUNCTION *(in thousand euros - IFRS)*	**06/30/2016**	**06/30/2015**
Research and development expenses	(16 356)	(9 543)
General and administrative expenses	(3 707)	(2 315)
Operating expenses	**(20 063)**	**(11 858)**

Over the first six months of the year, **research and development costs** represent more than 81% of the total operating expenses (80% in the first half 2015). They mainly include payroll costs assigned to research and development operations, subcontracting costs (including preclinical and clinical studies) and intellectual property rights expenses.

The increased spending comes for 3.8 million euros from clinical studies expenses, reflecting the high level of activity in 2016, and for 2.8 million euros from payroll costs (including shares-based payments), following the increase in enrollment.

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 thousand euros - IFRS)*	**06/30/2016**	**06/30/2015**
Cost of goods sold	(755)	(663)
Payroll expense	(5 562)	(2 781)
External charges	(9 729)	(5 908)
Taxes	(110)	(25)
Depreciation, amortization & provisions	(200)	(166)
Total research and development costs	**(16 356)**	**(9 543)**

4.13. REVENUE

REVENUE *(in thousand euros - IFRS)*	**06/30/2016**	**06/30/2015**
Research agreements	6 560	7 334
License revenue	5 375	5 375
Other		
Total	**11 934**	**12 709**

Revenues of 11.9 million euros at June 30, 2016 resulted primarily from the collaborative and licensing agreement signed with Lilly end of 2014 and included:

- Revenues from **research and collaborative agreement** for a total of 6.6 million euros, reflecting Lilly's financial coverage of all internal and external costs incurred by Adocia in the development of the project developed in partnership. This amount, slightly decreasing compared to last year, still reflects the high activity conducted with the partner.

- **License revenue** for 5.4 million euros relating to the amortization of the initial payment received when the signing the agreement with Eli Lilly in December 2014. Under IFRS, this amount of 40.8 million euros (50 million dollars), is recognized linearly in licensing revenues over the duration of clinical development plan as anticipated at the time of the signature of the agreement.

4.14. OTHER INCOME

OTHER INCOME *(in thousand euros - IFRS)*	**06/30/2016**	**06/30/2015**
Project financing	0	1 050
Research tax credit	3 892	2 915
Other	69	
Total	**3 961**	**3 965**

Other operating income consisted primarily of the French research development tax credit amounting to 3.9 million euros for the first half 2016 compared to 2.9 million euros in first half 2015. The increase of more than 30% is in line with the expenditure recorded on this semester to support the development of our projects.

Moreover, following its real estate acquisition, the Company invoiced rents, from now on, to three tenants located in the building. As of June 2016, these revenues amounted to 0.1 million euros.

Furthermore, last year, the Company obtained from Bpifrance the decision of a partial failure of the bone reconstruction project (osteoporosis). Consequent to this decision, an amount of 1.05 million euros was forgiven and recognized as a grant in the June 2015 accounts (balance of 0.5 million euros was reimbursed by Adocia in September 2015).

4.15. OTHER PURCHASES AND EXTERNAL CHARGES

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

4.16. PAYROLL EXPENSES

Payroll expense is as follows:

PAYROLL EXPENSES *(in thousand euros - IFRS)*	**06/30/2016**	**06/30/2015**
Wages and salaries	4 538	2 840
Social contributions	1 772	1 074
Share-based payment	2 130	259
Total payroll expenses	**8 440**	**4 172**

STAFF	06/30/2016	06/30/2015
Technicians	51	41
Management personnel	68	52
Total employees	**119**	**93**
Average FTE's	112,1	84,2

At June 30, 2016, the company had 42 PhD.

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

4.17. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Net depreciation, amortization and provisions are as follows:

DEPRECIATION, AMORTIZATION AND IMPAIRMENT (in thousand euros - IFRS)	06/30/2016	06/30/2015
Depreciation of property, plant and equipment	282	144
Amortization of intangible assets		
Depreciation of leased assets	25	22
Depreciation, amortization and provisions for fixed assets	**307**	**166**
Provisions for risks and charges (additions)		
Provisions for current assets (additions)		
Reversals		
Additions to/Reversals of Depreciation, Amortization and Provisions	**307**	**166**

4.18. FINANCIAL INCOME / EXPENSE

FINANCIAL INCOME/EXPENSE (in thousand euros - IFRS)	06/30/2016	06/30/2015
Cash and cash equivalents income	390	2 199
Interest on conditional advances	(29)	(24)
Cost of net financial debt	**361**	**2 175**
Foreign exchange gains and losses	0	
Other financial income and expenses	(321)	(271)
Financial Income / expense	**41**	**1 904**

4.19. EARNINGS PER SHARE

	06/30/2016	06/30/2015
Consolidated net profit/loss (in thousand euros)	**(4 181)**	**6 719**
Average number of shares	6 846 398	6 531 170
Net earnings per share (in euros)	**(0,6)**	**1,0**
Net earnings per share (in euros) - fully diluted	**(0,6)**	**1,0**

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.

5. 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 21, 2016 and is for a maximum amount of k€90 per year.

The amount allocated for the first half of 2016 was k€32 and related to two board members.

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

in thousand euros - IFRS	06/30/2016	06/30/2015
Short-term benefits	886	786
Post-employment benefits	10	3
Other long-term benefits	0	0
Termination benefits employment contract	0	0
Share-based payments	838	0
Total	**1 734**	**789**

Share-based payment, as post-employment benefits correspond to the services rendered by corporate officers during the first halves 2016 and 2015.

6. OFF BALANCE SHEET COMMITMENTS

<u>Signing of a sales agreement with SCI LACASSAGNE 2014:</u>

As of April 14, 2016, the Company signed a sales agreement with the company called SCI LACASSAGNE 2014 for the purchase of parking spaces on the site which are located its facilities 115 Avenue Lacassagne, 69003 Lyon. The promise of sale is 47 parking spaces. The purchase price of all was fixed at 0.3 million euros, excluding VAT and registration costs. The Company plans to finance this acquisition through bank loans (suspensive condition of the promise).

The signing of the deed of sale is expected during the month of July 2016.

<u>Agreement of bank debt financing:</u>

At June 30, 2016, the Company obtained the agreement of credit institutions to finance the acquisition of 47 parking spaces per bank loan, amounting to 0.3 million euros.

Bank loan obtained, unused:

As part of the financing of the acquisition and renovation of the building acquired in 2016, the Company obtained a bank loan for a nominal amount of EUR 5.5 million, to finance the acquisition and renovation of the property. At June 30, 2016 there is an amount of 0.3 million euros unused.

Guarantees given to banks:

Under the debt financing of the acquisition of all property acquired in April 2016 to 5.1 million, the Company has granted to banks guarantee on the building.

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

ODICEO ERNST & YOUNG et Autres

Adocia

Period from January 1 to June 30, 2016

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, 2016

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, 2016;
- 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, 2016

The Statutory Auditors

ODICEO	ERNST & YOUNG et Autres
Sylvain Boccon-Gibod	Sylvain Lauria