ADOCIA

innovative medicine
for everyone, everywhere

This document is a free non-binding translation, for information purposes only, of the French "Document de Référence 2016" as submitted to the AMF on April 11, 2017. In the event of any conflict or ambiguity between the French and English versions, the relevant statements or items of the French version shall prevail.

2016 REFERENCE DOCUMENT
INCLUDING
THE ANNUAL FINANCIAL REPORT AND THE MANAGEMENT REPORT

A French société anonyme (corporation) with €685,976.30 in share capital
Registered office: 115 avenue Lacassagne
69003 Lyon, France
Lyon Trade and Companies Registry No. 487 647 737

AMF AUTORITÉ DES MARCHÉS FINANCIERS

This reference document was filed with the Autorité des Marchés Financiers (the "AMF") on April 11, 2017 in accordance with Article 212-13 of its General Regulation. It may be used to support a financial transaction if supplemented by a securities note approved by the AMF. This document was prepared by the issuer and is the responsibility of its signatories.

Copies of this reference document are available free of charge from the Company at 115, Avenue Lacassagne, 69003 Lyon. In addition, an electronic version is available on the Company's website (www.adocia.com) and on the AMF website (www.amf-france.org).

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Cross-reference table

The cross-reference table below can be used to locate in this Reference document:

The information contained in the annual financial report (Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulation); and

The information contained in the annual management report (Article L. 225-100 et seq. of the French Commercial Code).

Annual financial report	**Reference document:**
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2. Corporate annual financial statements - French GAAP	§ 20.A
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Notice

In this reference document, the terms "Adocia" or the "Company" refer to Adocia, a French société anonyme (corporation) whose registered office is located at 115, Avenue Lacassagne, 69003 Lyon, France, and which is registered with the Lyon Trade and Companies Registry under number 487 647 737 and, when appropriate, its subsidiary, Adocia Inc., a company incorporated in the state of Delaware, whose head office is located at 11 Briercliff Dove Canyon CA 92679, U.S.A.

The consolidated financial statements prepared under IFRS for the fiscal year ended December 31, 2016 are presented on pages 155 to 187 of this reference document. The statutory auditors' report on the consolidated financial statements prepared under IFRS for the fiscal year ended December 31, 2016 is presented on pages 188 to 191 of this reference document.

The corporate financial statements prepared under French GAAP for the fiscal year ended December 31, 2016 are presented on pages 192 to 206 of this reference document. The statutory auditor's report on the corporate financial statements prepared under French GAAP for the fiscal year ended December 31, 2016 is presented on pages 207 to 209.

This reference document presents or incorporates by reference the Company's audited annual financial statements for the fiscal years ended December 31, 2014, December 31, 2015 and December 31, 2016.

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004 of April 29, 2004, the 2014 and 2015 annual and consolidated financial statements, prepared under French GAAP and IFRS, respectively, are incorporated by reference into this reference document.

A glossary containing the definitions of certain technical terms used in this reference document, as well as an index of abbreviations used, can be found in section 26. Terms indicated by an asterisk (*) are defined in the glossary.

Disclaimer

Market and competition information

This reference document contains, in particular in section 6 "*Business Overview*", information about the Company's markets and competitive position. This information is taken, in particular, from studies conducted by external sources. Publicly available information that the Company deems reliable has not been verified by independent experts, and the Company cannot guarantee that a third party using different methods to collect, analyze or calculate data on these markets would obtain the same results.

Forward-looking information

This reference document contains information on the Company's outlook and development priorities. At times, this information is identified by the use of the future or conditional tense or forward-looking words such as "consider", "plan", "think", "have as an objective", "expect", "intend", "should", "aspire to", "estimate", "believe", "wish", "could" or, where applicable, the negative form of these terms, or any variation thereof or similar terminology. This information is not historical data and should not be viewed as a guarantee that the facts and events described will occur. This information is based on data, assumptions and estimates that the Company deems reasonable. It may change or be modified due to uncertainties associated with, in particular, the economic, financial, competitive and regulatory environment. This information is provided in the various sections of this reference document and includes data related to the Company's intentions, estimates and objectives with respect to, among other things, the market in which it operates and its strategy, growth, results, financial position, cash position and forecasts. The forward-looking information in this reference document is provided only as of the filing date of this reference document. The Company operates in a constantly changing competitive environment. Therefore, it cannot anticipate all risks, uncertainties and other factors that may affect its business, the potential impact thereof on its business, or the extent to which the occurrence of a risk or combination of risks could have significantly different results from those mentioned in any forward-looking information. It should be noted that none of this forward-looking information is a guarantee of actual results.

Risk factors

Investors are advised to carefully review the risk factors described in section 4 "*Risk Factors*" of this reference document before making any investment decision. The occurrence of any or all of these risks may have a material adverse impact on the Company's business, financial position, results or outlook. Furthermore, other risks not yet identified or not deemed significant by the Company as of the filing date of this reference document may also have a material adverse impact.

1. PERSONS RESPONSIBLE

A. PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr. Gérard Soula, Chairman and Chief Executive Officer

B. RESPONSIBILITY STATEMENT

"Having taken all reasonable measures to this effect, I hereby certify that the information contained in this reference document is, to my knowledge, accurate and contains no omissions likely to affect its import.

I hereby certify that, to my knowledge, the financial statements were prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, financial position and results of the Company and its subsidiary and that the management report information indexed on page 16 accurately reflects changes in the business, results and financial position of the Company and its subsidiary and describes the principal risks and uncertainties they face.

I have obtained a letter from the statutory auditors certifying completion of their work, in which they state that they have verified the information provided in this reference document regarding the financial position and financial statements, and that they have read the reference document as a whole.

April 11, 2017.

Gérard Soula

Chairman and Chief Executive Officer

C. PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Ms. Valérie Danaguezian

Chief Financial Officer

Address: 115, Avenue Lacassagne, 69003 Lyon

Telephone: +33 (0) 4 72 61 06 10

Fax: 33 (0) 4 72 36 39 67

Email: contactinvestisseurs@adocia.com

2. STATUTORY AUDITORS

A. PRINCIPAL STATUTORY AUDITORS

ODICEO

represented by Mr. Sylvain Boccon-Gibod, partner

115, Boulevard Stalingrad, 69100 Villeurbanne,

member of the Lyon regional statutory auditors' association,

Appointed through a decision of the sole shareholder on July 31, 2006 until the shareholders' meeting convened to vote on the financial statements for the fiscal year ended December 31, 2011. This term of office was renewed by the shareholders' meeting held on June 15, 2012 for a period of six fiscal years, which will expire at the end of the ordinary shareholders' meeting convened to vote on the financial statements for the fiscal year ended December 31, 2017.

Ernst & Young et Autres

represented by Mr. Sylvain Lauria, partner

1-2 place des saisons, 92400 Courbevoie La Défense,

member of the Versailles regional statutory auditors' association,

Appointed at the combined shareholders' meeting held on October 24, 2011 for a period of six fiscal years, which will expire at the end of the ordinary shareholders' meeting convened to vote on the financial statements for the fiscal year ended December 31, 2016.

B. ALTERNATE STATUTORY AUDITORS

Mr. Pierre Grafmeyer

115, Boulevard Stalingrad, 69100 Villeurbanne,

member of the Lyon regional statutory auditors' association,

Appointed through a decision of the sole shareholder on July 31, 2006 until the shareholders' meeting convened to vote on the financial statements for the fiscal year ended December 31, 2011. This term of office was renewed by the shareholders' meeting held on June 15, 2012 for a period of six fiscal years, which will expire at the end of the ordinary shareholders' meeting convened to vote on the financial statements for the fiscal year ended December 31, 2017.

AUDITEX

Tour Ernst & Young, Faubourg de l'Arche, 92037 La Défense Cedex,

member of the Versailles regional statutory auditors' association,

Appointed at the combined shareholders' meeting held on October 24, 2011 for a period of six fiscal years, which will expire at the end of the ordinary shareholders' meeting convened to vote on the financial statements for the fiscal year ended December 31, 2016.

During the period covered by the historical financial information, no statutory auditor has resigned or been removed from office.

C. CERTIFICATE OF FEES PAID TO STATUTORY AUDITORS

The table below shows the statutory auditors' fees paid by the Company over the last two years:

(€ thousands)	Ernst & Young		Odicéo	
	2016	**2015**	**2016**	**2015**
Audit services				
* statutory audior services, certification, review of individual and consolidated financial statements	35	33	35	33
* other services and due diligence directly related to the statutory audit assignment		4	3	
Subtotal	**35**	**37**	**38**	**33**
Other services				
* tax				
* others				
Sub total				
TOTAL	35	37	38	33

3. SELECTED FINANCIAL INFORMATION

The selected financial information presented in this section 3 is taken from the Company's financial statements for the fiscal years ended December 31, 2015 and December 31, 2016, which were prepared in accordance with IFRS and are shown in section 20.A of this reference document.

The consolidated financial statements prepared under IFRS are presented in section 20.1 of this reference document. Only the corporate financial statements prepared under French GAAP have legal force and are reproduced in the notes to this reference document along with the statutory auditor's reports.

This financial information should be read in conjunction with (i) the review of the Company's income and financial position presented in section 9 of this reference document and (ii) the review of the Company's cash position and equity presented in section 10 of this reference document.

Selected financial information for the fiscal years ended December 31, 2015 and December 31, 2016 (IFRS)

Selected financial information taken from the income statement:

In thousand euros - IFRS		31/2016		12/31/2015
Revenue	(*)	22 488	(**)	36 936
Grants, research tax credits and others		7 966		7 818
Operating revenue		**30 454**		**44 753**
Operating expenses excluding additions and reversals		(37 692)		(34 182)
Additions to and reversals of depreciation, amortization and		(763)		(468)
Profit (loss) from ordinary operating activities		**(8 001)**		**10 103**
Other operating revenue and expenses				
Profit (loss) from ordinary operating activities		**(8 001)**		**10 103**
Financial income		646		2 548
Financial expense		(466)		(430)
Financial income		**181**		**2 118**
Pofit (loss) before tax		**(7 821)**		**12 220**
Tax expense		(72)		333
Net profit (loss)		**(7 892)**		**12 553**

(*) Recognition of the initial payment (up-front payment) of $50 million (€41 million) received from Eli Lilly after the signing of the license agreement with Eli Lilly on December 18, 2014, on a straight-line basis over the expected term of the contract for an amount of €10.7 million in fiscal year 2016.

(**) Recognition of the initial payment (up-front payment) of $50 million (€41 million) received from Eli Lilly after the signing of the license agreement with Eli Lilly on December 18, 2014, on a straight-line basis over the expected term of the contract for an amount of €10.7 million in fiscal year 2015. Recognition of the milestone payment of $10 million (€9.1 million) received from Eli Lilly in December 2015.

(*)

Selected financial information taken from the balance sheet:

(IFRS - € thousands)	FY 2016 (12 months)	FY 2015 (12 months)
Non-current assets	**8 790**	**2 112**
of which: laboratory equipment	1 521	812
of which: other fixed tangible assets	1 388	1 118
Current assets	**70 008**	**85 983**
of which: cash and cash equivalents	58 037	72 062
Total assets	78 798	88 095
Equity	**42 762**	**47 052**
Non cuurent liabilities	**8 019**	**20 636**
of which: long-term financial debts	6 281	702
Current liabilities	**28 017**	**20 407**
Total liabilities	78 798	88 095

Selected financial information taken from the cash flow statement:

(IFRS - € thousands)	FY 2016 (12 months)	FY 2015 (12 months)
Net cash flow generated by operating activities	(13 138)	(6 216)
Net cash flow in connection with investment transactions	(7 189)	(804)
Net cash flow in connection with financing transactions	6 301	29 282
Changes in net cash	(14 026)	22 262
Cash and cash equivalents at the start of the year	**72 062**	**49 800**
Cash and cash equivalents at year-end	**58 037**	**72 062**

4. RISK FACTORS

Investors are invited to consider all information contained in this reference document, including the risk factors described in this chapter, before deciding to purchase or subscribe for the Company's shares.

The Company has reviewed the risks that may have a material adverse impact on the Company, its business, financial position, income, outlook or ability to achieve its objectives, and it considers that there are no significant risks other than those described herein.

In addition, the Company may be subject to other risks that, as of the date of this presentation, are unknown to the Company or which the Company deems immaterial at this time, and which may have a material adverse impact on the Company, its business, financial position, income or outlook.

A. RISKS ASSOCIATED WITH IMPLEMENTATION OF THE COMPANY'S STRATEGY

1. The Company is dependent on its Bio-Chaperone® technology platform.

The Company does not plan to develop or market therapeutic products directly. The Company's main strategy is to develop innovative formulations for various therapeutic proteins based on its BioChaperone® technology, and then to license use thereof to major players in the pharmaceutical, biotechnology and medical devices industries for the development and marketing of therapeutic products.

Research programs to identify new product candidates require substantial technical, financial and human resources. Research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development that would be attractive to potential partners, for a number of reasons, including:

- The research methodology used may not be successful in identifying potential product candidates; or
- Product candidates may, on further study or through clinical trials, show inadequate efficacy, harmful side effects, undifferentiated features or other characteristics suggesting that they are unlikely to be effective or safe products.

If the Company is unable to develop suitable innovative formulations for various therapeutic proteins based on its BioChaperone® technology through its research programs or otherwise, the Company might have difficulty finding partners and its medium and long-term business, financial position, income, expansion and outlook would be materially adversely affected.

2. In order to carry out its medium-term strategy, the Company must enter into agreements with partners.

The Company's medium-term strategy depends on its ability to enter into lasting partnership agreements with major players in the pharmaceutical, biotechnology and medical devices industries, on the basis of the results of feasibility studies and clinical trials it conducts.

The Company does not plan to produce or market its products and does not have the human, material and financial resources necessary to develop, manufacture and market therapeutic products using its technology.

As part of its strategy, when proof of concept has been obtained for humans or animals, the Company intends to license products derived from its BioChaperone® technology to industrial partners in the pharmaceutical, biotechnology or medical device markets who have the human, material and financial resources necessary to conduct and successfully complete the clinical trials required by law, apply for market authorization, and produce and market the products. Accordingly, the Company plans to sign licensing and collaboration agreements under which its partners will be responsible for developing, manufacturing and marketing products incorporating the Company's technology, and will agree to pay royalties to the Company on any sales of such products, once commercialized.

However, the research and results of clinical trials that the Company carries out itself may fail to yield product candidates or may fail to yield candidates that are sufficiently safe, efficacious and innovative to attract major players in the pharmaceutical,

biotechnology and medical devices industries to sign licensing and collaboration agreements for the Company's products and technologies.

In addition, other factors including general market demand for particular product candidates or therapeutic areas, market competition or other reasons, the Company may be unable to attract partners for future licenses and/or collaborations and/or the terms of those licensing and collaboration agreements the Company enters into may not be favorable to the Company.

If the Company is not successful in its efforts to enter into licensing and collaboration agreements, the Company may not have sufficient funds to further develop its product candidates internally. In addition, the inability to enter into licensing and collaboration agreements could delay or preclude the development, manufacture and/or commercialization of the relevant product candidate or any other product candidates and could have a material adverse effect on the Company's financial condition and results of operations, as revenues from product candidate licensing arrangements could be delayed or never materialize. If so, the Company may elect not to commercialize or further develop the product candidate.

3. The commercialization of the Company's product candidates is often dependent on the actions of the Company's partners, which are largely outside of the Company's control.

The Company is structurally dependent on its partners' interest in its technology, as well as on their diligence in continuing the development of products incorporating the Company's technology.

Furthermore, the Company's current and future partners could encounter difficulties in obtaining technical and clinical approvals for the products using the Company's technology. Any resulting delays or refusals may hinder or impede marketing of the relevant products.

The success of our partnership agreements will depend on the efforts and activities of the Company's current and potential partners, who may have significant discretion in determining how to pursue planned activities and the quality and nature of the efforts and resources that they will apply to the partnership agreements, and who otherwise may be unable to complete the development and commercialization of the Company's product candidates.

The Company cannot be certain that it will be able to initiate and maintain partnerships, that any partnerships will be scientifically and/or commercially successful or that the Company will receive revenues from any of these agreements. For example, in December 2011, the Company entered into a first licensing and collaboration agreement with Eli Lilly for the development of a formulation of a rapid-acting insulin analog. In 2013, the Company and Eli Lilly agreed not to continue further joint research under this licensing agreement. In 2014, given the clinical results, Eli Lilly signed a new licensing agreement with Adocia for the formulation of a BC Lispro ultra-rapid insulin analog. In January 2017, Eli Lilly announced its decision to terminate this collaboration.

Factors that may affect the success of the Company's collaborations include the following:

- partners may not employ all the resources necessary to obtain the results expected from the agreements entered into with the Company. In particular, if these partners experience budgetary restrictions or give priority to other development programs, this could delay or prevent altogether approval of potential products incorporating the Company's technology, which is an indispensable stage for the success of its commercial policy;
- conflicts could arise between the Company and certain of its industrial partners. In particular, the Company cannot guarantee that none of its partners will design or attempt to set up a commercial business that uses a technology that competes with that of the Company, or uses all or part of the Company's technology, or decide to prioritize internal development of products in markets that compete with the Company's product candidates, and which would therefore compete with the Company's business (see the section below on risks associated with competition);
- current or future partners could limit or terminate their relationships with the Company, which could lead to additional costs, delays, and difficulties in the development of, or in obtaining approval by regulatory authorities for, or successfully commercializing, our product candidates which could have a material adverse impact on the Company's business, financial position,

income, expansion and outlook. Limitation or termination of an agreement could make it difficult for the Company to attract new partners or adversely affect its reputation in the business and financial communities, cause the Company to lose expertise and could even lead to the disclosure of key confidential information derived from the Company's research and development program, despite the fact that the relevant partners may be contractually bound to the Company by a confidentiality obligation.

Furthermore, the Company's current revenues depended in large part on the licensing and collaboration agreement signed with Eli Lilly in December 2014 focused on the development of a ultra-rapid insulin, known as BioChaperone Lispro. Adocia received an upfront payment of $50 million, and a milestone payment of $10 million in December 2015. According to the terms of the agreement, there had been potential for future payments of up to $270 million if the product reached certain development and regulatory milestones, and sales milestones up to $240 million, as well as tiered sales royalties.

In January 2017, Eli Lilly decided to terminate this collaboration.

The Company cannot guarantee that collaboration with a partner will meet the development and regulatory milestones that would enable it to receive the anticipated revenues and any decision by a future partner to discontinue its agreement with the Company could have a material adverse effect on its business, operational results and prospects.

If the Company does not realize the anticipated benefits from its partners, its business, results of operations, and prospects would be materially adversely affected.

B. RISKS ASSOCIATED WITH THE COMPANY'S BUSINESS

1. Research programs and clinical studies are lengthy, time consuming, expensive and have uncertain outcomes.

Research programs are designed to identify new product candidates and require substantial technical, financial and human resources. Only a small minority of all research programs generate product candidates, and completion of preclinical studies does not guarantee that we will initiate additional studies or trials for our product candidates.

If a product candidate passes the preclinical stage, the Company must then develop and design clinical trials to test specific characteristics of the candidate. In order to carry out clinical trials, the Company must first obtain appropriate authorizations to conduct clinical trials in the countries where the Company will seek market authorization. The Company cannot predict the time that will be necessary for regulatory authorities to review the trial protocol and approve the files submitted to them. For example, for its phase III clinical trials for the treatment of diabetic foot ulcers conducted in India, the Company submitted the authorization request to the Drug Controller General of India (Indian drug regulation body) in September 2012. However, processing of this request was delayed by the internal restructuring of the Indian regulatory agency, and the Company was only granted final authorization in August 2014.

The completion of clinical trials will depend on various factors, such as the therapeutic indication in question, the size of the population affected, clinical trial design, qualification and initialization of clinical trial sites, availability of the investigational product, the proximity of patients to clinical test sites, the eligibility criteria for trials, recruitment rates and competition for the recruitment of patients, and compliance with and changes in regulatory requirements.

Moreover, the Company cannot guarantee that clinical trials that are authorized will be completed within the planned timeframes. In addition, the data obtained from these clinical trials may be subject to differing interpretations, which may delay, restrict or prevent obtaining regulatory authorization, in particular if the clinical data is deemed incomplete.

Lastly, at each stage of a product's progress through the clinical trials, there will be a significant risk of failure that may prevent continued development of a drug candidate, such as intolerance to the product, insufficient therapeutic benefits, and inability to meet prespecified primary endpoints or side effects. Even if the Company obtains positive results from preclinical or early clinical studies, the Company may not achieve success in future studies. Furthermore, the

Company, its relevant partners or the regulatory authorities may suspend or terminate clinical trials if they deem that the subjects participating in the trials are exposed to health risks.

The innovative therapeutic protein formulations that the Company currently provides and intends in the future to provide its current and future industrial partners for incorporation into their own products may also not prove to be sufficiently effective and/or have a sufficient safety profile to justify marketing them.

The inability of the Company and/or its partners to successfully complete the necessary clinical trials, including obtaining positive results, and meet certain other requirements for regulatory approval, could cause the development of the Company's research programs and technologies to be delayed or abandoned. As a result, the Company may never realize revenues from certain product candidates, despite significant investments.

The Company's medium and long-term business, financial position, income, expansion and outlook could be materially impacted by the occurrence of one or more of these risks.

2. The products developed based on the Company's current or future technologies may take significant time to gain regulatory approval and reach the marketing stage, if at all.

The technologies that the Company has developed have not yet led to the marketing of products. The Company and its partners must obtain regulatory approval for each product candidate before marketing or selling any of them. In Europe, the United States and Japan, as well as in many other countries, access to the drug market is controlled and marketing must be authorized by a regulatory authority.

The Company's product candidates must undergo preclinical trials on animals and clinical trials in humans in order to be approved by the regulatory authorities with jurisdiction before they may be placed on the market. Obtaining marketing authorization requires compliance with strict rules imposed by the regulatory authorities, as well as providing the authorities with extensive preclinical and clinical data and supporting information about the new product and for each indication, such as its toxicity, dosage, quality, effectiveness and safety. The approval process is lengthy, time consuming, expensive and has uncertain outcomes.

Factors that can impact the approval process include: failure of the Company's and its partners' product candidates to meet a regulatory agency's requirements for safety, efficacy and quality, disagreements over interpretations of results of clinical trials, unforeseen safety issues or side effects, failure of trials to be conducted with internationally recognized requirements for good laboratory practice and good clinical practice, disapproval of manufacturing processes or facilities of third-party manufacturers with which the Company and its partners contract for clinical and manufacturing supplies, and changes in governmental regulations or regulatory delays.

Regulators can refuse marketing approval, or can require the Company or the Company's partners to repeat previous clinical studies or conduct further clinical studies. A preapproval inspection of manufacturing facilities by regulatory authorities may need to be completed before marketing approval can be obtained, and such facilities will be subject to periodic inspections that could prevent or delay marketing approval, or require the expenditure of financial or other resources to address.

Moreover, both the approval process and the requirements governing the conduct of clinical trials, product manufacturing, safety profiles and other criteria vary significantly from country to country and the fact that the regulatory authorities in one country grant approval does not guarantee that approval will be obtained in other countries.

If a partner of the Company is unable to obtain marketing authorization for one or more products incorporating its technologies, or succeeds only after delays, this could have a material adverse effect on the Company's ability to generate revenues.

Delays in obtaining regulatory approvals may:

- adversely affect the successful commercialization of any product that the Company or its partners develop;
- impose costly procedures on the Company or its partners;
- diminish any competitive advantages in the marketplace that the Company or its partners may attain; and
- adversely affect the Company's receipt of revenues or royalties.

As a result, it may take several years before products are available to end users, if at all,

primarily due to the time periods necessary to conduct clinical trials, develop products and obtain marketing authorization.

Even if marketing authorization is obtained, there is a risk that the approved indication is narrower than originally sought and/or contains restrictions regarding its use such as those set out in black box warnings, and there is no guarantee that the authorization will not be subsequently suspended, for example in the event of non-compliance with manufacturing rules or if undesirable side effects are discovered. All of these risks may have a material effect on the ability of the Company and its partners to generate revenues.

3. Even if the Company and its partners' product candidates obtain regulatory approval, they may not gain market acceptance.

Even if the Company's and its partners' product candidates obtain regulatory approval, they may not gain market acceptance by the relevant medical community. The rate at which products incorporating the Company's technologies are marketed by its partners and the success thereof depends on various factors, such as:

- the results of ongoing and future clinical trials or delays thereof;
- their acceptance by the relevant medical community; and/or
- the intensity of sales efforts deployed by the Company and/or its partners.

The Company cannot guarantee that products incorporating its technologies will be placed on the market at all or within the estimated time periods, that the medical community will view them favorably, or that its partners will employ the resources necessary to successfully market such products. If the Company and its partners are unsuccessful in commercializing the product because of lack of market acceptance or resources employed for marketing or other post-commercialization problems, the Company and its partners will have spent valuable time and development and financial resources on research programs that ultimately do not yield commercially viable products. As a result, the Company's business, results of operations and prospects could be materially adversely affected.

4. Risks associated with competition

The research into products incorporating the Company's technologies targets markets in which there already exist therapeutic products, some of which are very widely used. In addition, therapeutic products or competing technologies, whether in existence, in development or unknown to date, could at some point in the future gain significant market share and limit the ability of the Company and its partners to successfully market products that incorporate the Company's technologies.

The markets in which the Company and its current and future partners compete and intend to compete are undergoing, and are expected to continue undergoing, rapid and significant technological changes. New therapeutic products or technologies developed by the Company's and its current and future partners' competitors may be more effective, safer and/or less expensive than those that the Company or its partners have developed, which could render the Company's current or future product candidates and/or technologies non-competitive, obsolete or unprofitable.

The Company's competitors may have:

- significantly greater financial, technical and human resources than the Company has at every stage of the discovery, development, manufacturing and commercialization process;
- more extensive experience in preclinical testing, conducting clinical studies, obtaining regulatory approvals, commercializing drugs, challenging patents and in manufacturing and marketing pharmaceutical products;
- products that have been approved or are in late stages of development;
- for products of similar efficacy, more favorable recommendations or decisions in relation to reimbursement or pricing of their products;
- stronger patent protection;
- more innovative technologies or delivery devices; and/or
- collaborative arrangements in the Company's target markets with leading companies and research institutions.

The Company's and its current or future partners' competitors may be more successful in developing and commercializing their products than the

Company, which could materially adversely affect the medium- and long-term business, financial position, income, expansion and outlook of the Company.

C. RISKS ASSOCIATED WITH THE COMPANY'S ORGANIZATION

1. The Company could lose key employees and be unable to attract new qualified personnel.

To a large extent, the Company's success depends on the involvement and expertise of its managers and expert scientific staff, in particular its three founders, Gérard Soula, Olivier Soula and Rémi Soula.

The Company has taken out a "key person" insurance policy covering its chairman and founder Gérard Soula (see section 4.G of this reference document "Insurance and risk coverage").

His departure or the departure of Olivier Soula and/or Rémi Soula or other key employees of the Company could cause:

- a loss of know-how detrimental to certain activities, a risk that would be even greater in the event of a move to the competition; or
- a lack of technical skills that could cause slowdowns in the business and ultimately compromise the Company's ability to achieve its objectives.

Furthermore, in the light of the Company's current development, the Company is in the process of expanding its workforce and actively recruiting expert scientific staff to expand its activities. The Company is in competition, in particular with other companies, research organizations and educational institutions, to recruit and retain highly qualified scientific, technical and management staff. Because the Company faces significant competition in recruiting and retaining personnel, the Company may be unable to attract or retain these key staff members under financially acceptable terms.

The Company's inability to attract and retain key staff members could prevent it from achieving its global objectives and could have a material adverse impact on its business, income, financial position, expansion and outlook.

2. Risks associated with the Company's management of internal growth

In connection with its development, the Company is in the process of recruiting additional staff and expanding its operating capacity significantly.

In this respect, the Company will notably have to:

- train, manage, motivate and retain a growing number of employees;
- plan for the expenses associated with this growth and the corresponding financing requirements;
- anticipate the demand for its products and the revenue they may generate; and
- increase the capacity of its existing operating, financial and management IT systems.

In addition, the Company is in the process of significantly expanding its research and development facilities, including renovating and equipping these facilities. Unexpected issues related to the Company's expansion could divert management attention from other business concerns or be potentially disruptive to employees.

The Company's inability to manage its growth, or if it encounters unexpected difficulties during its expansion, could have a material adverse impact on its business, income, financial position, expansion and outlook.

3. Risks associated with the supply of specific proteins

In connection with the progression of the Company's pipeline and the initiation of later stage clinical trials for BC Lispro U100, BC Combo and other product candidates, the Company will need to purchase greater quantities of the specific proteins required to develop its formulations to meet the needs of larger clinical trials. The Company may be unable to find suppliers able to supply the appropriate quantities and qualities of proteins at a competitive price, which could delay the start or completion of clinical trials.

In addition, the innovative therapeutic protein formulations that the Company develops require an association of polymers developed by the

Company with specific proteins supplied by third parties. The Company's general policy is to diversify its supply sources and to identify at least two suppliers for each type of purchase. Nevertheless, for certain proteins, the various sources of supply are not interchangeable due to the specificities of each protein. Consistent with current practices in the Company's business sector, a single supply source is maintained for each protein. The Company has developed alternative solutions, but implementing them could delay the development of its innovative formulations and generate additional costs.

As a result, the Company may not always have access to the specific proteins necessary for the future development of its projects, nor can it guarantee access thereto under acceptable terms.

The inability of the Company or its partners to obtain, on financially acceptable terms, or at all, one or more specific proteins of sufficient quality necessary for the development of its projects could have a material adverse impact on the Company's business, income, financial position, expansion and outlook.

4. Risks associated with outsourcing of clinical trials

The Company relies on specialized healthcare institutions, including clinical research organizations and clinical investigators to conduct clinical trials of its product candidates, which are necessary to obtaining proof of concept in order to license the Company's technologies. Although the Company relies on these parties for high quality execution of the Company's clinical trials, the Company is unable to control all aspects of their activities.

If these third parties do not carry out their contractual duties or obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to failure to adhere to the Company's clinical protocols or good clinical practices or for other reasons, the Company's current or planned clinical studies may be extended, delayed or terminated.

Any extension, delay or termination of any of the clinical trials would have a significant negative impact on the Company's business and would compromise the Company's ability to license or commercialize its product candidates. Distance from or geographical distribution of the clinical or preclinical trial centers may also create operating and logistical difficulties, which may generate additional costs and delays.

D. REGULATORY AND LEGAL RISKS

1. Risks associated with the procurement of regulatory approvals

The Company has only limited experience in filing and pursuing applications necessary to obtain regulatory approval or authorization.

It also cannot ensure that its product candidates will be approved or licensed for marketing, even in circumstances where the Company is collaborating with a partner who has more experience in seeking market authorization. The process of applying for regulatory approval is expensive, often takes many years and can vary substantially based upon the type, complexity and novelty of the product candidates involved.

If any of the Company's product candidates are not approved, this could have a material adverse effect on the Company's business, results of operations and prospects and the value of the Company's shares.

2. Risks associated with an increasingly restrictive regulatory environment for the pharmaceutical industry

One of the most significant challenges faced by a growth company like Adocia is to succeed in developing, with the assistance of its partners, products incorporating its technologies in an increasingly strict regulatory environment.

The statutory and regulatory provisions adopted by the AFSSAPS, European Commission, EMA, FDA and equivalent regulatory authorities in other countries govern research and development work, preclinical trials, clinical trials, the regulation of institutions, and the production and marketing of drugs.

The trend toward stricter statutory and regulatory supervision is worldwide, although requirements vary from one country to another. The health authorities, in particular the FDA and EMA, have

imposed increasingly strict requirements to prove the effectiveness and safety of products, in particular with respect to the volume of data requested.

Accordingly, the authorization process is long and costly. It may last several years and its outcome is unpredictable.

Thus, whether in the United States, Europe or other countries, this strict regulatory framework may result in:

- increased costs in connection with the development, testing, production and marketing of products incorporating the Company's technologies;
- a restriction as to the indications or restrictions regarding use such as those set out in black box warnings for products incorporating the Company's technologies; and
- significant delays in obtaining marketing authorization for products incorporating the Company's technologies and, consequently, in the generation of revenue for the Company.

3. Risks associated with uncertain protection of the Company's patents and other intellectual property rights

To protect its innovative therapeutic protein formulations and technologies, the Company relies on the protection afforded by intellectual property rights, such as patents, patent applications, trademarks and trademark applications, as well as the protection afforded to its trade secrets and know-how by confidentiality agreements and other contracts. However, these means offer only limited protection and may not be successful in preventing unlawful use of the Company's products or technologies.

The patents and patent applications that the Company has filed and that aim to protect its technologies are recent and many are still being examined by patent authorities. These patents and patent applications afford protection that varies in duration from one country to another. For example, in France and in Europe, this duration is 20 years from the date patent applications are filed. The Company devotes significant financial and human resources to protecting its technologies, and employs means commonly used in the industry (such as filing additional results to expand one or more patent claims) to extend the protection of its technologies beyond application periods, although it cannot guarantee the results thereof.

The outcome of patent applications for biotechnology and pharmaceutical products are generally very uncertain, raising complex legal and scientific questions. The standards applied by patent offices to grant patents in different countries, or to define the subject and scope of admissible applications, are not always applied in a predictable or uniform manner, and may be amended without warning. Neither the Company nor its partners can be assured that the Company was the first to claim a given invention among its current patent applications, nor that it or its partners were the first to submit applications to protect these inventions. The Company may therefore encounter difficulties in gaining approval for some of its current or future patent or trademark applications currently under examination or that may be examined in the future.

In addition, the Company regularly files trademarks. These trademarks have been registered or are currently undergoing examination. When the Company files any of its trademarks in a country in which it is not already covered, the Company could discover that the trademark in question is not available in that country. In such case, a new trademark would have to be found for this country. The Company does not yet use its trademarks because it is still in the development stage. Nevertheless, the trademarks are not yet vulnerable, such as being subject to revocation for non-use, and no affidavits of use are currently required to maintain them.

Furthermore, the fact that a patent or trademark is granted does not guarantee that it will be valid or enforceable. In fact, the Company's competitors could at any time successfully challenge the validity or enforceability of the Company's patents, patent applications, trademarks and trademark applications before the courts or in other proceedings, which, depending on the outcome of such disputes, may result in their scope being limited, their revocation or their circumvention by competitors. Consequently, the Company's rights under its patents, patent applications, trademarks and trademark applications may not afford the expected protection from competitors.

In addition, the Company may also in-license certain technologies, such as the DriveIn® technology which it has since abandoned. The patents licensed to the Company could be challenged, discovered to have been issued on the

basis of insufficient incorrect documentation or disclosure and/or held to be unenforceable.

Therefore, the Company cannot guarantee with certainty that:

- the Company's patent and trademark registration applications undergoing examination will, in fact, result in patents and trademarks being granted; and
- the patents and trademarks granted to the Company will not be disputed or revoked.

If the Company fails to obtain and maintain intellectual property protection of its products or product candidates and protection of its trade secrets, the Company could lose its competitive advantage, and the increased competition the Company may face could materially adversely affect its business, results of operations and prospects.

4. Risks associated with the inability to protects its intellectual property rights

The Company cannot guarantee that its technologies and the innovative therapeutic protein formulations developed using its technologies, which are closely tied to its know-how and trade secrets, are adequately protected from competitors or that competitors cannot misappropriate or circumvent them. Pursuant to the cooperation and research agreements that the Company enters into, the Company may be required to provide its contractual partners, in various forms, with certain elements of its know-how, whether or not protected by patents, particularly information, data and facts concerning its research, technologies or products.

The Company attempts to limit disclosure of key elements of its know-how to third parties solely to information that is strictly necessary to its collaboration with such third parties. Through contractual provisions, in particular confidentiality clauses, the Company ensures that such third parties undertake not to misappropriate, use or disclose such information. Nevertheless, the Company cannot guarantee that such third parties will comply with these agreements, that the Company will be aware of a breach of these clauses, or that any compensation that may be subsequently obtained will be sufficient in light of the loss sustained.

Furthermore, the Company faces the risk that its contractual partners may claim ownership of intellectual property rights in the Company's inventions, knowledge or results, based on these cooperation and research agreements. Lastly, these agreements may lead to the creation of intellectual property rights that are jointly owned or to exclusive rights of use granted to the Company on unfavorable terms.

Therefore, the Company cannot guarantee with certainty that:

- its know-how and trade secrets cannot be misappropriated or circumvented;
- the Company's competitors have not already developed a technology or products similar to those of the Company;
- the scope of the protection afforded by patents and trademarks is sufficient to protect the Company from the competition or third party patents and trademarks that cover similar products or devices; and
- no contracting partner will claim ownership of intellectual property rights in the Company's inventions, knowledge or results.

The Company incurs significant costs in protecting intellectual property rights, in particular, filing fees and the costs of maintaining patents and managing its other intellectual property rights. These costs could increase, in particular if the Company is obliged to take legal action to protect its rights. In addition to these costs, if legal action becomes necessary to enforce the Company's intellectual property rights, protect its trade secrets or know-how, or establish the validity and scope of its intellectual property rights, this could have material adverse impact on the Company's income and financial position and may not provide the protection sought.

Moreover, monitoring unauthorized use of products and technologies is difficult, and the Company cannot be sure that it will be able to prevent misappropriation or unauthorized use of its products and technologies, in particular in foreign countries where its rights may not be as well protected.

5. Risks associated with potential conflicts with licensees that could affect the Company's relationships with current or potential licensees

The Company may infringe or violate the intellectual property rights of others with

technologies, product candidates or products that the Company or its partners seek to use, target or develop and commercialize. These third parties could bring claims against the Company or the Company's collaborative partners, which could cause the Company to incur substantial expense, and if successful, could require the payment of substantial damages. The Company or its partners could be forced to cease or delay research, development, manufacturing or sales of the product or product candidate or technology that is the subject of the suit.

The Company cannot guarantee that there are no prior patents owned by third parties that may provide grounds for an infringement action against the Company.

In addition, the Company cannot guarantee that there are no prior third party trademark rights that may provide grounds for an infringement action against it.

The Company's domain names could also be the subject of Uniform Domain Name Dispute Resolution Policy (UDRP) proceedings or an infringement action brought by a third party claiming prior trademark rights. Therefore, the Company cannot guarantee with certainty that its products do not infringe patents or trademarks owned by third parties.

The Company can also not guarantee that there are no trade secrets or know-how owned by third parties that may provide grounds for a misuse action against the Company.

6. Risks associated with liability arising from products

The Company's business exposes the Company to potential liability in particular to patients or healthy volunteers who take part or have taken part in clinical trials conducted under its direction if they suffer side effects in connection with such trials, despite the fact that the instructions in the protocols have been followed.

The Company may also be liable in the event of commercial use of products incorporating its technologies. Criminal or civil actions could be filed or initiated against the Company by users (patients, practitioners, researchers and other health care or research professionals), the regulatory authorities, distributors or any other third party that uses or markets products incorporating its technologies.

Product liability claims may be expensive to defend and may result in judgments against the Company that are material. Although the Company has taken out specific insurance policies to cover the resulting financial risk (see section 4.7 of the 2016 reference document "Insurance and risk coverage"), and believes that this coverage is appropriate for its business and stage of development, it cannot be certain that the insurance policies will be sufficient to cover all claims made against it. Product liability insurance is expensive, difficult to obtain, and may not be available in the future on acceptable terms. However, any such claims, regardless of merit, could be time-consuming and expensive to defend, could divert management's attention and resources, and could materially adversely affect the Company's reputation, business, results of operations and prospects.

7. Risks associated with litigation and claims

From time to time, the Company may become subject to litigation and claims or become otherwise involved in litigation, arbitration proceedings or similar disputes. In addition, the Company regularly includes indemnification provisions in its contractual arrangements and, from time to time, may be subject to claims by its contractual counterparties or third parties with respect to these obligations. The Company has no reason to believe that the Company's contracting partners, or other interested parties in its agreements, would raise any claims against the Company. However, any such claims, regardless of merit, could be time consuming and expensive to defend, could divert management's attention and resources, and could materially adversely affect the Company's business, results of operations and prospects.

8. Risks associated with evolving reimbursement and drug pricing policies

The process of setting the sale price of drugs and their reimbursement rate begins when marketing authorization has been granted.

The ability of the Company's partners to achieve acceptable levels of reimbursement for drug treatments by governmental authorities, private health insurers and other organizations will have an effect on its ability to successfully commercialize its product candidates. In many markets, including

France, this process depends on decisions made by public commissions and bodies on the basis of pharmacological and financial data submitted by applicants. In connection therewith, the Company's partners may be requested to carry out additional studies of their products incorporating the Company's technologies. Such studies would generate additional costs for the relevant partners and marketing delays.

The price, as set by governmental authorities, private health insurers and other organizations, will depend on a rate deemed acceptable for the community, applying a policy that seeks to control health costs. The price set will condition the ability of the Company's partners and, indirectly, the Company to earn profits on the sale of the corresponding products.

If reimbursement is not available or is available only at limited levels, the Company's partners may not be able to successfully commercialize its product candidates, and may not be able to obtain a satisfactory financial return on products that the Company may develop. Furthermore, the Company's level of remuneration may change during the period in which products incorporating its technologies are marketed by its partners, in particular due to the reimbursement rate for such products, which may change significantly over time.

E. FINANCIAL RISKS

1. History of operating losses – Risks associated with projected losses

The Company has posted operating losses every year since its creation in 2005. As of December 31, 2016, its cumulative net losses presented under IFRS rules (including losses carried forward) were €36.9 million, including a net loss of €7.9 million for the fiscal year ended December 31, 2016.

These losses are mainly due to internal and external research and development expenses, in particular in connection with the numerous in vivo and clinical trials conducted. As its research and development activities continue, the Company may experience additional operating losses in future years, which may be higher than in the past, in particular due to:

- increased research and development costs associated with the development of its projects as they progress (due, in particular, to the need to conduct clinical trials, without any guarantee as to the point at which such costs may be assumed by the partners with which the Company plans to enter into license agreements);
- stricter regulatory requirements governing the manufacturing of its products;
- a larger project portfolio; and
- expanded research and development activities and, perhaps, the acquisition of new technologies, products or licenses.

An increase in such expenses could have a material adverse impact on the Company and its business, financial position, income, expansion and outlook.

To become profitable, the Company must sign successful license and collaborative agreements and/or successfully develop and obtain regulatory approval for its product candidates. The Company may never generate significant revenues and, even if it does, it may never achieve profitability.

However, the signature of an important agreement with a licensing and collaborative partner could have an immediate effect on profitability for a given fiscal year. In addition, as a result of recent

9. Risks associated with health, safety of use of hazardous substance, technical facilities and the environment

Research and development activities in the biology field require the use of certain hazardous biological or chemical substances. Although the Company has adopted a policy appropriate for the types of risks generally identified in biological research laboratories, it cannot rule out all risk of accidents in its laboratories resulting in contamination or injury to its research teams. In the event of an accident, the Company could be held liable and be ordered to pay significant damages to affected employees.

Furthermore, the laws currently in force may be amended significantly, which could cause the Company to incur considerable expenses to comply therewith.

The Company's medium- and long-term business, financial position, income, expansion and outlook could be materially impacted by the occurrence of one or more of these risks.

changes to French tax law, the amount of operating losses a company may carry forward in a given fiscal year is now limited to €1 million plus 50% of the income before tax per fiscal year. As a result, the Company could become profitable more quickly than prior to such changes, particularly in a situation where the Company enters into one or more major agreements with a licensing and collaborative partner.

Nevertheless, to become and remain profitable, the Company must succeed in developing and commercializing products with significant market potential. This will require the Company to be successful in developing its current product candidates, some of which are only in the preliminary stages of development, signing agreements with partners, obtaining regulatory approval and marketing, manufacturing and selling the products. The Company may never succeed in these activities and may never generate revenues that are significant or large enough to achieve profitability. Even if the Company does achieve profitability, the Company may not be able to sustain or increase profitability in the long term. The Company's failure to become and remain profitable may cause the market price of its shares to decrease and could impair the Company's ability to raise capital, expand its business, diversify its product offerings or continue its operations.

2. Uncertain capital resources and additional financing

In the future, the Company will continue to have significant financing needs in order to develop its technologies and pursue its strategy. The Company may be unable to finance its growth itself, which would require it to seek other sources of financing, such as increasing its equity through capital increases and/or taking out bank loans.

The Company's financing needs and the timing thereof depend on factors that are largely beyond the Company's control, such as:

- higher costs and slower progress than anticipated for its research and development programs and clinical trials;
- the costs of preparing, filing, defending and maintaining its patents and other intellectual property rights;
- the scope of preliminary research work and the time periods necessary to conclude licensing agreements with industrial partners;
- the costs of keeping up with technological developments and markets;
- higher costs and longer time periods than anticipated to obtain regulatory authorizations, including the time required to prepare applications to be submitted to the authorities with jurisdiction; and
- new development opportunities for new products or the acquisition of technologies, products or companies.

The Company may be unable to procure additional capital when needed or such capital may not be available on financial terms acceptable to the Company. If the necessary funds are unavailable, the Company may be required to:

- delay, reduce or cancel research programs;
- obtain funds by entering into partnership agreements, which may oblige it to give up the rights to certain of its technologies or products;
- grant licenses to all or part of its BioChaperone® technological platform to partners or third parties; or
- enter into new cooperation agreements, which may be less favorable to the Company than those it would have been able to negotiate in a different context.

Furthermore, if the Company raises capital by issuing new shares, the stakes of its shareholders may be diluted. In addition, debt financing, if available, could impose restrictive terms on the Company and its shareholders.

The occurrence of one or more of these risks could have a material adverse impact on the Company and its business, financial position, income, expansion and outlook.

3. Risk of dilution

Pursuant to its policy to motivate its managers, directors and employees, since its creation, the Company has issued or granted stock warrants and business founders' stock warrants (BSPCE), and has granted bonus shares. The maximum possible dilution from financial instruments in existence as of December 31, 2016 is 5.13 % on a fully diluted capital basis.

In the future, the Company may issue or grant additional financial instruments that confer equity rights in the Company.

Any grant or issue of additional shares or other financial instruments conferring equity rights would dilute, potentially significantly, the equity stakes of the Company's shareholders.

4. Risks of non-receipt of sums promised for subsidized research programs.

Since its creation, the Company has received grants from the French government, French public and private research assistance organizations, and the European Union. The Company may request additional grants or advances in the future.

As of December 31, 2016 and since its creation in 2005, the Company has received the following financial assistance:

As of December 31, 2016 (€ thousands)	Amount granted and received	Amount refunded
OSEO refundable advances	3 470	1 620
OSEO - FEDER grants	605	
COFACE refundable advances	91	
Total Aides	4 166	1 620

The amounts and payment dates of current and future grants depend on various factors beyond the Company's control, such as a decision not to distribute or to freeze credits. Delays in paying or the non-payment of these grants, which finance part of the Company's growth, could materially adversely impact its business, financial position, income, expansion and outlook.

5. Risks associated with access to public subsidies and to the research tax credit

To finance its activities, the Company has also opted for the research tax credit, pursuant to which the French government grants a tax credit to companies that make significant investments in research and development. Research expenses eligible for the research tax credit include salaries and wages, depreciation of research equipment, services subcontracted to accredited research organizations (public or private) and intellectual property expenditures.

The Company has been entitled to the research tax credit each year since its creation, and the amount thereof has been systematically reimbursed to the Company upon submission of the corresponding application.

In 2016 the Company received a total reimbursement of €6.8 million under the research tax credit for expenditures generated in fiscal year 2015.

For fiscal year 2016, the Company recorded an amount of €7.8 million under the research tax credit that appears in its receivables, for which it will seek reimbursement in 2017.

With respect to 2016 and subsequent years, it cannot be ruled out that the tax authorities may dispute the methods that the Company uses to calculate its research and development expenses, or that the research tax credit may be lost due to statutory amendments or a dispute with the tax authorities, despite the fact that the Company feels it is in compliance with the expense documentation and eligibility requirements. Such occurrence could have a material adverse impact on the Company's income, financial position and outlook.

F. MARKET RISKS

1. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's strategy is to enter into agreements denominated in euros, because its expenditures are also largely denominated in euros.

However, as a result of the agreement signed with Eli Lilly in December 2014, a major part of the Company's revenues, in addition to the upfront payment received in connection with that agreement, were denominated in US dollars. As a result, the Company was exposed to risk in relation to fluctuations in the euro-US dollar exchange rate.

The licensing and collaboration contract with Eli Lilly was terminated at the end of January 2017. If the Company signs further licensing and collaboration agreements with US pharmaceutical companies, it may be exposed to additional euro-US dollar exchange rate risks.

The Company cannot rule out that significant growth in its business may create greater exposure to exchange rate risk. In such case, the Company will consider adopting a new policy appropriate to hedging such risk such as currency hedging

transactions and the purchase of currency forwards.

The company cannot rule out the possibility that a significant increase in its activity may result in greater exposure to foreign exchange risk. The company will therefore again consider developing an appropriate policy to hedge these risks.

2. Interest rate risk

In 2015 the Company took out a loan from two banks to finance the acquisition of the building in which its research center and headquarters are located. These loan agreements were negotiated at a fixed rate for a 12-year term.

The Company is exposed to changes in interest rates in the course of managing its cash and cash equivalents. The Company's cash and cash equivalents totaled €72 million as of December 31, 2015 and €58 million as of December 31, 2016. This item includes term deposits, accounts that pay fixed interest and investments in money market mutual funds. The Company's policy is to invest exclusively in liquid products with no risk to capital.

The Company strives to reduce the credit risk to which its cash and cash equivalents are exposed by monitoring the quality of the financial institutions with which it deposits its funds.

The Company has no guarantee that it will obtain the same interest rates when it renews its time accounts at maturity.

3. Liquidity risk

Historically, the company has financed its growth primarily by increasing its equity through capital increases. For the acquisition of the building completed in February 2016, the company took out bank loans. However, it is not exposed to liquidity risks from the application of early repayment clauses in bank loans.

The Company's cash and cash equivalents totaled €72 million as of December 31, 2015 and €58 million as of December 31, 2016. The Company conducted a specific review of its liquidity risk and considers that it is in a position to meet its financial obligations that will fall due within the next 12 months. Including debts, comprising the debts related to financing of the building for €5.4 million, debts related to the purchase of equipment for €0.8 million and Bpifrance refundable debts totaling €0.09 million, net cash for this period was €51 million. This level of cash enables the Company to fund its planned clinical development (see section 6.1.3 of this reference document) and the development of its new programs.

In particular, the Company considers that it is in a position to pay the upcoming installments of Bpifrance reimbursable advances, which are estimated at €791 thousand for 2017. (See note 3.10 to the Company's consolidated financial statements prepared under IFRS provided in Chapter 20.A. of this reference document).

4. Equity risk

None.

5. The price of the Company's shares is subject to significant volatility.

The price of the Company's shares is subject to significant volatility. For example, on December 31, 2015 the Company's share price traded at €73.22, compared with €61 on December 31, 2016. The average daily trading volume of 70,580 shares traded per day in 2015 dropped to 24,563 shares traded per day in 2016. The public float remained steady in 2016 and was around 60% at the end of December 2016.

In early 2017, the share price dropped considerably when the termination of the contract with Eli Lilly was announced. At the end of January 2017 shares traded at €26.80, with an average volume of 111,636 shares traded during the month of January.

In addition to the occurrence of the risks described herein, the market price of the Company's share could be significantly affected by various factors that may impact the Company, its competitors, general economic conditions and the biotechnology sector. In particular, the following factors may have a significant impact on the share price:

- an unfavorable movement in market conditions specific to the Company's business sector;
- announcements by the Company, its competitors or other companies that engage in similar businesses and/or announcements concerning the biotechnology market, including announcements about the financial and operating performance or scientific results of such companies;

- changes, from one period to another, in the forecasts or outlook of the Company or its competitors;
- changes concerning patents or intellectual property rights of the Company or its competitors;
- announcements regarding results of the Company's clinical trials or other scientific developments;
- changes in the political, economic and monetary context, in particular unfavorable changes in the applicable regulatory environment in countries or markets specific to the Company's business sector or to the Company itself;
- announcements concerning changes to the Company's shareholder structure;
- announcements concerning the signature of new partnership agreements or the end of existing partnership agreements;
- announcements concerning changes to the Company's management team; and
- announcements concerning the scope of the Company's assets (acquisitions, sales, etc.).

Furthermore, the stock markets experience significant fluctuations that are not always related to the income or outlook of the companies whose shares are traded. Therefore, such market fluctuations, as well as the economic situation, may also significantly impact the market price of the Company's share.

G. INSURANCE AND RISK COVERAGE

The company has adopted a policy to cover the main risks to which it is exposed by taking out coverage amounts that it deems consistent with its cash consumption requirements.

For all of the insurance policies referred to above, the company's total expenses were €99 thousand and €107.3 thousand in the fiscal years ended on December 31, 2015 and December 31, 2016, respectively.

The main insurance policies are:

- a "property damage" policy, which generally covers the risks of fire, explosion, lightning, electrical damage, special risks, IT risks, loss of goods in refrigerated chambers, goods in transit, theft, machinery breakdowns and loss of use, with coverage limits of €25.6 million;
- a "business liability" policy, which covers risks in connection with business operations, with maximum coverage limits for all damage, including bodily injury, of €5 million per year;
- a "key person" insurance policy that insures against the death of the chairman and chief executive officer due to illness or accident;
- a "directors' and officers' liability" insurance policy, which covers the liability of the company's senior managers if their liability is alleged in connection with the performance of their duties, with annual coverage limits of €5 million.

The company's liability in connection with clinical trials is covered by specific policies whose rates and coverage amounts depend on the local laws applicable to the relevant clinical research center. The total amount of premiums and coverage taken out for these trials depends in particular on the number of trials, their location and the number of patients to be included in each trial.

The company considers that these insurance policies adequately cover the insurable risks inherent to its business activities, and that its policy with respect to insurance is consistent with practices in its business sector. The company does not foresee any particular difficulty in maintaining adequate insurance levels in the future, subject to market conditions.

Nevertheless, the company cannot guarantee that it will always be able to maintain or, if necessary, obtain similar insurance coverage at an acceptable cost, which may oblige it to take out more expensive insurance policies and/or to assume greater risks, in particular as its business activities expand.

H. EXTRAORDINARY EVENTS AND DISPUTES

During the 12-month period preceding the filing date of this reference document, the company has not been involved in any administrative, criminal, judicial or arbitration proceedings that may have a material adverse impact on the company, its business, financial position, income or expansion and that is not reflected in its financial statements. Furthermore, to the company's knowledge, as of the filing date of this reference document, the company is not threatened with any such proceedings.

To the Company's knowledge, no exceptional event arose during the same period that would generate additional risk or additional unplanned costs.

5. ABOUT THE COMPANY

A. HISTORY AND EVOLUTION OF THE COMPANY

1. Legal name and trade name

The company's legal name is Adocia.

2. Place of registration and registration number

The company is registered with the Lyon Trade and Companies Registry under number 487 647 737.

3. Date of incorporation and term

The Company was incorporated on December 16, 2005 as a French *société à responsabilité limitée* (limited liability company) for a term of 50 years from the date of its registration with the Trade and Companies Registry on December 22, 2005, i.e., until December 22, 2055, unless such term is extended or the Company is dissolved before its term expires.

It was converted into a *société par actions simplifiée* (simplified joint stock company) by a decision of the sole shareholder adopted on July 31, 2006, and then into a *société anonyme* (corporation) with a board of directors by decision of the general shareholders' meeting on October 24, 2011.

4. Registered office of the company, legal form, law governing its business

The company is a *société anonyme* governed by French law and, with respect to its operations, is primarily subject to Article L. 225-1 et seq. of the French Commercial Code (*Code de Commerce*).

The closing date for its fiscal year is December 31.

The company's registered headquarters is located at 115 Avenue Lacassagne, 69003 Lyon, France.

The company's contact information is shown below:

Telephone: +33 (0) 4 72 61 06 10

Fax: 33 (0) 4 72 36 39 67

Email: contactinvestisseurs@adocia.com

5. Significant events in the development of the company's business

End 2005	-	Creation of the company by Gérard, Olivier and Rémi Soula, who invest €1.6 million.
2006	-	First employees hired and move to Merck's former site at 115 Avenue Lacassagne in Lyon.
	-	Bpifrance grants a reimbursable advance in the amount of €2.25 million for the Osteoporosis project.
2007	-	In a first round of equity financing, €12 million is raised from AGF Private Equity (now IdInvest) as lead investor, Société Générale Asset Management (now Amundi Private Equity), Viveris Management and Bioam Gestion, as well as two private investors, Alain Tornier and Jean Deléage, and the founders.
2009	-	In a second round of equity financing, €14 million is raised from the company's historical investors and two new investors: Innobio (CDC Entreprises) and SHAM.
	-	Signature of first research contract (feasibility study).
	-	Bpifrance provides assistance for the Insulin project totaling €840,000, of which €420,000 in the form of a reimbursable advance and €420,000 in the form of a grant from the ERDF.
2010	-	Following conclusive preclinical trials, phase I/II clinical trial of BioChaperone® PDGF-BB begin on diabetic foot ulcer (DFU) patients in India.
	-	Following conclusive preclinical trials, phase I clinical trial of HinsBet® rapid-acting human insulin begun on healthy volunteers.
	-	Signature of a new research contract (feasibility studies).
2011	-	Positive results from the phase I clinical trial of HinsBet® rapid-acting human insulin on healthy volunteers.
	-	Phase IIa clinical trial of HinsBet® rapid-acting human insulin begun on type 1 diabetes patients.
	-	End of the phase I/II clinical trial of BioChaperone®/PDGF-BB on diabetic foot
	-	ulcer (DFU) patients in India.
	-	Signature of a licensing and cooperation agreement with the US pharmaceutical group Eli Lilly covering the development and marketing of Humalog® rapid-acting insulin analog, which uses BioChaperone® technology.
2012	-	The company's initial public offering on the Euronext regulated market in Paris raises €25.4 million (net of transaction expenses).
	-	Publication of clinical results (phase I/II trial on diabetic foot ulcer patients and phase IIa trial on type 1 diabetes patients to study rapid-acting human insulin).
	-	Eli Lilly begins phase I trial of BioChaperone® Lispro.
	-	US and European agencies grant a patent for the Biochaperone® PDGF-BB formulation for the treatment of chronic wounds.
	-	Application filed with the Indian regulatory authorities for authorization to conduct a phase III clinical trial in India.
2013	-	The European Medicines Agency issues a positive scientific opinion for conducting a single phase III European study for the treatment of diabetic foot ulcers.
	-	Adocia and Lilly end their collaboration. Adocia recovers its rights to develop ultra-rapid-acting insulin analogs.
	-	Clinical trial begun to study the combination of long-acting insulin Glargine with a rapid-acting insulin analog.

	- Acquisition of an exclusive license to DriveIn® nanotechnology, which improves the effectiveness of anticancer agents by targeting their action in tumors.
2014	- Adocia strengthens its diabetic foot ulcer patent portfolio (patent granted for BioChaperone® PDGF [Platelet Derived Growth Factor] in Japan and patent granted in the United States for the BioChaperone® polymer used in the PDGF composition). - Launch of a clinical phase IIa study of the ultra-rapid-acting analog insulin formulation. - Clinical phase I/II positive results for its combination of long-acting insulin Glargine and rapid-acting insulin Lispro (BioChaperone® Combo). - Positive results from phase IIa clinical study of ultra-rapid-acting BioChaperone® Lispro. - Initiation of a dose-response phase IIa clinical study of ultra-rapid-acting BioChaperone® Lispro. - Positive preclinical results for a concentrated ultra-rapid insulin, BioChaperone® Lispro U300. - Launch of a phase IIa clinical study of Hinsbet®, rapid-acting human insulin, in type 1 diabetes. - Launch of phase III clinical study in India of treatment for diabetic foot ulcer. - Positive preliminary results from dose response clinical study of ultra-rapid-acting BioChaperone® Lispro U100, in patients with type 1 diabetes. - Adocia and Lilly announce alliance to co-develop ultra-rapid insulin based on BioChaperone® technology.
2015	- Launch of a phase 1b clinical study on the effect of ultra-rapid insulin BioChaperone Lispro on postprandial glycemic control in type 1 diabetic patients. - Positive phase IIa study results for HinsBet® rapid-acting human insulin. - Adocia opens a subsidiary in the State of Delaware, USA. - Adocia successfully raises approx. €32 million from healthcare specialist investors. - Positive results from a phase 1b clinical study on the effect of ultra-rapid insulin BioChaperone® Lispro on postprandial glycemic control in type 1 diabetic patients (under the Lilly-Adocia partnership). - Launch of two phase 1b clinical trials for BioChaperone® Combo: one on the effect of BioChaperone® Combo on postprandial glycemic control in type 1 diabetic patients, and one on the pharmacodynamic and pharmacokinetic profiles of BioChaperone® Combo in type 2 diabetic patients. - Launch of a pilot bioequivalence study comparing BioChaperone® Lispro U200 and BioChaperone® Lispro U100 in healthy subjects. - Launch of a phase 1b clinical study evaluating the effects of repeated administration of BioChaperone® Lispro in patients with type 1 diabetes (under Lilly-Adocia partnership). - Launch of a phase 1b clinical study evaluating the effects of repeated administration of BioChaperone® Lispro in patients with type 2 diabetes (under Lilly-Adocia partnership). - Launch of a phase 1b clinical study on the effect of ultra-rapid insulin BioChaperone® Lispro on postprandial glycemic control in type 1 diabetic patients using an insulin pump (under Lilly-Adocia partnership). - Positive results of the phase 1b clinical study evaluating the effect of BioChaperone® Combo on postprandial glycemic control in type 1 diabetic patients. - Positive preliminary results showing BioChaperone® Combo's pharmacodynamic profile to be superior to that of Humalog® Mix75/25 and similar to that of dual Lantus® and Humalog® injections, in patients with type 2 diabetes. - Positive results of the pilot bioequivalence study comparing BioChaperone® Lispro U200 and BioChaperone® Lispro U100 in healthy subjects, triggering a $10 million milestone payment from Lilly.
2016	- Launch of a phase 1b clinical study evaluating ultra-rapid insulin BioChaperone® Lispro in healthy Japanese subjects (under Lilly Adocia partnership).

	- Positive topline results of the study evaluating the effects of repeated administration of BioChaperone® Lispro in type 1 diabetic patients. - Creation of a Global Diabetes Medical Advisory Board, consisting of world-renowned experts in diabetes. - Launch of a phase I/II clinical trial evaluating the postprandial effects of rapid-acting human insulin Hinsbet® U100. - Positive topline results of the phase 1b study evaluating the effects of repeated administration of ultra-rapid insulin BioChaperone® Lispro in type 2 diabetic patients. - Positive results of the phase I study evaluating ultra-rapid insulin BioChaperone® Lispro in Japanese subjects. - Adocia strengthens its commitment to diabetes treatment with the launch of a new project: BioChaperone Glucagon. - Results of the phase III clinical study of BioChaperone PDGF-BB in India for treatment of diabetic foot ulcer: BC PDGF did not meet the primary evaluation criteria. - Launch of a new BioChaperone program combining a basal insulin with GLP-1s. - Launch of a new clinical trial of BioChaperone Combo® on subjects with type 2 diabetes. - Positive results from the phase 1b clinical trial measuring the postprandial effect of HinsBet® U100 rapid-acting human insulin. - Success of the study evaluating BioChaperone Lispro administered by insulin pump for patients with type 1 diabetes.
2017	- Launch of two new multi-hormonal combination projects for the treatment of type 1 diabetes. - Adocia announces the transformation of its business model to increase the value of its projects. - Adocia announces the termination by Eli Lilly of the collaboration on BioChaperone Lispro.

B. INVESTMENTS

1. Major investments

The major investments made by the Company are generally for the acquisition of laboratory, IT and office equipment.

In 2016, in addition to these types of investment amounting to €1.7 million, the Company purchased the building in which its research center and headquarters are located. This building, with a total surface area of 7,120 m² as well as 43 parking spaces, was acquired at a cost of €5.6 million, excluding VAT and registration fees. Additional parking spaces were acquired in April 2016 for a total of €348,000 excluding VAT and registration fees.

The entire real estate investment was financed by bank loan. (See notes 3.1, 3.2 and 3.3 of the notes to the consolidated financial statements prepared in accordance with IFRS for the fiscal years ended December 31, 2015 and December 31, 2016, which are presented in section 20.A. of this reference document.)

(IFRS - € thousands)	FY 2016 (12 months)	FY 2015 (12 months)
Intangible assets	0	
Property, plant and equipment	8 055	1 434
Long-term investments	204	20
Total	8 259	1 454

2. Major current and future investments

In 2017, the Company plans to extend and complete its acquisition of the site by purchasing a portion of the parking building (around 430 m² of surface area and 1,670 m² of underground surface area), for a total price of approx. €500,000 (excluding registration fees).

The Company also plans to redevelop and renovate a portion of the acquired premises.

6. OVERVIEW OF ACTIVITIES

A. GENERAL PRESENTATION OF ADOCIA

Adocia is a French biotechnology company founded in December 2005 by Gérard, Olivier and Remi Soula. It specializes in the development of best-in-class medicines for the treatment of diabetes from already-approved therapeutic molecules, in particular proteins, using its BioChaperone® technology. Adocia's portfolio of metabolic hormone formulations, which includes four products in the clinical stage and several in the preclinical stage, is one of the largest and most differentiated in the industry.

1. Strategy

Adocia's mission is to «provide people with more physiologic treatments of diabetes in a simple and affordable way to help them avoid severe consequences of their disease."

Diabetes is a global pandemic, affecting in 2015 more than 415 million people worldwide[1]. Despite significant progress being made in the treatment of diabetes over the last 30 years, there is still a significant medical need, with it estimated that nearly 80% of people with diabetes experience severe complications. The complexity of treatments and their costs place additional constraints on the lives of those who live with diabetes, and may be responsible for a decline in their engagement with their treatment as well as a deterioration in the long term in quality of care (for example, linked to treatment abandonment).

At the same time, there is the question of the capacity of healthcare systems to cope with the enormous costs of this disease, in the context of an overall increase in pressure on healthcare costs. In 2012, in the United States, the costs associated with diabetes amounted to $245 billion, including $29 billion for drugs and medical devices[2].

Adocia therefore believes that any new diabetes treatment must meet a threefold challenge:

- **Offer better performance,** through more "physiologic" treatment approaches to address the disease in its complexity;
- **Facilitate the use of treatments,** to maximize the chances of patient compliance without placing further daily constraints on the patient;
- **Guarantee affordable prices,** to ensure the greatest number of patients can access the best treatment and to guarantee the sustainability of our healthcare systems.

To meet this threefold challenge, Adocia is adopting an original strategy which consists of improving the efficacy and/or safety of already-approved therapeutic proteins while facilitating their use by patients. To do this, Adocia has developed its proprietary formulation technology, BioChaperone®. The formulation approach is simple to implement and provides the opportunity to improve and combine in an original way already-approved proteins. It also takes advantage of the past history of already-used therapeutic proteins in terms of safety, efficacy and production infrastructure. Thus, it enables Adocia to develop innovations by decreasing risk associated with a medical product development, accelerating clinical development and reducing the amount of investment required (at the clinical and production stages) compared to a strategy to develop novel proteins.

By using BioChaperone for each protein to respond to the technical challenges encountered, Adocia has developed a portfolio of innovative metabolic hormone formulations for the treatment of diabetes, which is one of the most differentiated on the market. Each product is designed to meet the specific needs of people living with diabetes.

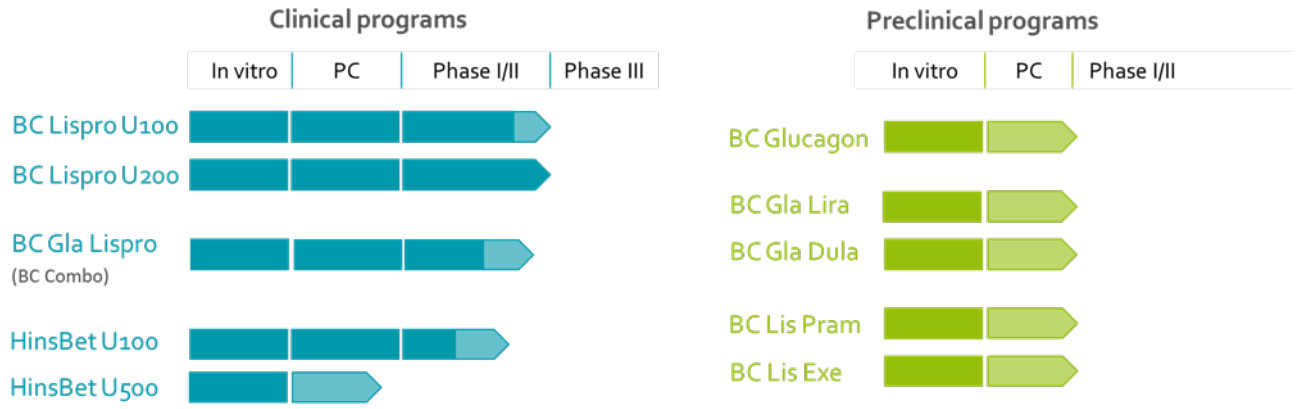
This relatively cost-effective business model enables Adocia to develop innovative treatments with improved performance whilst potentially facilitating the achievement of attractive pricing levels in an extremely

1 International Diabetes Foundation, Diabetes Atlas 7th Edition, 2015.

2 American Diabetes Association, "Economic Costs of Diabetes in the US in 2012", 2013.

competitive environment. Adocia's goal is to develop its products until their entry into phase 3 clinical studies in order to maximize the values of its projects prior to licensing out to potential partners in the diabetes field, whether this be one of the established leaders of the field, such as Eli Lilly, Novo Nordisk, Sanofi, AstraZeneca, or Merck, or one of the new entrants such as Biocon, Mylan or Gan & Lee.

At present, Adocia's **clinical pipeline** contains four innovative insulin formulations for the treatment of diabetes: two ultra-rapid insulin analogs (BioChaperone Lispro U100 and U200), a rapid-acting human insulin (HinsBet U100) and a combination of long-acting insulin glargine and rapid-acting insulin lispro (BioChaperone Combo). Adocia has in **preclinical** development: an aqueous formulation of human glucagon (BioChaperone Human Glucagon), two combinations of long-acting insulin glargine with GLP-1 (BioChaperone Glargine Dulaglutide and BioChaperone Glargine Liraglutide), two combinations of rapid-acting insulin lispro with synergistic prandial hormones (BioChaperone Lispro Pramlintide and BioChaperone Lispro Exenatide) and a high-concentration rapid-acting formulation of human insulin (HinsBet U500).



2. The BioChaperone® technological platform

Adocia has designed and developed a technological platform based on polymers, oligomers and innovative small molecules called BioChaperone®. These compounds have the property of spontaneously combining with certain therapeutic proteins. This non-covalent combining helps increase the solubility and efficacy of the therapeutic protein and protects it from enzymatic breakdown.

BioChaperone technology is derived from the functional mechanism of heparin. This natural polysaccharide forms molecular complexes with growth factors, increasing their solubility, protecting them from enzymatic breakdown and thereby extending their time of action.

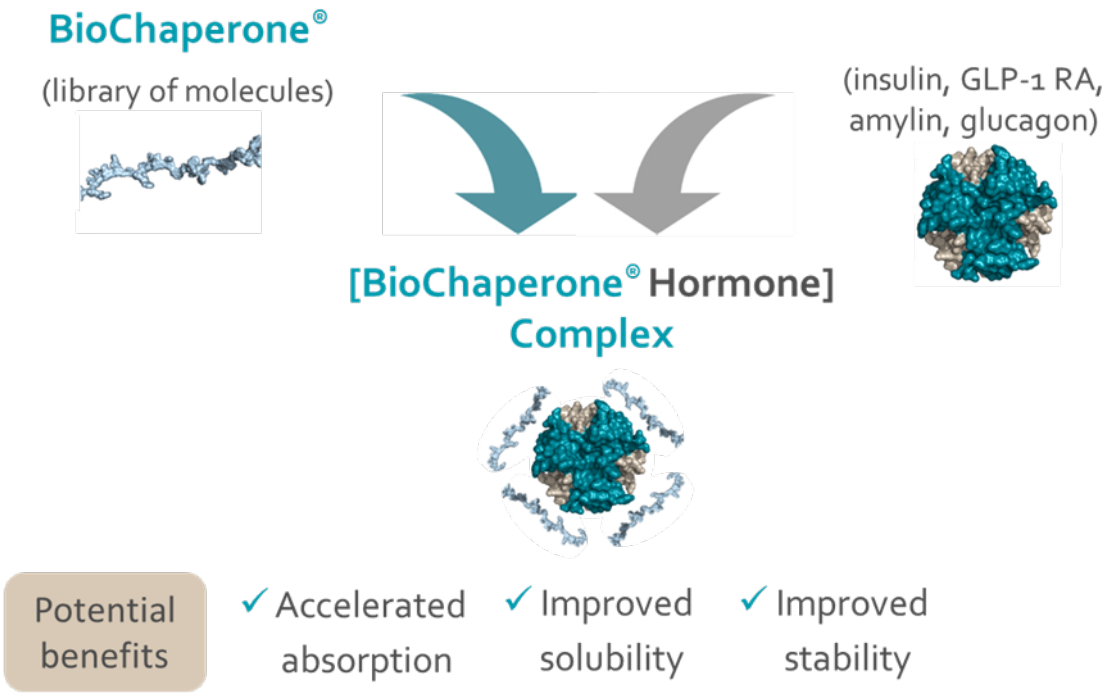
The goal of the first generation of BioChaperone molecules developed by Adocia was to mimic the interaction properties of heparin with growth factors whilst avoiding its anticoagulant effect. It was also aimed at increasing reaction versatility to diversify the proteins with which BioChaperone can react.

The first innovative BioChaperone® polymers were composed of a sugar backbone (e.g., dextran or pullulan) modified by both anionic groups (carboxylates with a negative electric charge for instance) and by hydrophobic amino acids. Adocia then extended its BioChaperone family to include other shorter compounds (oligomers and small molecules) presenting the same properties. BioChaperone® compounds have no intrinsic biological activity and should therefore be registered with regulatory authorities as new excipients.

BioChaperone® compounds form complexes with proteins by binding non-covalently to their surface (adsorption). The complex forms spontaneously and is based on hydrophobic and electrostatic interactions and on the formation of hydrogen bonds. These BioChaperone polymers interact reversibly and non-degradatively with the proteins. The complex forms spontaneously when the two constituents are simply mixed in aqueous solution. This process occurs immediately and does not require heating or the use of an organic solvent.

The formulation-based approach presents the advantage of being easy to scale-up as it relies on the addition of BioChaperone in the formulation process to the other excipients (preservatives, salt, etc.) and does not require

adaptation of the industrial plant or process. Furthermore, the BioChaperone chemical synthesis processes are simple and and their cost is very low compared to the therapeutic proteins themselves. These two aspects make it possible to envisage equivalent production costs for the BioChaperone formulations compared to the original formulations.



It has been demonstrated that there are four key properties of BioChaperone technology, via the formation of a complex with the protein:

- increased solubility of proteins that are relatively insoluble at physiological pH;
- stabilization of proteins during storage;
- protection of proteins against enzymatic breakdown; and
- stabilization of the activity of the protein in the presence of cells.

Pharmaceutical products developed using BioChaperone technology are designed to be more effective, easier to use and sometimes offer new uses at prices comparable to existing treatments.

At present, Adocia research teams have developed more than 400 BioChaperone compounds, a large library that is expected to grow in size over time. The main distinctions among these compounds are their size and the nature and number of anionic and hydrophobic grafts. This library of molecules has been rapidly extended to enable interactions with several classes of therapeutic proteins, notably the insulins and other metabolic hormones used in the treatment of diabetes.

BioChaperone technology is at present protected by 30 patent families for BioChaperone molecules and formulations. The first of the patents protecting formulations tested in clinical studies will expire in 2033.

3. Overview of clinical activity at Adocia in 2016 and forecasts for 2017

3.1 Main events in 2016

3.1.1 BioChaperone Lispro, ultra-rapid prandial insulin

On January 27, 2017, Adocia announced Eli Lilly's decision to end the collaboration started in December 2014. This was an economic decision for Lilly, who chose to prioritize an internal program competing with BioChaperone Lispro in order to avoid making payments or paying royalties to Adocia.

During their collaboration, the two companies successfully completed five clinical studies of BioChaperone Lispro U100 and one pilot bioequivalence study of BioChaperone Lispro U100/BioChaperone Lispro U200.

In 2015, an initial study showed the benefit of BioChaperone Lispro in terms of postprandial glycemic control after consuming a standardized meal in patients with type 1 diabetes. In the same year, Adocia also completed a pilot bioequivalence study comparing BioChaperone Lispro U200 to BioChaperone Lispro U100. Positive results from this study were jointly announced by both companies in December 2015, thereby triggering a $10 million milestone payment from Lilly.

In 2016, Adocia and Lilly announced positive results for four clinical studies:

- **Repeated administration in subjects with type 1 diabetes**: this study showed that BioChaperone Lispro U100 improved postprandial glycemic control compared to Humalog at the start and end of a 14-day outpatient treatment period during which each treatment was administered three times per day to subjects with type 1 diabetes.
- **Repeated administration in subjects with type 2 diabetes**: a similar study confirmed these results for BioChaperone Lispro U100 *vs.* Humalog after a 14-day outpatient treatment period in subjects with type 2 diabetes.
- **Pharmacokinetic and pharmacodynamic profile of BioChaperone Lispro in healthy Japanese subjects:** this study confirmed the BioChaperone Lispro profile in Japanese subjects, which could result in this population being included in the global phase 3 program.
- **Continuous administration in subjects with type 1 diabetes**: This study evaluated BioChaperone Lispro U100 in people with type 1 diabetes patients using an insulin pump. It demonstrated a statistically significant increase in insulin exposure over the first 30 minutes after a mealtime bolus with BioChaperone Lispro compared to Humalog. The accelerated absorption profile of BioChaperone U100 was observed in the three insulin administration devices tested. BioChaperone Lispro U100 was also associated with systematic improvement in glycemic response to a mixed meal compared to Humalog.

Adocia is actively seeking a new partner for the phase 3 clinical development and marketing of the product.

3.1.2 BioChaperone Combo, a unique combination of long-acting insulin glargine and rapid-acting insulin lispro

In 2016, Adocia initiated a phase 1/2 clinical study evaluating postprandial glycemic control (mealtime tolerance) obtained with BioChaperone Combo in subjects with type 2 diabetes. The results of this study are expected in the second quarter of 2017. This study comes after three positive studies, the results of which were announced in 2014 and 2015. Two studies evaluated the pharmacokinetic and pharmacodynamic profiles of BioChaperone Combo in subjects with type 1 and type 2 diabetes, respectively. They demonstrated the more rapid initial action and longer basal action of BioChaperone Combo compared to premixed insulin in the two populations. The third study demonstrated that the improvement in initial action translated to better postprandial glycemic control after a standardized meal in subjects with type 1 diabetes: lower hyperglycemia and fewer hypoglycemic episodes.

Adocia is currently preparing two phase 1/2 clinical studies to strengthen the dossier allowing to enter phase 3 clinical studies.

3.1.3 HinsBet, BioChaperone rapid-acting human insulin

In 2015, a phase 1b clinical study showed that the pharmacokinetic and pharmacodynamic profiles of HinsBet were superior to those of Humulin (human insulin, Eli Lilly) and similar to those of Humalog (insulin lispro, Eli Lilly) for the first 30 minutes after administration.

In 2016, Adocia confirmed in a phase 1b meal tolerance study that this profile translated to a better postprandial glycemic control than that of Humulin and similar to that of Humalog for the first 60 min after administration.

Adocia intends to license HinsBet to one or more regional partners so it can be developed and launched on emerging markets.

3.1.4 New projects

In 2016, Adocia announced the launch of two new programs: BioChaperone Human Glucagon and BioChaperone Glargine GLP-1. Early 2017, Adocia also announced the launch of the BioChaperone Prandial Combinations program.

BioChaperone Human Glucagon, an aqueous formulation of human glucagon

In June 2016, in conjunction with its strategic refocus on diabetes, Adocia announced the launch of a new project: BioChaperone Human Glucagon. The goal of this project is to develop an aqueous formulation of human glucagon for the treatment of hypoglycemia in emergency situations or for use in an artificial pancreas (automatic pump that delivers insulin and glucagon without any intervention from the patient).

On the basis of promising formulation and preclinical results, Adocia is preparing to launch the first clinical study in human subjects in 2017.

BioChaperone Glargine GLP-1, a 2-in-1 combination of insulin glargine and GLP-1 receptor agonists

In June 2016, in line with its strategic refocus on diabetes, Adocia announced the launch of a new program composed of two parallel projects: BioChaperone Glargine Dulaglutide and BioChaperone Glargine Liraglutide. The aim of these projects is to develop simple, 2-in-1, options for treatment intensification over basal insulin, that could be both cost-effective and affordable.

On the basis of promising formulation and preclinical results, Adocia is preparing to launch the first clinical study in human subjects in 2017.

BioChaperone Prandial Combinations, 2-in-1 combinations of prandial insulin and glucagon suppressants (GLP-1 receptor agonists or amylin agonists).

On January 5, 2017, Adocia announced the launch of a new program for the treatment of type 1 diabetes, composed of two parallel projects: BioChaperone Lispro Exenatide and BioChaperone Lispro Pramlintide. The aim of these projects is to develop new 2-in-1 prandial treatments for patients with type 1 diabetes, taking advantage of the synergy between insulin and other metabolic hormones whose effects have already been clinically proven.

On the basis of promising formulation and preclinical results, Adocia is preparing to launch the first clinical study in human subjects late 2017.

3.1.5 Refocus on diabetes and the end of the Mab and Drive*In* programs

In June 2016, the Company announced its strategic refocus on the diabetes field. As a result, Adocia announced that it has ended the MAbs program (using Adocia technology to improve the formulation of monoclonal antibodies of partner companies) and the Drive*In*® program (using nanoparticles to deliver cancer treatments), both of which were still in the preclinical stage.

3.1.6 End of the development of BioChaperone PDGF-BB.

In August 2016, Adocia announced that BioChaperone PDGF-BB had not satisfied the primary endpoint for the phase 3 clinical trial conducted in India evaluating this product in the treatment of diabetic foot ulcer. Although these results contradict the positive results obtained in the phase 2 study, and after initiating an exhaustive review of the data to explain this divergence, Adocia decided to discontinue all development of BioChaperone PDGF-BB.

3.2 Scheduled clinical studies and main events expected for 2017

Program	Product	Event/Study	Scheduled initiation date (1)
BioChaperone® Lispro	BC Lispro U100	Search for a new partner to initiate the phase 3 program	2017
BioChaperone® Combo Long- and Rapid-acting Insulins	BC Combo	Results of meal response study (T2D) Dose-response study (T1D) Repeated administration study (T2D)	Q2 2017 Q2 2017 Q4 2017
HinsBet® U100 Rapid human insulin	HinsBet® U100 & U500	Search for regional partners	2017
BioChaperone Human Glucagon	BC Human Glucagon	Phase 1 study in human subjects	2017
BioChaperone Glargine GLP-1	BC Glargine Dulaglutide BC Glargine Liraglutide	Phase 1 study in human subjects	2017
BioChaperone Prandial Combinations	BC Lispro Pramlintide BC Lispro Exenatide	Phase 1 study in human subjects	Q4 2017

Table1: Summary of scheduled clinical studies and main events planned by Adocia for 2017

(1) As planned at the time of submission of this reference document, provided that the launch of clinical studies is subject to approval from local regulatory authorities.

B. DIABETES

Using its proprietary BioChaperone technological platform, Adocia is developing innovative formulations of therapeutic proteins for the treatment of diabetes.

It is estimated that more than 415 million people had diabetes worldwide in 2015. It is expected that this prevalence will grow to 642 million individuals in 2040[3], i.e., a mean increase of 55% worldwide.

Adocia is working to develop new, more effective, easier to use and affordable injectable treatment options to improve the long-term quality of life for people living with diabetes.

1. Diabetes: disease and complications

Diabetes is a chronic disease where the patient experiences high levels of sugar in the blood (hyperglycemia). With time, chronic hyperglycemia is responsible for micro- and macrovascular complications. There are two main types of diabetes, known as type 1 and type 2 diabetes.

3 Diabetes International Foundation – Diabetes Atlas, Seventh Edition 2015

1.1 The different types of diabetes

Type 1 diabetes is an autoimmune disease, most commonly diagnosed in young people. Type 1 diabetes has been estimated to affect 10% of people with diabetes[4]. A person with type 1 diabetes makes antibodies which attack the beta cells of the pancreas which are responsible for producing insulin in the islets of Langerhans. When a large majority of beta cells are destroyed (about 90%), treatment with insulin becomes unavoidable. Type 1 diabetes cannot be considered a "genetic disease"; in 90% of new cases there is no parental history at all of type 1 diabetes and the risk of developing type 1 diabetes if one of the two parents has it is lower than 2–3%[5].

Type 2 diabetes is characterized primarily by resistance to insulin cells: insulin resistance. Type 2 diabetes has been estimated to affect 90% of people with diabetes[6]. Type 2 diabetes is a progressive disease: insulin resistance leads firstly to an excess in insulin production, which degrades the islets of Langerhans. Once this degradation is initiated, the amount of insulin produced decreases. Type 2 diabetes is considered asymptomatic and is only discovered when measuring blood glucose levels (glycemia). It is estimated that the majority of patients to be diagnosed have already lost the majority of their beta cells. Genetic predisposition is a predominant factor and being overweight is an aggravating cause of type 2 diabetes.

Other forms of diabetes called secondary forms (owing to the fact they are a consequence of other disorders or pathologies) do exist although their prevalence is marginal: genetic insulin secretion defects, genetic insulin sensitivity defects, diabetes due to pancreatitis or pancreatic cancer, drug or toxicity-induced diabetes, etc. Pregnancy can also cause diabetes which, even if it disappears after childbirth, can nonetheless be a precursor to type 2 diabetes.

1.2 Diabetes: a complex hormonal disorder

Treating diabetes with insulin alone hides a complex physiological reality. In a person who does not have diabetes, glycemia is regulated by a multitude of metabolic hormones acting in synergy to keep blood glucose levels within a very precise range.

In particular, four hormones play a key role in controlling glycemia levels: Insulin, amylin and GLP-1 are hypoglycemic agents, while glucagon is a hyperglycemic agent.

- **Insulin and amylin** act in synergy. Insulin and amylin are co-secreted by the beta cells of the pancreas at the so-called "basal" level between meals, and at a higher level each time food is consumed, the so-called "prandial" level. Insulin acts on the liver, the muscles and the adipose tissues to promote uptake by these organs of sugar from the blood stream. Amylin also works by suppressing the secretion of glucagon in the pancreas, promoting a sensation of satiety in the brain and slowing gastric emptying.
- **GLP-1** also has an action that works in synergy with those of insulin and amylin. It is produced in the gut following a meal. GLP-1 has several effects which all contribute to slowing the rate at which glucose enters the bloodstream. Firstly, via receptors in the pancreas, GLP-1 stimulates the secretion of insulin and suppresses the secretion of glucagon. Secondly, by affecting the central and peripheral nervous system, GLP-1 slows gastric emptying inducing a feeling of satiety.
- **Glucagon**, produced by alpha cells in the pancreas, is a hyperglycemic agent; that is, it promotes the release of glucose from the muscles and liver into the bloodstream. This is particularly useful between meals and during periods of exertion (physical or mental).

Combined, these four hormones keep blood glucose levels within a very precise range, avoiding both hypoglycemia, which can be immediately debilitating or even fatal if severe, and hyperglycemia, responsible in the long-term for severe complications.

In each of these four classes, at least one compound has been approved by the FDA. We shall only mention here those with a short action, for postprandial use. These compounds are:

4 Business Insights - The Diabetes Market Outlook to 2016 – May 2011

5 Diabetology Department, Prof. Altman, Georges Pompidou European Hospital (http://www.hegp.fr/diabeto/causetype1.html)

6 Business Insights - The Diabetes Market Outlook to 2016–May 2011

- Prandial insulins: human or analogs (lispro, Humalog®, Eli Lilly; aspart, Novolog/NovoRapid®, Novo Nordisk; glulisine, Apidra®, Sanofi)
- Pramlintide (Symlin®, AstraZeneca), amylin analog;
- GLP-1 receptor agonists: exenatide (Byetta®, AstraZeneca), lixisenatide (Lyxumia®, Sanofi)
- Human glucagon (Glucagon®, Eli Lilly, and Glucagen®, Novo Nordisk)

In people with type 1 diabetes, this precise hormonal regulation is severely impaired. In effect, not only does the destruction of beta cells in the pancreas lead to the absence of insulin and amylin secretion, GLP-1 secretion by intestinal cells is also reduced. In the absence of glucagon suppressants i.e., GLP-1 and amylin, this glucose is abnormally secreted at mealtimes. Prandial hyperglycemia therefore has two causes: glucagon secretion, which leads to the release of sugars even before the person has eaten, and the absence of insulin, which prevents the uptake of these sugars, as well as those provided by the meal. This might explain in part why an injection of insulin is not enough to completely control prandial hyperglycemia in a person with diabetes.

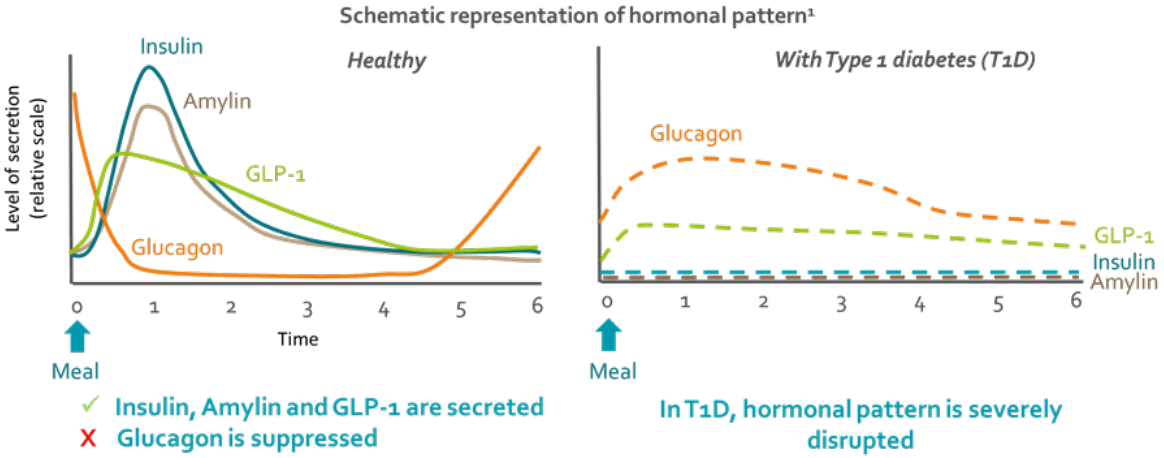


Figure 1: Schematic representation of the metabolic hormonal pathway during mealtimes for insulin, amylin, GLP-1 and glucagon. Source: Adocia, adapted from Toff-Neilsen et al., J. Clin Endocrinol Metab 2001;86:3717-3723; Cummings DE et al., Diabetes 2001;50:1714-1719; Aronoff SL et al., Diabetes Spectrum 2004; 17(3): 183–190

1.3 Complications of diabetes

Cardiovascular complications are the main cause of mortality in patients with type 2 diabetes: cardiovascular morbidity and mortality are multipliable by a factor of 2–3 in men and 4–5 in women. About 20% of cerebrovascular accidents (stroke) occur in people with diabetes. In the long term, diabetes can damage the heart, blood vessels, eyes, kidneys and nerves[7,8]:

- *Heart disease and strokes* are responsible for the death of 50% of people with diabetes;

- *Renal failure* is responsible for the death of 10–20% of people with diabetes;

- *Diabetic retinopathy* is a significant cause of blindness resulting from accumulating damage to the small vessels in the retina; after approximately 15 years, 2% of people with diabetes are losing their sight and about 10% have a serious visual impairment;

7 Diabetology Department, Prof. Altman, Georges Pompidou European Hospital (http://www.hegp.fr/diabeto/causetype1.html)

8 DTTC study, NEJM, 1993, 329(14); EDIC study NEJM, 2005, 353(25)

- *Diabetic neuropathy* is nerve damage caused by diabetes; up to 50% of people with diabetes experience it. Common symptoms are tingling, pain, numbness or weakness in the feet and hands. Neuropathy, associated with poor blood circulation, increases the risk of venous ulcers and foot ulcers, which may lead to amputation;

- The *overall risk of death* is at least twice as high in people with diabetes.

2. Epidemiology

Diabetes is a chronic disease on the global scale. Its rate of expansion remains very high, particularly in emerging countries. The International Diabetes Federation has estimated that between 2015 and 2040, the number of people with diabetes in the world will increase by almost 55% (in the 20 to 79-year-old population), from 415 million people today to 642 million[9]. Whilst Europe (+19%) and North America (+37%) will experience growth rates which, although high, are lower than the global average, emerging countries will likely face an acute increase in the number of people with diabetes.

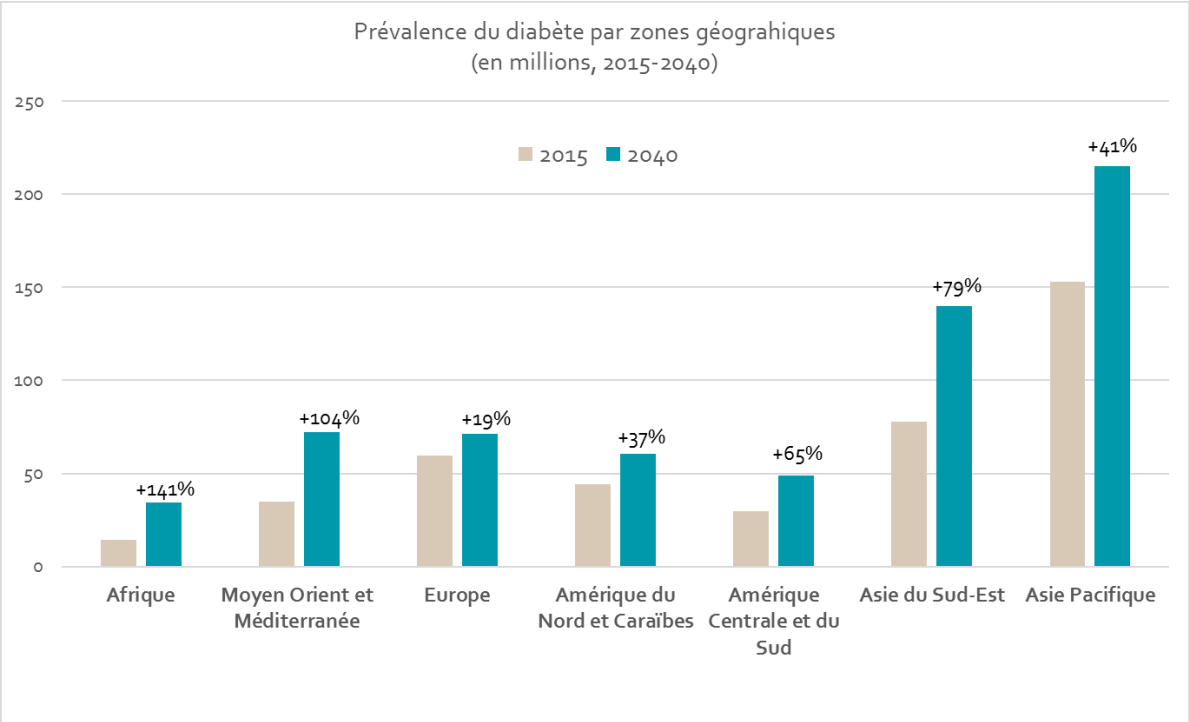


Figure 2: Estimate for the worldwide increase in the number of people with diabetes (in millions) in the 20 to 79-year-old age group in 2015 and forecasts for 2040. The percentages indicate the per-region growth rate between 2015 and 2040. Source: International Diabetes Federation, 2015

This phenomenon increases the proportion of people with diabetes in the population. By 2040, this incidence is expected to exceed 8% in all regions worldwide, except for Europe and Africa (cf. Figure 3).

9 Diabetes Atlas 7th edition (2015), International Diabetes Federation

Figure 3 : Per-region prevalence of diabetes (as a percentage) in the 20–79 year age group in 2015 and forecasts for 2040. Source: International Diabetes Federation. AFR: Africa, EUR: Europe, MENA: Middle East and North Africa; NAC: North America and the Caribbean; SACA: South America and Central America; SEA: Southeast Asia, WP: Asia-Pacific; World: World.

The 2007–2010 ENTRED[10] study provided a qualitative picture of the diabetic population in metropolitan France. The most common form of diabetes is type 2 diabetes, which affects 2.2 million patients, i.e., 92% of the total number of 2.4 million people with diabetes. Treatment of type 2 diabetes is of long duration as the average time the patient has had the disease is 11 years. This average duration of treatment is even longer for patients with type 1 diabetes: 17 years. Type 2 diabetes is mainly a disease of the elderly, the mean age of patients being 66 years and a quarter of the type 2 diabetes population being over 75 years old. Type 1 diabetes affects younger people, the mean age being 42 years. The sex distribution of diabetes is practically equal for men (54%) and women (46%).

3. Treatments for diabetes

According to Novo Nordisk, the global market for diabetes treatment with injectable products (insulin, GLP-1 analogs, glucagon) grew by 19.5% between 2006 and 2016, accounting for $23.billion[11], i.e., more than 50% of the total market for antidiabetic medications. This domination of injectable medicinal products, particularly insulin, compared to other drug classes is explained simply by the fact that insulin is the only way to control glycaemia in patients with type 1 diabetes and that the use of insulin is also ultimately unavoidable for patients with type 2 diabetes.

10 The goal of the 2007–2010 ENTRED study (French acronym of "National representative control study of people with diabetes") was to further knowledge on the health status of people with diabetes in France. This study was sponsored by the French National Institute for Public Health Surveillance (INVS) that financed the study in partnership with French National Health Insurance, the French National Institute for Prevention and Health Education, and the French National Health Authority.

11 Estimations from annual reports On the diagram below, this market is valued at $35 billion dollars according to IMS data, reported by Novo Nordisk, a figure that does not take into account discounts granted to payers.

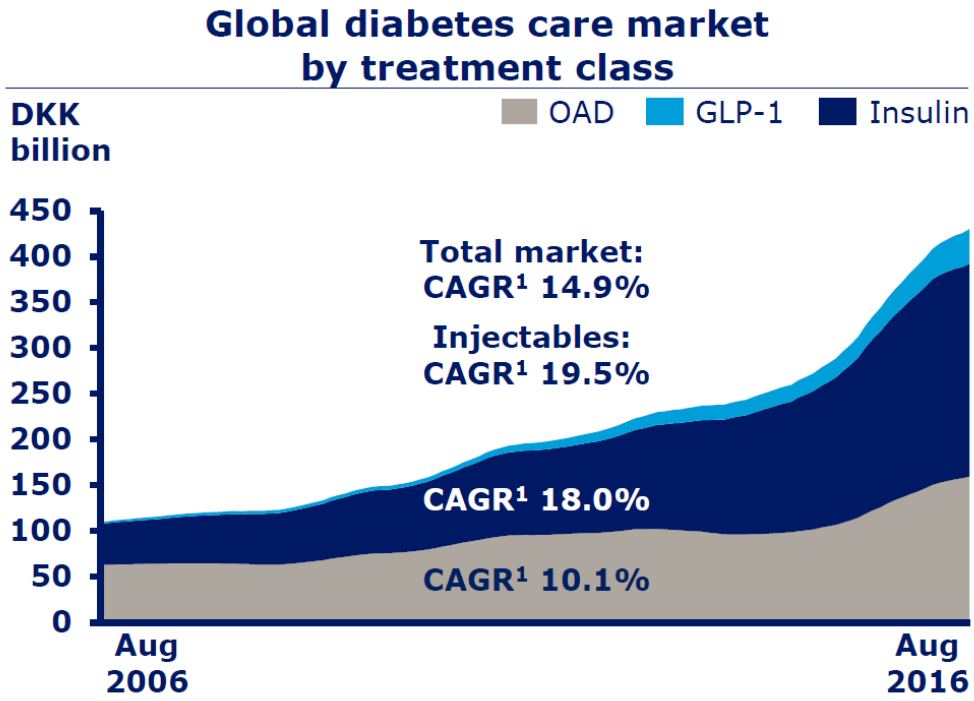


Figure 4: Global diabetes market per therapeutic class and changes between 2006 and 2016. OADs: Oral antidiabetic drugs; GLP-1: GLP-1 receptor agonists; insulin: insulin; CAGR: compound annual growth rate, over 10 years. The DKK-USD exchange rate on August 31, 2006, was DKK1 to $0.171700. On August 31, 2016, the exchange rate was DKK1 for $0.1499. (Source: Novo Nordisk, Investors Presentation First Nine Months of 2016, October 2016).

In healthy people, a sudden increase in blood glucose levels following a meal is compensated by an equally abrupt increase in the endogenous insulin concentration in the blood. This maintains the blood glucose concentration between 4.4 mmol/L (0.80 g/L) and 7 mmol/L (1.4 g/L). Glycemic control is considered ideal when the blood glucose concentration remains between these two limits.

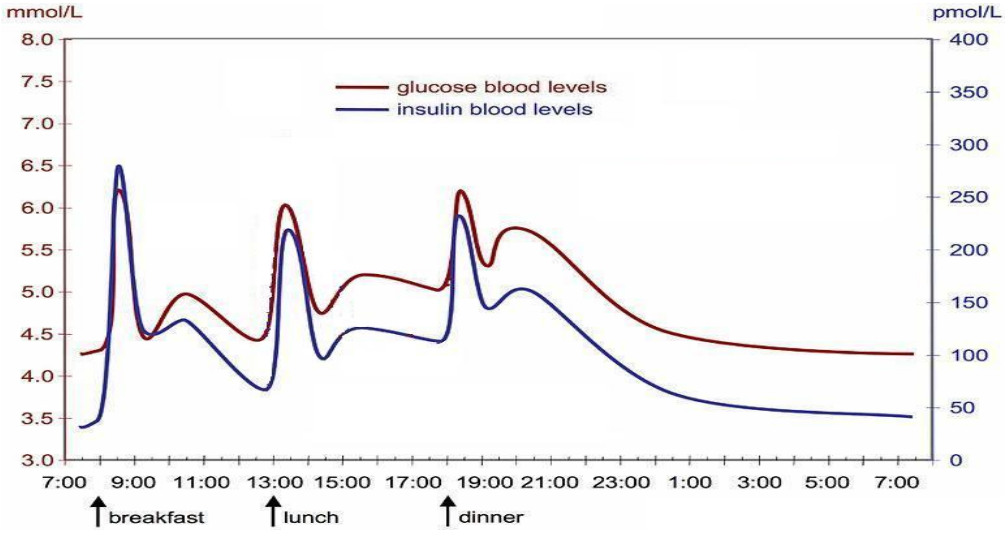


Figure 5: Glycaemia and insulin in healthy patients. Source: Adocia

However, if glucose concentration decreases below 0.80 g/L, the patient is hypoglycemic (exposing the patient to a risk of mortality) and when it rises above 1.4 g/L, the subject is hyperglycemic (which can lead to ketoacidosis in the short term and many long-term complications).

In people with diabetes, glucose level regulation is impaired, which results in recurrent exposure to hyperglycemia.

It is important to remember that treatments differ for type 1 and type 2 diabetes. For type 1 diabetes, treatment with insulin is unavoidable, as the pancreas is damaged and can no longer produce insulin. The treatment should cover both the regulation of continuous glycaemia due to hepatic glycogenesis between meals (basal blood glucose) and the regulation of post-prandial glycaemia. This is achieved by two types of products: the so-called "basal" or "slow-acting" insulins, injected once or twice per day, and the so-called "rapid-acting" or "prandial" insulins, injected with every meal. A third type of product, called "premix," injected twice daily, maintains both basal and prandial regulation. Premixes are based on prandial insulin, a part of which is rendered less rapid by coacervation with protamine. However, premixes are a suboptimal solution compared to individually using basal insulin (which lasts longer) and prandial insulin (which acts more rapidly).

Historically, extracted animal insulin was first used, followed by human recombinant insulin (Humulin®, Lilly; Novolin, Novo Nordisk; Insuman®, Sanofi) and, more recently, modified insulin analogs to either accelerate their prandial action (insulin lispro: Humalog, Lilly; insulin aspart: Novolog®/NovoRapid® and FiAsp® ,Novo Nordisk; insulin glulisine: Apidra® , Sanofi), or to lengthen their basal action (insulin glargine: Lantus® and Toujeo®, Sanofi and Abasaglar®, Lilly; insulin detemir: Levemir®, Novo Nordisk; insulin degludec: Tresiba®, Novo Nordisk). Premixed insulins made from human recombinant insulin and insulin analogs (Humalog® Mix™, Eli Lilly and Novomix®, Novo Nordisk) have also been developed.

In people with type 2 diabetes, disease progression is accompanied by treatment intensification: patients at first receive oral antidiabetic drugs and then move onto GLP-1 receptor analogs (that promote the secretion of insulin) and insulins (basal at first, then adding prandial or replacing by premix).

4. The injectable diabetes treatment market: challenges, trends and major players

Diabetes is a global pandemic affecting hundreds of millions of people which continues to grow at a significant rate, mainly due to changing lifestyles (more urban, more sedentary, with diets higher in fat and sugars) for many populations throughout the world. Despite treatment with insulin for people with type 1 diabetes and the large range of treatments for those with type 2 diabetes, there is still a significant medical need in these two indications.

Historically, the injectable diabetes treatment market has been dominated by three major players: Eli Lilly, Novo Nordisk and Sanofi, with all three initially focusing on insulin and, more recently, on GLP-1. However, the dominance of these three players may well come to change under the influence of several major trends, in particular, treatment personalization and commoditization.

It has been demonstrated that improving glycemic control can help limit the disease's short and long-tern consequences. More recently, it was also shown that certain treatments (for instance, SGLT-2 and GLP-1) may cause positive side effects, particularly in terms of cardiovascular outcomes. More generally, there is a strong tendency in the endocrinologist community to evaluate new treatments on more diverse aspects than glycated hemoglobin alone. This is reflected in various American Diabetes Association consensus studies. In particular, it has been proposed to not only study more closely the time spent within normal blood glucose limits, the risk of hypoglycemia (the definition of which was reviewed recently) and the benefits of certain medications in the long term (such as the cardiovascular effects mentioned above), but also to encourage patient involvement to combat the misuse of treatments or even their discontinuation. These evolutions have, amongst other things, been made possible by an extremely rapid change in technology: the development of increasingly accurate continuous glucose monitors (CGM), the emergence of the use of Big Data analytics to measure patient behavior, and the development of algorithms to assist decision-making (e.g., iBGStar® by Sanofi) or pump control (e.g., BetaBionics) etc. These changes have recently led to the creation of partnerships between various players to address the treatment of diabetes (Sanofi-Google; Medtronic-IBM Watson; Novo Nordisk-Glooko, etc.), which may have a significant impact on the market in the years to come.

At the same time, the diabetes market is becoming more commoditized given the combined effect of the approval of the first biosimilars and the pressure on healthcare systems to constrain rapidly increasing costs. Within the field of insulin, the first biosimilar of basal insulin glargine (Basaglar®, Eli Lilly) has just been introduced to the European (2015) and American (2016) markets, some years after similar products were introduced to the Chinese (Basalin®, Gan & Lee) and Indian (Basalog®, Biocon) markets. Several new entrants and historical players in insulin are positioning themselves globally in the biosimilars field, such as Merck and Samsung Bioepsis (glargine, phase 3), Mylan and Biocon (glargine, phase 3), or Sanofi (lispro, phase 3), as well as Gan & Lee, TUL, Fosun WangBang or DongBao in China, or Biocon and Wockhardt in India. In the GLP-1 field, Teva announced in January 2017 its intention to market a biosimilar of liraglutide (Victoza®, Novo Nordisk). The commoditization of these markets should both initiate a decline of historical products and promote the development of new and increasingly differentiated products, driving innovation.

By developing innovation using already-approved products, Adocia is responding to these two trends in the diabetes market, which should lead to better treatments for patients while making them financially accessible to as many people as possible.

C. BIOCHAPERONE LISPRO U100 AND U200

1. Ultra-rapid insulin for a more physiologic action

An ultra-rapid insulin is an insulin that has a more rapid absorption profile than prandial insulin analogs currently on the market. This acceleration is desirable because, in a healthy person, eating a meal triggers the immediate secretion of insulin to metabolize carbohydrates.

To mimic this "physiologic" action profile, injected prandial insulins must act very rapidly and for a duration limited to a few hours. Currently marketed insulin analogs must be injected 5–15 minutes before meals, whilst human recombinant insulin must be injected 30 minutes before.

It would be better if patients could self-inject their insulin at mealtimes, or even just after. This would both make it possible to better determine the appropriate insulin dose because the exact contents of the meal would be known, and to also avoid overdosing or delayed dosing, which can lead to hypo- or hyperglycemia, which both have severe short and long-term consequences. This would also give patients some flexibility in terms of the time of injection, which is important in day-to-day life.

To respond to this need, **Adocia has developed two ultra-rapid insulin lispro formulations**: **BioChaperone Lispro U100 (standard insulin concentration: 100 U/mL) and BioChaperone Lispro U200 (twice as concentrated solution, i.e., 200 U/mL).** These two products could offer a significant medical benefit to all users of prandial insulin. They may, however, be of particular importance for specific populations of people with diabetes:

- **Children**: it is particularly difficult to predict exactly when a child will eat and in what quantities. To avoid the risk of severe hypoglycemia, parents tend to inject insulin to their children with diabetes at mealtimes or after meals, which, together with prandial insulins currently on the market, can result in hyperglycemia. In the long-term, chronic hyperglycemia is correlated to serious complications of diabetes.
- **Insulin pump users**: the development of ultra-rapid insulin is a key element to facilitate the development of fully-automated insulin pumps (also called an 'artificial pancreas') that deliver insulin automatically, in real time, depending on the patient's blood glucose levels. Concentrated ultra-rapid insulin may also facilitate the miniaturization of devices and/or increase autonomy between recharges.
- **People with type 2 diabetes**: BC Lispro U200, an ultra-rapid concentrated insulin formulation, may also improve glycemic control for these people whilst also limiting the volume required for each injection.

2. Partnerships with Eli Lilly

2.1 First partnership (2011–2013)

Based on positive preclinical results, in December 2011, Adocia signed a licensing and collaboration agreement with American pharmaceutical group Eli Lilly. Under the terms of this agreement, Adocia agreed to grant Eli Lilly the exclusive worldwide rights to BioChaperone technology for the development, manufacture and marketing of BioChaperone Humalog. This agreement covered all potential indications for BioChaperone Humalog. Eli Lilly funded the development, including the clinical studies, of BioChaperone Humalog; Adocia and Eli Lilly managed the collaboration through a joint management committee.

In July 2013, Adocia announced in a press release the end of the partnership with Eli Lilly by mutual agreement.

2.2 Second partnership (2014–2017)

In December 2014, Adocia and Eli Lilly signed a licensing agreement for the BioChaperone® Lispro program. This agreement came after obtaining positive clinical results in two additional studies conducted by Adocia in 2014. Under the terms of the agreement, Lilly was responsible for the future development, manufacture and marketing of BioChaperone Lispro. Together, the initial and milestone payments could amount to $570 million. ADOCIA was also eligible for payment of tiered royalties on the sales of the products resulting from the collaboration.

Adocia announced on January 27, 2017, Eli Lilly's decision to discontinue this collaboration.

As a result of this decision, and in compliance with the terms of the agreement, Adocia reacquired full ownership of the rights it had licensed.

For the duration of the agreement, Eli Lilly and ADOCIA successfully completed six clinical studies. The consistent results obtained with 210 people with type 1 or type 2 diabetes and 15 healthy Japanese subjects helped consolidate the dossier for entry into phase 3. Furthermore, a pilot bioequivalence study of BioChaperone Lispro U200 against BioChaperone Lispro U100 was successfully completed, resulting in a $10 million milestone payment by Lily in December 2015.

3. Results obtained with BC Lispro U100 & U200

To date, BioChaperone Lispro has been successfully tested in eight clinical studies.

Phase 2a clinical results – pharmacokinetic and pharmacodynamic study in people with type 1 diabetes

Based on promising phase 1 results obtained during the first partnership with Eli Lilly, in January 2014, Adocia launched a phase 2a study of 36 patients with type 1 diabetes. The objective of this study was to compare the pharmacokinetic and pharmacodynamic profiles of BioChaperone Lispro U100 to those of Humalog U100. In April 2014, Adocia announced the results of this study, which showed a 30% faster onset of action and 69% better early metabolic effect of BioChaperone Lispro compared to Humalog in 36 patients with type 1 diabetes. These results are consistent with the pharmacokinetics of BioChaperone Lispro, which reaches its concentration peak 35% faster than Humalog; the amount of insulin present in the blood for the first 30 minutes is also 170% greater when it is formulated with BioChaperone.

Phase 2a clinical results – Second pharmacokinetic and pharmacodynamic dose-response study in people with type 1 diabetes.

In May 2014, Adocia initiated a second phase 2a clinical study of 37 patients with type 1 diabetes that aimed to evaluate the linearity of the effect of BioChaperone Lispro U100 at various doses in a range covering the needs of the majority of patients (0.1, 0.2 and 0.4 U/kg). Positive results from this study were announced in September 2014. In this usual dose range, BioChaperone demonstrated the ultra-rapid linearity of its pharmacokinetic profile with respect to the dose (normalization test). The ultra-rapid effect is also observed in the pharmacodynamic profiles, at all tested doses.

The results of these two studies convinced Eli Lilly to enter into a new collaboration with Adocia. On December 19, 2014, Adocia and Eli Lilly announced they had signed a global licensing agreement for the development of an ultra-rapid insulin, BioChaperone Lispro. The agreement covered the development of two formulations: BioChaperone Lispro U100 and U200. Since signing the agreement, Eli Lilly and Adocia have successfully completed six clinical studies of BioChaperone Lispro U100 and U200. Lilly announced its decision to withdraw from this agreement on January 26, 2017.

Phase 2a clinical results – Study of the response to a standardized meal in people with type 1 diabetes

Adocia and Lilly jointly announced in January 2015 that Adocia would initiate the first clinical study under this partnership. This Phase 1b/2a study aimed to evaluate the improvement in postprandial glycemic control obtained with BioChaperone Lispro compared to Humalog in 38 patients with type 1 diabetes after a standardized meal. Results of this study were jointly announced in June 2015. They showed a 61% reduction in postprandial glycemic excursions compared to Humalog. This study also confirmed the ultra-rapid pharmacokinetic profile of BioChaperone Lispro by demonstrating that insulin lispro's speed of absorption was significantly faster. Early exposure also increased by 168% at the same dose for BioChaperone Lispro compared to Humalog.

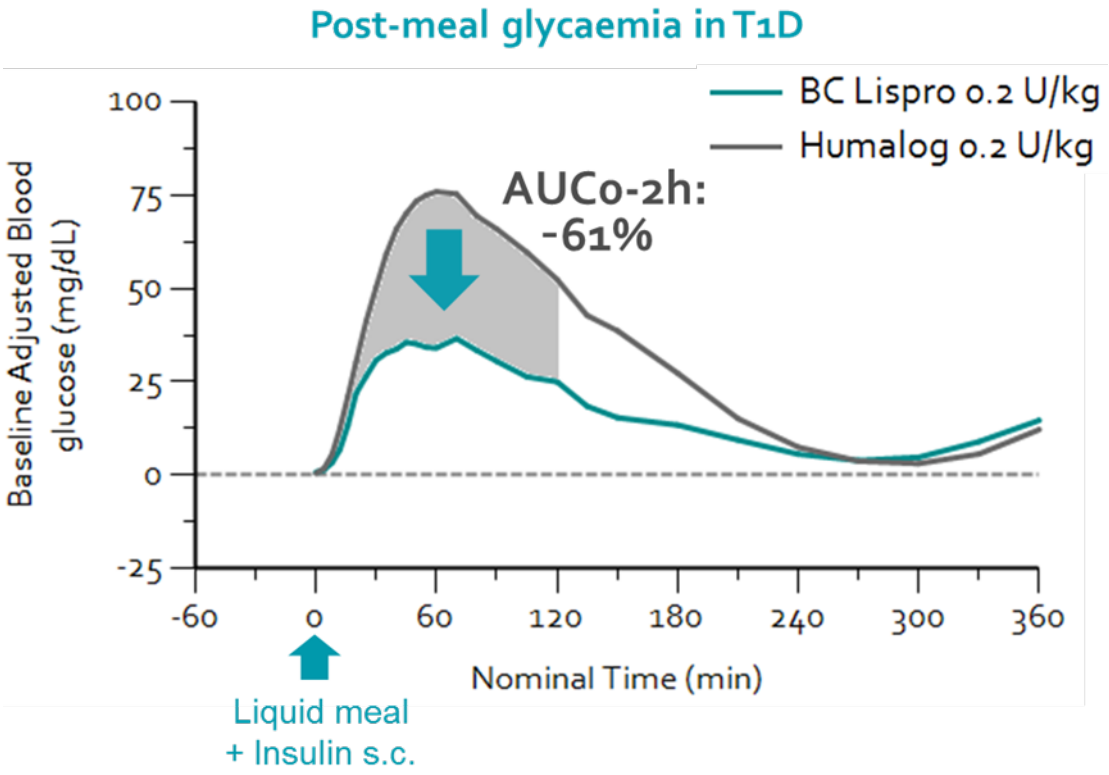


Figure 6: Comparison of the effect on postprandial glycemia of BioChaperone Lispro U100 vs. Humalog U100 in 38 people with type 1 diabetes. Glycemia is measured for six hours after injecting the treatment at the time of consuming a standardized liquid meal.

The results of this study were the subject of an oral presentation given by Dr. Tim Heise (Profil Neuss) at the American Diabetes Association's 76th Scientific Sessions (June 2016, New Orleans, USA) and a further oral presentation by Dr. Heise at the European Association for the Study of Diabetes 52nd Annual Conference (September 2016, Munich, Germany).

Phase 1b clinical results – Study evaluating the potential for bioequivalence of the BioChaperone Lispro U200 formulation compared to BioChaperone Lispro U100, based on their pharmacokinetic and pharmacodynamics profiles in healthy volunteers.

In June 2014, Adocia announced it was developing BioChaperone Lispro U300, a concentrated insulin lispro formulation with 300 IU/mL of insulin lispro with BioChaperone. Preclinical data demonstrated that BioChaperone® Lispro U300 had an ultra-rapid action compared to Humalog® 100 IU/mL. This ultra-rapid action was equivalent to that obtained with BioChaperone Lispro U100 in the same model.

As part of the partnership with Lilly, a 200 IU/mL formulation, BioChaperone Lispro U200, was developed, with Eli Lilly marketing a Humalog formulation at this concentration, Humalog U200. Further to positive preclinical results, BioChaperone Lispro U200 was clinically tested in a pilot bioequivalence study comparing it to BioChaperone Lispro U100, the positive results of which were announced in December 2015.

This pilot study aimed to demonstrate the potential for bioequivalence between the two products. BioChaperone Lispro U200 fulfilled all the study's predefined endpoints (two standard bioequivalence parameters, Cmax and AUC Lispro (0-infinity), and two parameters characterizing the ultra-rapid action (AUC Lispro (0–1 h) and early t50% Cmax Lispro) These positive feasibility result support the development of BioChaperone Lispro U200 based on the demonstration of bioequivalence.

These positive results led to a $10 million milestone payment from Eli Lilly in December 2015.

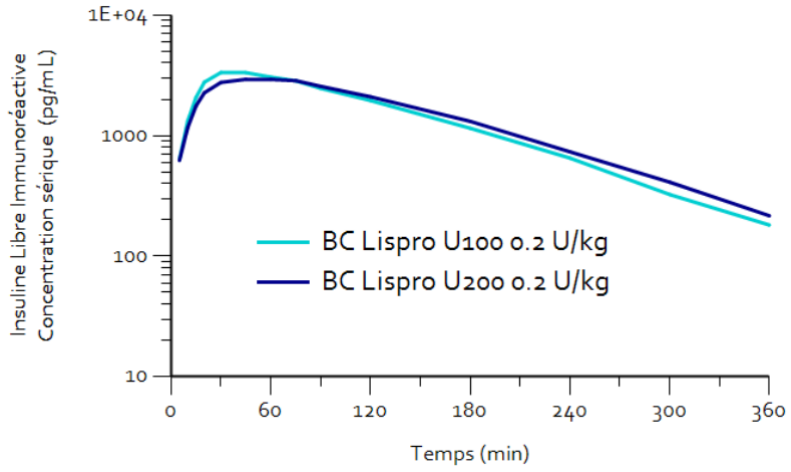


Figure 7: Mean pharmacokinetic profiles (variation in insulin level in the blood) of BioChaperone Lispro U100 (light blue curve) and BioChaperone Lispro U200 (dark blue curve) obtained from 26 healthy volunteers.

The results of this study were the subject of an abstract published in the Diabetes Care scientific journal at the American Diabetes Association's 76th Scientific Sessions (June 2016, New Orleans, USA).

Positive topline results for the phase 1b clinical study: repeated administration of BioChaperone Lispro U100 in people with type 1 diabetes.

In March 2016, Adocia and Lilly jointly announced the positive results of a phase 1b clinical study comparing the effects of BioChaperone Lispro and Humalog injected daily, at each meal, either at the time of the meal, or 15 minutes before, or 15 minutes after, on postprandial glycemic control in people with type 1 diabetes over a period of two weeks. This study showed: (i) at the beginning of the 14-day treatment period, BioChaperone Lispro U100 showed a 31% reduction in glycemic excursions over the first two hours compared to Humalog when the treatments where injected when a solid meal was consumed and; (ii) after 14 days of treatment, a reduction of 42% in glycemic excursions over the first two hours, compared to Humalog, when the treatments were injected at the mealtime.

Positive topline results for the phase 1b clinical study: repeated administration of BioChaperone Lispro U100 in people with type 2 diabetes.

In April 2016, Adocia and Lilly jointly announced the positive results of a phase 1b study comparing the effects on postprandial glycemic control of BioChaperone Lispro and Humalog injected daily at mealtimes for 14 days in people with type 2 diabetes. BioChaperone Lispro demonstrated an ultra-rapid pharmacokinetic profile with a statistically significant increase of 83% in exposure to insulin lispro during the first 30 minutes post injection, compared to Humalog. On the basis of a post-hoc analysis including four meal tests per patient for each treatment (days 1, 2, 13 and 14), BioChaperone Lispro also showed a statistically significant decrease of 22% in glycemic excursions for the first two hours, compared to Humalog.

Positive topline results for a phase 1 clinical study: evaluation of BioChaperone Lispro U100 in healthy Japanese subjects.

In May 2016, Adocia and Lilly jointly announced the positive results of a phase 1 study evaluating BioChaperone Lispro U100 ultra-rapid insulin in Japanese subjects. This study aimed to compare the pharmacokinetic and pharmacodynamic profiles of BioChaperone Lispro to those of Humalog in 15 healthy Japanese subjects under euglycemic clamp conditions. Although the study was not designed to perform statistical analysis, the results show an acceleration in the pharmacokinetic and pharmacodynamic profiles of BioChaperone Lispro compared to Humalog, as well as the linearity of insulin exposure as a function of the dose administered. The results of the study should allow for the inclusion of Japanese patients with diabetes into the phase 3 program in conformity with the global registration plan planned for this product.

Positive topline results for the phase 1b clinical study: evaluation of BioChaperone Lispro U100 in people with type 1 diabetes using an insulin pump

In December 2016, Adocia and Lilly jointly announced the success of a phase 1b clinical study comparing the effects of BioChaperone Lispro and Humalog on postprandial glycemic control in people with type 1 diabetes using an insulin pump. During this study, BioChaperone Lispro U100 demonstrated a statistically significant increase in insulin exposure over the first 30 minutes after a mealtime bolus compared to Humalog. The accelerated absorption of BioChaperone Lispro U100 was also observed in the three insulin delivery devices tested (Roche Accu-Chek® Spirit, Medtronic Paradigm® Veo™ and a syringe with insulin).

Thus, BioChaperone Lispro has demonstrated a reproducible absorption profile through several studies, several populations and several modes of administration.

4. Next steps

On the basis of this solid clinical dossier which should enable it to enter phase 3 clinical studies, Adocia is now seeking a new partner.

5. Competition

Several companies have sought to develop an ultra-rapid insulin with an action profile close to the physiologic activity of insulin.

MannKind, founded in 1991, developed Afrezza®, an inhalable human insulin with an ultra-rapid profile, for which the peak concentration is observed 12 to 15 minutes after inhalation. Insulin administered via this route has both a very rapid and very short action profile. On two occasions (2009 and 2010), MannKind was refused market authorization for Afrezza by the FDA. In 2010, the FDA required, in particular, a new phase 3 study with a new inhaler. In August 2013, MannKind announced positive results for its product, establishing its non-inferiority to insulin aspart at a similar safety level as well as a reduction in the number of hypoglycemic episodes

and reduced weight gain. On the basis of these results, on June 27, 2014, the FDA approved the use of Afrezza (inhaled human insulin powder) to improve glycemic control in adults with diabetes.

This approval was limited by restrictions on patient populations for which Afrezza was indicated (Afrezza is not recommended for smokers and patients with ketoacidosis) and by a "black box warning" (a warning about the potential risk of a drug, which should be explicitly stated on the packaging) regarding the risk of treatment-related bronchiospasm: patients with asthma or COPD (chronic obstructive pulmonary disease) are not able to use this treatment. Consequently, doctors must conduct a pulmonary examination before prescribing Afrezza to patients.

Moreover, the FDA required that MannKind perform four complementary post-marketing clinical studies:

- a clinical study to evaluate the pharmacokinetics, safety and efficacy of the treatment in children
- a clinical study to evaluate Afrezza's potential pulmonary carcinogenic risk
- two pharmacokinetic/pharmacodynamic studies under euglycemic clamp conditions to evaluate the dose-response profile and response variation between patients.

In August 2014, MannKind announced it had concluded a marketing agreement with Sanofi which could amount to $925 million dollars. The deal included an upfront payment of $150 million and $775 million in development and marketing milestone payments. Sanofi also provided MannKind with an R&D expenses advance of $175 million. Under this agreement, both companies would then share any potential marketing losses and profits at a ratio of 35:65 for MannKind and Sanofi, respectively.

Afrezza was launched in the United States in February 2015. On June 30, 2015, Sanofi reported sales of nearly $5.5 million, much lower than MannKind forecast in 2014. This situation led MannKind to implement three successive social plans in 2015. In December 2015, MannKind reported a debt of more than $40 million to Sanofi.

On January 5, 2016, Sanofi and MannKind announced the termination of the partnership, effective April 4, 2016. MannKind announced its intention to continue marketing Afrezza by its own means. Afrezza sales in 2016 remained very low.

Novo Nordisk developed an ultra-rapid formulation of insulin aspart called FiAsp. In 2016, FiAsp received its European market authorization from the European Medicines Agency for the treatment of type 1 and 2 diabetes. Further to a request for additional information by the FDA (complete response letter), Novo Nordisk announced its intention to resubmit its dossier during the first quarter of 2017. If this is the case, a regulatory decision concerning FiAsp for the USA could be announced early 2018.

The first press releases about the pharmacokinetic and pharmacodynamic profiles of FiAsp (phase 1b study of 52 patients with type 1 diabetes) showed that the product has significantly faster pharmacokinetic and pharmacodynamic profiles than insulin aspart. However, these data did not show a "fast-out/fast-off" effect (faster secretion of insulin shorter duration of activity), as was demonstrated for BioChaperone Lispro U100 in a phase 1b study. The latter effect is desirable as it may potentially reduce the risk of hypoglycemia. During phase 3 studies, FiAsp confirmed its ultra-rapid absorption profile but did not demonstrate its superiority in terms of hypoglycemia compared to insulin aspart.

In 2017, whilst ending its collaboration with Adocia, Eli Lilly announced that it had developed a competing in-house ultra-rapid insulin project. To date, no results for this ultra-rapid insulin lispro formulation have been published.

Other competing projects have recently been abandoned, in particular, the human insulin-hyaluronidase co-injection developed by Halozyme (who decided upon a strategic refocusing of its activity onto oncology late 2014 and, as a result, to abandon its insulin program) and the ultra-rapid formulations BIOD-250 and BIOD-238 developed by Biodel (which in 2016 was the subject of a reverse merger resulting in it deprioritizing the core Biodel projects in favor of those of the third party).

D. BioChaperone Combo

1. BioChaperone Combo: a safer alternative to premixed insulin for treatment intensification in people with type 2 diabetes.

Type 2 diabetes is a progressive disease requiring progressive treatment intensification. At present, 50% of patients on basal insulin do not meet their glycemic control targets (Sanofi press release – Q3 2015 presentation).

To improve glycemic control, the patient may be recommended to add a prandial component to his/her treatment regimen. This can be achieved *via* the addition of prandial insulin to the basal insulin, or by replacing basal insulin with premixed insulin. Premixed insulin is a fixed combination of a soluble fraction and a precipitated fraction of the rapid-acting prandial insulin analog. It is usually injected twice per day. It is thus an easier regimen than multiple insulin injections: one product only, twice daily at a fixed dose (rather than two products, four times a day at variable doses).

Premixed insulins are therefore particularly recommended for elderly patients. They are also widely used in emerging countries. However, they do not offer ideal medical performance owing to a delayed and prolonged prandial action, a basal action profile of less than 24 hours and an elevated risk of hypoglycemia.

To meet the medical need for a regimen as simple as that of premixed insulin but as effective as a multiple daily injections regimen, Adocia has developed BioChaperone Combo, a combination of insulin glargine (basal, Lantus®, Sanofi) and insulin lispro (prandial, Humalog®, Eli Lilly) at neutral pH. For a longtime, it was technically impossible to actually combine the benchmark basal action insulin, insulin glargine, and a prandial action insulin into the same product, as they could not be formulated in the same pH range. BioChaperone technology makes it possible to solubilize insulin glargine at neutral pH and thus make it compatible with any prandial insulin.

An insulin combo could become the benchmark algorithm for treatment intensification, providing really effective basal and prandial coverage. Indeed, patients could intensify their treatment from basal insulin by continuing to inject only once daily with a single product (Combo once-daily) and then, when the disease progresses, by simply adding a second injection of the same product (Combo twice-daily).

2. Clinical results obtained with BioChaperone Combo

To date, BioChaperone Combo has been successfully tested in three clinical studies.

Phase 1/2a clinical studies – First pharmacodynamic and pharmacokinetic study in people with type 1 diabetes

In the first quarter of 2014, Adocia announced positive results for a study that had aimed to compare the pharmacodynamic and pharmacokinetic profiles of BioChaperone Combo to those of HumalogMix (insulin lispro premix 75/25, Eli Lilly) in people with type 1 diabetes under euglycemic clamp conditions. The following positive results were obtained: onset of action of BioChaperone was at least 30% faster than that of HumalogMix; the duration of action observed for BioChaperone Combo was longer than 30 hours in the majority of patients but only reached 18 hours with HumalogMix and both treatment were well tolerated.

Phase 1b clinical results – Evaluation of the effects of BioChaperone Combo on postprandial glycemic control in people with type 1 diabetes.

In early November 2015, Adocia announced positive results for a phase 1b clinical study evaluating postprandial effects of BioChaperone Combo in 28 subjects with type 1 diabetes. This randomized double-blind crossover study compared the effect on postprandial glycaemia of individualized doses of BioChaperone Combo and Humalog® Mix™75/25 (Eli Lilly), injected at the start of a standardized meal. The study fulfilled its primary endpoint, demonstrating that BioChaperone Combo decreased postprandial glycaemia significantly more than Humalog® Mix™75/25 during the first two hours ($\Delta AUC_{BG(0-2h)}$). The minimal blood glucose level observed during the period was also significantly better controlled with BioChaperone Combo *vs*. Humalog® Mix75/25™. Although this study was not designed to measure differences in the incidence of hypoglycemic episodes between the two treatment groups, a reduced number of hypoglycemic events was observed with BioChaperone Combo *vs*. Humalog® Mix75/25™.

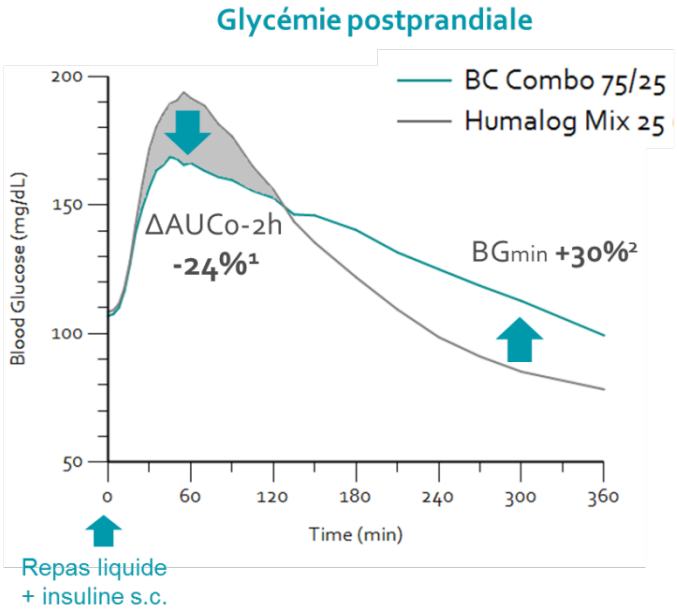


Figure 8: Pharmacodynamic profiles for BioChaperone Combo 75/25 and HumalogMix 25 after a liquid meal obtained from a trial in 28 people with type 1 diabetes (NCT#02514954). [1] *$p=3.10^{-3}$;*[2] *$p=8.10^{-3}$.*

The results of this study were the subject of an oral presentation given by Dr. Steve Edelman (University of California, San Diego) at the American Diabetes Association's 76th Scientific Sessions (June 2016, New Orleans, USA) and a poster at the European Association for the Study of Diabetes 52nd Annual Conference (September 2016, Munich, Germany).

Phase 1b clinical results – Pharmacokinetic and pharmacodynamic study of people with type 2 diabetes comparing BioChaperone Combo to HumalogMix® 75/25™ and to the dual injection of Lantus® and Humalog®.

In late November 2015, Adocia announced topline positive results for a phase 1b study comparing the pharmacokinetic and pharmacodynamic profiles of BioChaperone Combo to those of HumalogMix® 75/25™ and to the dual injection of Lantus® and Humalog® in patients with type 2 diabetes.

This randomized double-blind crossover phase 1b study evaluated BioChaperone Combo in 24 patients with type 2 diabetes under euglycemic clamp conditions. The topline results consisted of comparing the pharmacodynamic profile of BioChaperone Combo to that of Humalog Mix75/25™ (Eli Lilly) and to separate, simultaneous injections of Lantus (insulin glargine, Sanofi) and Humalog (insulin lispro, Eli Lilly). The two key parameters in this comparison were the early prandial effect ($AUC_{GIR(0-2\ h)}$) and the delayed basal effect ($AUC_{GIR(24-30\ h)}$) of these three treatments.

In this study, BioChaperone Combo demonstrated a significantly superior early prandial action and a longer metabolic effect compared to Humalog® Mix75/25™, which confirms results previously obtained during the first pharmacokinetic and pharmacodynamics study conducted in patients with type 1 diabetes.

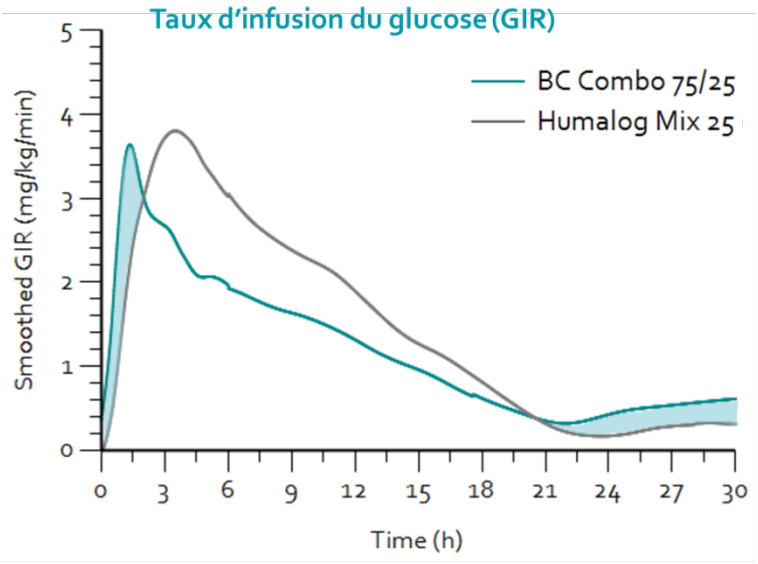


Figure9: Pharmacodynamic profile (glucose infusion rate) of BioChaperone Combo 75/25 and Humalog Mix 25 for 30 h after injection in 24 subjects with type 2 diabetes under euglycemic clamp conditions (NCT#02514850).

Furthermore, this study also established the proof-of-concept that BioChaperone Combo has a similar effect to that of the dual injection of Lantus® and Humalog® on these two parameters in people with type 2 diabetes.

The results of this study were presented in a poster discussed by Dr. Eda Cengiz (Yale School of Medicine) at the American Diabetes Association's 76th Scientific Sessions (June 2016, New Orleans, USA) and an oral presentation by Dr. Simon Bruce, Medical Director at Adocia, at the 52nd Annual Conference of the European Association for the Study of Diabetes (September 2016, Munich, Germany).

Launch of a phase 2a clinical study evaluating the effects of BioChaperone Combo on postprandial glycemic control in patients with type 2 diabetes.

In September 2016, Adocia initiated a study that aimed to measure the effect of BioChaperone® Combo injected at mealtimes on postprandial glycemic control in patients with type 2 diabetes compared with that obtained with Humalog® Mix25TM premixed insulin (Eli Lilly) and with separate injections of Lantus® (Sanofi) and Humalog® (Eli Lilly).

The results of this study are expected in the second quarter of 2017.

3. Next steps

Two additional clinical studies are scheduled for 2017 to complete the dossier in preparation for entry into phase 3:

- A dose-response study in people with type 1 diabetes scheduled for initiation in Q2, 2017.
- Repeated administration study in outpatient conditions in people with type 2 diabetes: scheduled for initiation in Q4, 2017.

In parallel with these clinical developments, Adocia is continuing to develop the CM&C portion of the dossier.

4. Competition

Novo Nordisk developed Ryzodeg®, a combo of a rapid-acting insulin analog (insulin aspart) and a slow-acting insulin analog (insulin degludec). Insulin degludec is the latest basal insulin developed by Novo Nordisk, under the brand name Tresiba®. Insulin degludec has a longer duration of action compared to insulin detemir (Levemir®, Novo Nordisk) which does not act for 24 hours. Tresiba is therefore a daily injectable product like Lantus, the benchmark basal insulin.

Ryzodeg was tested in multiple clinical studies, either compared to premixed insulin aspart (NovoMix, Novo Nordisk), to Lantus, or to a combination of Levemir and NovoLog. These results demonstrated the Ryzodeg is well tolerated in patients with type 1 and type 2 diabetes and that this product can improve glycemic control *vs*. Lantus and reduce the incidence of hypoglycemic episodes *vs*. NovoMix, confirming the expected benefits of a "true" combo compared to premixed insulin.

In 2013, Novo Nordisk obtained marketing authorizations for Tresiba and Ryzodeg in Europe and Japan. Ryzodeg is the first dual insulin combo product to enter the market. These products were only approved in the United States in September 2015, after Novo published positive interim results from the additional cardiovascular safety studies of Tresiba which the FDA had requested during the first submission of the regulatory file.

In contrast, the Combo of insulin glargine and insulin lispro developed by Adocia benefits from the large amount of positive data on the safety of insulin glargine and lispro (Lantus and Humalog). Furthermore, BioChaperone Combo may benefit from a competitive advantage in terms of pricing, as the product is based on two insulins which are the subject of biosimilar development: insulin glargine (biosimilars developed, amongst others, by Lilly-Basaglar (approved), Merck-Samsung (phase 3, United States and Europe), Gan & Lee (approved in China, phase 1 completed in the United States), DongBao (approved in China), Mylan-Biocon (approved in India and in phase 1 in the United States), and insulin lispro (biosimilars developed by Sanofi, in the registration phase in the United States and Europe), Gan & Lee (approved in China), DongBao (approved in China), Biocon (in preclinical development). Conversely, Ryzodeg is based on the novel basal insulin degludec (Tresiba) and insulin aspart. Currently, Novo Nordisk pricing policy takes into account the investment put into the development of Tresiba and this product is currently sold at a premium compared to premixed insulin.

Premixed insulins, comprising prandial insulin of which some is precipitated with protamine must also be considered as products in direct competition with BioChaperone Combo. These products include: HumalogMix (Eli Lilly, made from insulin lispro) NovoMix/NovologMix (Novo Nordisk, made from insulin aspart), in addition to, in emerging countries, premixed insulins made from human insulin, which remain widely used (e.g., Humulin 70/30 for Eli Lilly and Novolin 70/30 for Novo Nordisk, as well as many locally-developed products). These products now represent an estimated combined turnover of **$4.5 billion** for the three largest players, $2.6 billion for analog premixes[12] and $1.9 billion for human insulin premixes[13]. It should be noted that in China, 65% by volume of insulin sold consists of premixed insulin (according to estimates by Novo Nordisk in 2015). Whilst the exact turnover of Chinese companies in the Chinese market is not known, it is acknowledged that the Chinese market is underestimated.

12 Overall turnover estimates 2015, based on annual reports published by Eli Lilly and Novo Nordisk. NovoMix/NovologMix: Turnover in 2015 reported as DKK11,444 million, estimated at $1.621 billion (based on the $/DKK exchange rate on 12/31/2015). HumalogMix: Turnover in 2015 for Humalog (prandial and premix) reported as $2.842 billion. According to a NovoNordisk presentation in 2014 (Novo Nordisk Q1 15 Investor Presentation, slides 46–47), Humalog accounted for 8% of the global insulin market, and HumalogMix 4%, suggesting a 2: 1 turnover ratio, respectively. By applying this ratio, the estimated turnover of HumalogMix in 2015 was $950 million. This equates to a total of $2.571 billion. This figure is probably underestimated, as in emerging markets, some players have already marketed analog insulin premixes, such as Gan & Lee in China (lispromix).

13 For premixed human insulin, we used the ratio between human prandial insulin and premixed human insulin reported in the same presentation by Novo Nordisk: 40% prandial and 60% premix. By applying this ratio to the total sales of Novo Nordisk's human insulin (Novolin DKK 11,231 million, i.e., $1.634 billion), Lilly (Humulin, $1.307 billion) and Sanofi (Insuman, $153 million), we obtain a total of $1.856 billion for premixed human insulin. This figure is probably underestimated, as in emerging markets, many other players are producing and marketing human insulin, in particular in premixed forms in the Asian and Latin American markets (e.g., Gan & Lee, DongBao, Fosun WangBang in China; Biocon in India; R-Pharm in Russia; Julpharm in the Middle East, etc.)

However, as previously explained, these products have several disadvantages, particularly in terms of:

- **A delayed prandial action** compared to their benchmark insulin (human or analog). This delay leads to reduced postprandial glycemic control and an elevated risk of hypoglycemia linked to an overly slow transition between the prandial and basal effects. In clinical studies published to date, BioChaperone Combo and Ryzodeg present a similar onset of action to prandial insulin analogs.
- **An overly slow basal action**, less than 24 h, meaning two injections per day are required. With BioChaperone Combo, it is possible to gradually intensify treatment, switching from basal insulin to a single daily injection of BC Combo (at the time of the main meal of the day), then to two injections when disease progression requires it.

BioChaperone Combo may thus represent a superior solution to premixed insulin, at a similar price, to facilitate patient access to a better-performing and safer treatment, including in emerging countries wherein these products remain dominant.

E. HINSBET

1. A rapid and cost-effective prandial insulin

Seventy-seven percent of people with diabetes live in low- and middle-income countries where human insulin is the main type of insulin used. For these patients with diabetes, there is a real need for prandial insulin at an affordable price which acts as rapidly as insulin analogs.

HinsBet® U100 is a standard concentration human insulin formulation incorporating BioChaperone® to accelerate its action profile.

Furthermore, some people with type 2 diabetes are severely resistant to insulin and their treatment may require daily doses of insulin two or three times higher than those normally administered to people with type 2 diabetes, i.e., more than 200 units per day.

It is difficult for these patients to use conventional insulin analogs or human insulin at 100 IU/mL, such as Humalog® or Humulin®, as the volumes involved for the administrations are too large.

The main option for insulin-based treatment for these highly insulin-resistant individuals in the United States is Humulin® U500 (Eli Lilly), a human insulin formulation at 500 IU/mL, that is, five times more concentrated than standard products on the market. This product has rapidly growing revenues in the United States where estimates for 2014 amounted to more than $300 million (RED BOOK 2013 - Truven Health Analytics - Thomson Reuters).

2. Clinical results obtained with HinsBet U100

Two formulations were developed for HinsBet: one conventional formulation, that enabled the clinical proof-of-concept to first be demonstrated, and an optimized formulation, which was tested in two clinical studies in people with type 1 diabetes.

Phase 1b clinical results – Pharmacokinetic and pharmacodynamic study of people with type 1 diabetes comparing HinsBet U100 (BioChaperone rHI) to Humalog (insulin lispro) and Humulin (rHI).

In February 2015, Adocia announced positive topline results for this crossover double-blind study comparing the pharmacokinetic and pharmacodynamic characteristics of HinsBet with those of Humulin and Humalog. Thirty-six subjects with type 1 diabetes received a single 0.2 U/kg dose of HinsBet, Humulin and Humalog under euglycemic clamp conditions. The results showed that HinsBet was significantly faster acting than human insulin in patients with type 1 diabetes: onset of action 70% sooner and double the early metabolic effect. The three formulations were well tolerated and did not induce any local reaction.

This rapid action of HinsBet is comparable to that of Humalog in the first hour, which is critical when it comes to prandial glycemic control.

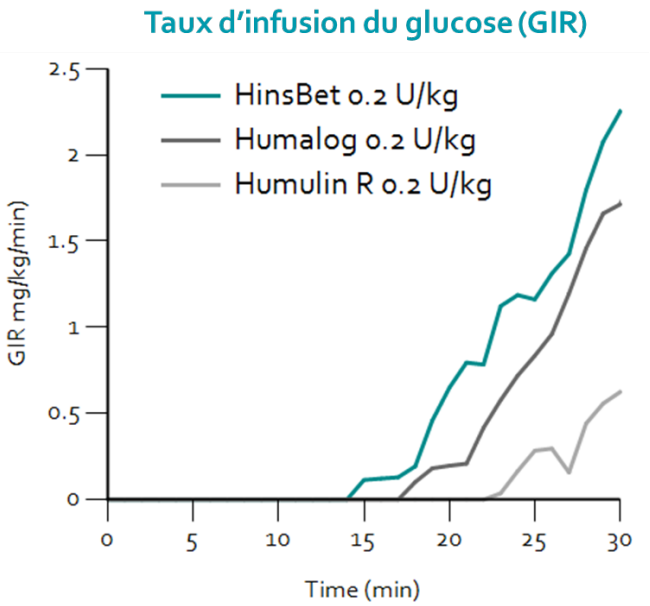


Figure 10: Pharmacodynamic profile (glucose infusion rate) of HinsBet U100 (0.2 U/kg), Humalog U100 and Humulin U100 for the first 30 minutes after injection in 36 subjects with type 1 diabetes under euglycemic clamp conditions (NCT#02213146).

Phase 1b clinical results – Evaluation of the effects of HinsBet U100 on postprandial glycemic control in people with type 1 diabetes.

On October 27, 2016, Adocia announced positive topline results for this study, which compared the postprandial effect of HinsBet U100 to those of Humalog and Humulin, injected at the same time as a mixed standardized meal. The clinical study achieved its principal objective of demonstrating the superiority of HinsBet® over Humulin® in terms of postprandial glycemic control one hour after the meal (glycaemia level one hour after the meal: BG1h=228 mg/dL with HinsBet *vs*. 253 mg/dL with Humulin, LSM ratio 0.9, 95% CI, p=0.0002). HinsBet also showed a similar effect to that of Humalog® in terms of postprandial glycemic control for the first hour after the meal. In addition, HinsBet significantly reduced postprandial glycemic excursions for the first hour compared to Humulin (AUCBG0-1 h=174 h*mg/dL avec HinsBet *vs*. 192 h*mg/dL with Humulin, LSM ratio 0.9, 95% CI, p=0.0002). No significant differences were observed between HinsBet and Humalog for this latter parameter (AUCBG0-1h=174 h*mg/dL with HinsBet *vs*. 172 h*mg/dL with Humalog, LSM ratio 1.0, 90% CI, p=0.5373).

3. Next steps

On the basis of these positive phase 1b results, and given the particular potential of HinsBet in emerging countries with greater user demand for human insulin, Adocia intends to find one or several partners with whom to continue HinsBet development in these markets.

4. Competition

The global market for human prandial insulin for the three main players (Novo Nordisk, Sanofi and Eli Lilly) is currently estimated at $1.238 billion[14]. Compared with conventional recombinant human insulin, HinsBet presents the advantage of an onset of action equally fast as that of an analog, for a cost similar to that of human insulin. HinsBet would therefore likely outperform human insulin in markets where it remains significant.

Ultimately, HinsBet will also compete with insulin analog biosimilars (aspart, lispro, glulisine). At present, an insulin lispro biosimilar developed by Sanofi is in the registration phase in Europe and the United States and some rapid-action insulin analog biosimilars have been approved (insulin lispro in China for Gan & Lee and DongBao) or are in development (insulin lispro for Biocon in the preclinical stage in India) in emerging countries. Sanofi is also developing an insulin aspart biosimilar (phase 1). However, HinsBet should continue to enjoy a competitive advantage in terms of pricing, since human insulin production remains less expensive than that of insulin analogs.

F. BIOCHAPERONE GLUCAGON

1. An aqueous formulation of human glucagon for the acute and chronic treatment of hypoglycemia

Glucagon is one of the main hormones regulating the metabolism. Its role is schematically the opposite to that of insulin. In a healthy person, glucagon is secreted in the event of hypoglycemia or during exertion in order to keep blood glucose at a normal level.

In the therapeutic field, human glucagon is the only approved treatment for severe hypoglycemia, which may result from using antidiabetic drugs (including insulin). Unfortunately, human glucagon is very unstable in aqueous solution and the only commercially-available products at present are the emergency (so-called "rescue") kits composed of lyophilized human glucagon that can be reconstituted just prior to injection by following several steps. Recent studies evaluating the ease-of-use of these kits have shown that in 80% of cases, users fail to correctly reconstitute and/or administer the recommended dose (Locemia, 2015).

By using proprietary BioChaperone® technology, Adocia intends to develop a stable aqueous solution of human glucagon. Such a solution could both be used as part of the emergency treatment of hypoglycemia (in a ready-to-use prefilled device for immediate use) and in the context of a dual hormone artificial pancreas (DHAP). In the latter, using glucagon may help to significantly increase the time spent within glycemic limits. More importantly still, the joint use of glucagon and insulin may help bring about devices that are completely autonomous, using algorithms that react automatically to glycemic variations, without the patient directly intervening. Recently, several research groups (academic and industrial, such as Beta Bionics or Inreda Therapeutics) have developed such smart pumps and have clinically demonstrated their potential benefits in comparison to pumps using insulin alone[15], particularly with regard to reduced glycemic variability and the reduced risk of hypoglycemia. However, all these teams are currently limited by the absence of a commercially available glucagon solution. Thus, most studies to date have been conducted using lyophilized glucagon reconstituted on a daily basis, which would not be suitable for everyday use.

Adocia hopes to be able to soon offer an aqueous solution of human glucagon. Using human glucagon also presents Adocia the additional advantage of being able leverage the positive track-record of this approved peptide relative to novel glucagon analogs developed by certain competitors (Eli Lilly, Novo Nordisk, Zealand Pharma).

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14 Cf. Calculation for human insulin premixes. The proportion of prandial human insulin is estimated here to be 40% of reported sales. Once again, the turnover figures for local players (Gan & Lee, DongBao, Fosun WangBang, Biocon, R-Pharm, BioMM, Bioton, etc.) have not been reported, suggesting that this figure is probably underestimated.

15 For example, cf. El Khatib *et al.*, 77-OR, ADA 76th Scientific Sessions June 10–14, 2016, USA. and Russell *et al.*, The Lancet (2016) 4(3):233-2

2. Clinical results obtained with BioChaperone Glucagon

In June 2016, Adocia announced the preliminary results for its BioChaperone Glucagon formulations. To date, Adocia has developed several formulations at different concentrations to address both emergency hypoglycemia treatment applications ("rescue", standard concentration of 1 mg/mL) and use in a DHAP (higher concentrations).

Adocia has demonstrated in *in vitro* studies that BioChaperone Glucagon is sufficiently soluble and stable at pH 7 to enable these two applications to be envisioned.

Furthermore, in preclinical studies conducted in pigs, Adocia was able to demonstrate that BioChaperone Glucagon had a similar action profile for glycemia to that of the commercially available product Glucagen® (Novo Nordisk, Recombinant human insulin 1 mg/mL reconstituted extemporaneously prior to injection). Similar results were obtained at different combinations of BioChaperone Glucagon.

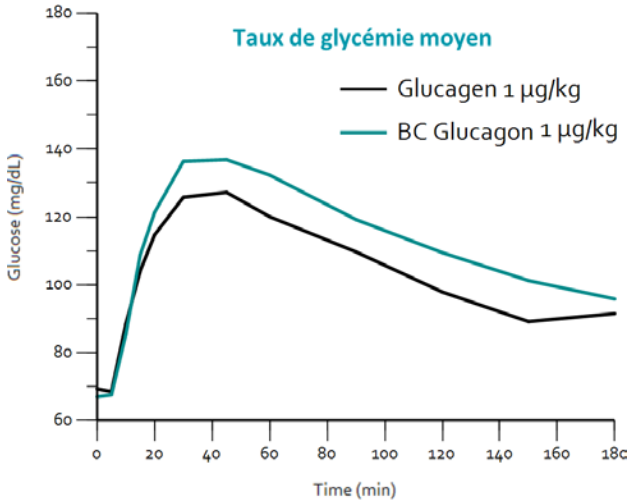


Figure11: Mean blood glucose level observed using a cross-over design in pigs (n=7) after injection of BC Glucagon (1mg/mL) vs. GlucaGen® (Novo Nordisk, 1 mg/mL, reconstituted extemporaneously)

3. Next steps

On the basis of these positive preclinical results, Adocia intends to initiate the first clinical study of BioChaperone Glucagon in humans in 2017.

4. Competition

Two major applications are envisaged for the BioChaperone Glucagon formulation.

For emergency use in the event of severe hypoglycemia, two products are currently available on the market: Glucagon (Eli Lilly) and GlucaGen (Novo Nordisk). These both come in emergency kits and require the real-time reconstitution of lyophilized glucagon and injection with a syringe. There are between seven and nine stages to the procedure. In a real emergency situation, wherein the patient is unconscious, these devices have proven to be extremely difficult to use for third parties, even more so if said third parties have not been trained in their use. In a study where 130 parents of people with type 1 diabetes were placed in a simulated hypoglycemic emergency situation, 69% had difficulty using the emergency kit (Glucagen®, Novo Nordisk), with the

participant being unable to inject the required dose[16]. Several companies, in addition to Adocia, are therefore developing alternatives for emergency treatment.

Locemia has developed a single-use nasal spray form which in principle is easier to use for the untrained user. This product was licensed by Eli Lilly, for an undisclosed sum, in October 2015. It is currently in phase 3 clinical development.

Zosano has developed a micro-needle applicator. This product is currently in phase 2 clinical development.

Furthermore, several companies are developing liquid forms for use in emergency situations or for use with an artificial pancreas.

Xeris developed a human glucagon liquid formulation with the help of the organic solvent DMSO. It intends to develop this product in the form of a pen for emergency situations, mini-pen for moderate hypoglycemic episodes and a cartridge for use in pumps (artificial pancreas or other chronic uses of glucagon). At this stage, a phase 3 study is ongoing for the treatment of severe hypoglycemia and the company has completed a phase 2 study for use in pumps. Xeris has also obtained the "orphan medicinal product" indication from the FDA for use in the treatment of congenital hyperinsulinemia.

Lastly, Zealand Pharma and Eli Lilly are developing soluble glucagon analogs. Their products are in phase 2 and phase 1 studies, respectively.

Zealand Pharm and Xeris have both announced non-exclusive research collaborations with the American not-for-profit company BetaBionics, which is developing a dual-hormone artificial pancreas. BetaBionics initiated a phase 2a clinical trial with the Zealand Pharma product, the results of which are expected in the first quarter of 2017.

Compared to an analog, BioChaperone Glucagon should offer the advantage of using human glucagon, the safety and efficacy of which have been demonstrated with the Glucagon and Glucagen products. It is possible the analogs will have different properties in terms of toxicity and that the regulatory authorities may request more comprehensive studies.

G. BIOCHAPERONE GLARGINE GLP-1

1. Combinations to intensify treatment in people with type 2 diabetes using basal insulin

Basal insulin remains an essential treatment for patients with uncontrolled type 2 diabetes using oral antidiabetic agents. However, according to some estimates, 50% of people with diabetes using basal insulin alone as an injectable treatment do not meet their glycemic target[17].

As the underlying mechanisms of action of basal insulin and GLP-1 receptor agonists (GLP-1s) are complementary, combinations of the two agents have been developed as a one product, once-daily treatment intensification options for these patients. In multiple phase 3 clinical studies, these combinations demonstrated improved glycemic control whilst reducing the incidence of adverse reactions compared to each agent used separately (hypoglycemia level similar to or lower than basal insulin alone and less gastrointestinal adverse reactions than GLP-1 alone)[2]. Two basal insulin-GLP-1 combinations were approved by the FDA in November 2016 (Xultophy® by Novo Nordisk and Soliqua® by Sanofi).

In September 2016, Adocia announced the launch of a new BioChaperone program to combine basal insulin and GLP-1. This program leverages from the expertise gained through the Biochaperone Combo project because it relies on BioChaperone's ability to solubilize insulin glargine at physiologic pH. This makes it possible to combine it with the two GLP-1 market leaders: liraglutide (Victoza, Novo Nordisk, daily administration) and dulaglutide (Trulicity, Eli Lilly, weekly administration), in order to develop two potential candidates:

- BC Glargine Liraglutide, with a strong potential price advantage, as it is based on two proteins in, or about to enter, the public domain.

16 Harris, G *et al.*, Practical Diabetes Int. 2001: 18;22–25.

17 Sanofi, JP Morgan Healthcare Conference Presentation , San Francisco, January 12, 2015.

- BC Glargine Dulaglutide, with a strong potential for best-in-class performance, based on the excellent pharmacologic profiles of both dulaglutide and glargine.

These two candidates, which are intended for daily use, may help improve glycemic control whilst also reducing the number of injections and limiting costs for the patient.

2. Preclinical results obtained with BioChaperone Glargine Dulaglutide and BioChaperone Glargine Liraglutide

Adocia has already generated positive stability and preclinical results for the BioChaperone Glargine GLP-1 program. To date, these results remain confidential.

3. Next steps

On the basis of these positive preclinical results, Adocia intends to initiate the first clinical study of one of the two BioChaperone Glargine GLP-1 candidates in humans in 2017.

4. Competition

Two combinations of basal insulin and a GLP-1 agonist were recently approved for the treatment of type 2 diabetes. Xultophy® (basal insulin degludec and liraglutide, Novo Nordisk) was approved in Europe in September 2014 and in the United States in November 2016. Soliqua/Suliqua (basal insulin and lixisenatide, Sanofi) was approved in the United States and Europe in November 2016.

In both cases, these products may be used to intensify treatment after using basal insulin or a GLP-1 agonist alone. The two combinations demonstrated in phase 3 clinical studies significant advantages compared to basal insulin: lower HbA1c, weight loss, less nausea than GLP-1 used alone. In the case of Xultophy, the product helps patients to lose weight. In the case of Soliqua, the product is neutral with regard to weight gain (compared to the increase in weight when using insulin. Furthermore, using a combination makes it possible to limit the number of injections to one per day and, in the American healthcare system, to also limit the cost borne by the patient (by requiring only a single "copay" payment per product).

The two companies announced their pricing strategy in the United States between November 2016 and January 2017. While Novo Nordisk announced a price for Xultophy corresponding to the sum of the Victoza and Tresiba prices, less a reduction of about 20%, Sanofi was more aggressive, proposing a pricing structure which is equivalent to the average price of a GLP-1, a price (before negotiations) about 33% lower than that of Xultophy. Indeed, as Sanofi had already amortized its investments in insulin glargine (now in the public domain), the company has more leeway to set its prices. Conversely, Novo Nordisk must recoup the investments in the development of insulin degludec and liraglutide and must also protect the independent Tresiba(insulin degludec) and Victoza (liraglutide) brands.

Compared to these products, BioChaperone Basal GLP-1 formulations can be positioned at performance levels which are at least comparable. Moreover, in the case of BioChaperone Glargine Liraglutide, the product could have an advantage in terms of pricing similar to, or even higher than, Soliqua, by using two molecules that are going to be in the public domain.

One last competitor product in development is the combination developed by the Korean company Hanmi of a weekly insulin (LAPS-Insulin, now in the preclinical stage) and a weekly GLP-1 (efpeglenatide). This combination was licensed to Sanofi in November 2015, as well as each component independently (including a once-monthly version of efpeglenatide), under an agreement including an initial payment of $434 million (€400 million) and expected to total $4.2 billion (€3.5 billion). In January 2017, Sanofi announced it was relinquishing the rights to LAPS-insulin and concentrating on the development of efpeglenatide (the entry into phase 3 of the weekly injectable version is scheduled for 2017). This announcement resulted in Hanmi refunding Sanofi $250 million (€196 million) and a reduction of the total potential amount of the agreement to €2.72billion. For its part, Hanmi is responsible for the development of the weekly LAPS-insulin/efpeglenatide combination, a product for which Sanofi retains a licensing option. Hanmi also has to bear some of the development costs of efpeglenatide, which was not the case in the initial agreement.

H. BioChaperone Prandial Combinations – multi-hormonal treatment for people with type 1 diabetes

1. Provide high-performance, easy-to-use multi-hormone therapy for people with type 1 diabetes to improve long-term outcomes

Although insulin is a vital treatment for people with type 1 diabetes, even the best-controlled patients present significant glycemic variations and frequently do not reach the targets set by their physician. This may result in an increase in the risk of severe complications in the long term, such as cardiovascular disease, retinopathy, renal failure and neuropathy.

In fact, in people who do not have diabetes, insulin is secreted synchronously and acts in synergy with other hormones, such as amylin and GLP-1, to control glycaemia. With type 1 diabetes, once the disease is established, neither insulin nor amylin is secreted and GLP-1 secretion is deficient (cf. below). It is therefore possible that the use of insulin alone cannot address all the metabolic deficiencies related to diabetes.

Pramlintide (Symlin®, AstraZeneca), a rapid-acting amylin analog, and exenatide (Byetta®, AstraZeneca), a rapid-acting GLP-1 receptor agonist, have been approved for the treatment of diabetes (type 1 and 2 for pramlintide and type 2 for exenatide). In clinical studies, these molecules have been shown, when used as a supplement to insulin therapy, to improve HbA1c and reduce prandial insulin use, weight gain and adverse effects.

Unfortunately, to the extent that insulin therapy for type 1 diabetes requires high patient involvement, with frequent glycemia monitoring and at least four injections of insulin daily, the introduction of an additional injectable treatment is often synonymous with a significant deterioration in quality of life and an increase in the cost of treatment, which can lead to its abandonment.

The combination of these molecules with insulin could therefore prove to be an elegant solution to maximize the medical benefit whilst maintaining patient compliance and controlling health costs. Developing such combinations is Adocia's objective for the BioChaperone Prandial Combinations program.

At present, prandial insulin formulations and either exenatide or pramlintide are not compatible. Adocia has therefore used its expertise to develop BioChaperone molecules that enable the solubilization and stabilization of exenatide and pramlintide in neutral pH solution, thereby making them combinable with prandial insulin. Adocia is currently developing two prandial 2-in-1 therapeutic combinations:

- BioChaperone Lispro Pramlintide
- BioChaperone Lispro Exenatide

Our BioChaperone formulation strategy, based on previous clinical results showing a clear medical benefit when hormones are administered separately, could reduce development time. BioChaperone projects could also support a competitive pricing strategy, taking advantage of already-approved proteins and proteins in the public domain (or about to enter it).

2. Next steps

The BioChaperone Prandial Combinations program, announced on January 5, 2017, is currently in preclinical development. Using established expertise in the development of innovative formulations with our BioChaperone technology, Adocia aims to test one of these candidates in a clinical study as early as the fourth quarter of 2017.

3. Competition

At this time and to our knowledge, Adocia is the first company to develop prandial hormonal combinations for people with type 1 diabetes.

AstraZeneca, owner of the commercial product Symlin (pramlintide), is currently conducting phase 1 clinical studies on the coadministration of prandial insulin and pramlintide using two independent pumps. These studies were partially funded by the Juvenile Diabetes Research Foundation (JDRF).

I. HISTORIC ADOCIA PROJECTS THAT WERE NOT PURSUED.

In June 2016, Adocia announced a strategic refocus on the diabetes field. Adocia discontinued several of its historic projects.

1. BioChaperone PDGF-BB, treatment for diabetic foot ulcers

BioChaperone PDGF-BB is a reformulation of PDGF-BB (*Platelet Derived Growth Factor*–BB), one of the growth factors involved in scarring.

Diabetic foot ulcers are chronic wounds, i.e., they do not heal as rapidly as acute wounds may also reoccur once closed. In a person with diabetes, chronic hyperglycemia leads in the long term to impairment of the blood vessels (ischemia) and nerve endings (neuropathy), especially at the extremities of the limbs. This can both impair the patient's ability to detect wounds in hard-to-see areas (heel, arch of the foot) due to the neuropathy and impede the healing process due to insufficient blood flow to provide the necessary enzymes, growth factors and nutrients (ischemia). Due to a limited and ineffective range of treatments, the medical need for the treatment of diabetic foot ulcers remains high. It is estimated that 15% of patients will develop diabetic foot ulcers[18].

The only biologic product approved for the treatment of diabetic foot ulcers is Regranex® (PDGF-BB, Smith & Nephew), in gel form for daily application. Although this product has been shown to be effective in clinical studies, it has a number of limitations (its use is made difficult by the need to store it in the refrigerator, it has a complicated method of applications and it remains expensive). Recognizing the strong medical need and limitations of the approved product, Adocia developed an innovative reformulation of PDGF-BB using BioChaperone technology. BioChaperone PDGF-BB is an aqueous spray formulation which is stable at room temperature and three times less concentrated than Regranex. It is applied only once every two days, i.e., consistent with the normal rhythm for changing wound dressings. This product therefore had multiple advantages: less frequent applications, a lower concentration making it possible to reduce the cost of the treatment, and an ease-of-use likely to improve patient compliance for the entire duration of treatment (several weeks).

In 2011, the Company announced positive phase 1/2 results for BioChaperone PDGF-BB. This study consisted of evaluating three different doses of PDGF-BB (14.5, 43.75, and 87.50 µg/cm² per week) in 192 patients, divided into four groups in eleven investigative centers in India, in comparison with Regranex® (43.5 µg/cm² per week). BioChaperone PDFG-BB treatments were administered once every two days while Regranex® was applied daily in accordance with the procedure approved by US and European agencies. The study was not blinded because of obvious physical differences between the two preparations, i.e. BioChaperone® PDGF-BB is a spray and Regranex® is a gel. The planned treatment period was 20 weeks or less if complete wound healing occurred sooner. The aim of the study was to establish the non-inferiority of BioChaperone® PDGF-BB compared to Regranex® for each dose of the former.

The primary endpoint of the study was the percentage of total wound healing (closure of the wound) after 20 weeks. The rates of total wound healing observed were all equal to or greater than that of Regranex®, i.e., 66% after 20 weeks. The non-inferiority endpoint was therefore satisfied for the three doses of PDGF-BB tested.

18 Diabetes and Wound healing (in French), Prof. P. Vexiau and Dr. D. Acker (Endocrinology and Diabetes Department, Saint-Louis Hospital, Paris, 2008)

For the lowest dose tested, using BioChaperone PDGF-BB resulted in a complete wound healing rate of 79% after 20 weeks, compared to 66% for Regranex.

On the basis of these positive results, in 2014, the Company initiated a phase 3 study in India. This randomized, double-blind, multi-center, outpatient study recruited 252 patients with diabetes with a chronic diabetic foot ulcer in India. In addition to their standard care, each group of patients was treated every two days for up to 20 weeks with either a placebo spray (saline solution) or a spray containing BC PDGF.

In August 2016, Adocia announced that BioChaperone PDGF-BB had not satisfied the primary endpoint of the phase 3 study it had conducted in India. The product was well tolerated and no undesirable or unpleasant adverse effects were observed.

It would appear relevant to point out that, between 2014 and 2016, five phase 3 studies for competitor products for the treatment of diabetic foot ulcer failed despite promising phase 2 results and even previously-issued marketing authorizations:

- **CureXcell®**, (allogeneic leukocyte cell-based therapy to reduce inflammation and promote healing, Macrocure): although marketed in Israel since 2014, the company announced in 2015 that this treatment had failed to meet the primary and secondary endpoints of a phase 3 study initiated in the United States in patients with diabetic foot ulcer;
- **Fiblast®** (FGF-2 growth factor spray, made from fibroblasts, Olympus): although this product is marketed in Japan by Kaken, the negative results of a phase 3 study initiated in Europe were made public in August 2014.
- **HP802-247** (living cell spray-on therapy for the treatment of chronic ulcers, Smith and Nephew): Smith and Nephew announced in October 2014 the negative results of a phase 3 clinical trial.
- **DSC127** (angiotensin analog, Derma Sciences). Despite the good results of a phase 2 study showing the non-inferiority of the product to Regranex in 75 patients with diabetic foot ulcer, in November 2015, Derma Sciences discontinued clinical development of DSC127 for diabetic foot ulcer further to conducting an interim analysis of its two ongoing phase 3 studies, which suggested a lack of efficacy of the product.
- **DermaPro** (product derived from chloridic acid, CytoTools). Following positive phase 3 results, the product was approved in India late in 2015 for use in patients with diabetic foot ulcer. The product is distributed in India by Centaur, a Cytotools partner. However, Cytotools announced in December 2015 the failure of a second, larger phase 3 clinical study including more than 300 patients with diabetic foot ulcer in seven countries. In those patients, DermaPro failed to demonstrate any difference with placebo (saline solution) after twelve weeks of treatment.

These findings point to inter-patient variability (type of ulcer, wound size, wound age, general condition of the patient), which is significant in this indication, making it difficult to properly statistically process the data. Furthermore, the standard of care, i.e., patients' usual management independent of the application of a treatment, also varies from one clinical site to another. In the case of the diabetic foot ulcer, this standard consists of disinfection of the wound, hydration, debridement (elimination of dead tissue), immobilization (through plasters or orthopedic devices) and its dressing. In particular, it has been shown that debridement plays a crucial role in the proper healing of a chronic wound.

Following a thorough review of the study, Adocia decided not to pursue the development of the PDGF-BB project. This decision is also consistent with Adocia's strategic desire to refocus its activities on the treatment of diabetes.

2. BioChaperone for the formulation of monoclonal antibodies (mAbs)

Between 2012 and 2016, the Company developed a technological approach aimed at developing a second generation monoclonal antibody formulation (BioChaperone-mAbs), that:

- improves the physical stability of monoclonal antibodies to prevent the formation of aggregates that could reduce efficacy and increase the immunogenicity of products;

- improves the solubility of monoclonal antibodies to enable the preparation of formulations at high concentrations so they can be administered subcutaneously rather than intravenously when the former mode of administration is compatible with the pathology in question and the monoclonal antibody used.

This development was carried out in collaboration with major players in the pharmaceutical and biotechnology fields. Several collaborations were established, in the form of feasibility studies carried out by Adocia for its partners. The objective was to validate the technological approach prior to a possible move towards licensing contracts. These feasibility studies generated revenues for Adocia.

As part of Adocia's strategic refocusing on diabetes, the Company decided to discontinue these R&D services to concentrate its resources on the proprietary products in its portfolio.

3. Drive*In*

In December 2013, the Company announced that it had acquired the exclusive rights for the development and marketing in the health field of patents covering this nanotechnology for the delivery of oncology therapies, developed by Professor Sébastien Lecommandoux and his team at the Organic Polymer Chemistry Laboratory (LCPO, UMR5629 CNRS – University of Bordeaux I – Polytechnic Institute of Bordeaux). This technology, called Drive*In*®, has been shown to be very effective in preclinical trials (in rodents) at transporting active substances and delivering them to solid tumors, thereby increasing the therapeutic index of these active substances. This work has been described in several publications in international scientific journals[19]. The novelty of Drive*In* resides in the use of nanoparticles whose surface is composed uniquely of hyaluronic acid, a biopolymer naturally present in the human body, known to interact with the CD44 cell receptor. This receptor is over-expressed in many solid tumors, providing Drive*In* with its properties of targeting and internalization into cancer cells. Drug delivered in this way would be more effectively internalized by cancer cells, whereas existing therapies remain limited in this respect.

Following the acquisition of the rights to Drive*In*, the Company conducted additional *in vitro* and preclinical studies to consolidate the technology and prepare for entry into the clinical phase.

However, as part of Adocia's strategic refocus on diabetes, the Company decided to end its oncology activities, and Drive*In* in particular, in June 2016.

J. A STRATEGY BASED ON SEVERAL THERAPEUTIC INNOVATIONS WITH AN ORIGINAL AND SOLID BUSINESS MODEL.

1. A strategy of medical innovation for the development of best-in-class products from therapeutic compounds approved by the FDA and the EMA.

Adocia has designed a new family of compounds called BioChaperone, whose exceptional properties improve the performance of a number of therapeutic molecules already on the market, in particular:

- by boosting their therapeutic efficacy;
- by attenuating their adverse effects (toxic effects);
- by improving their compliance (reduced administration frequency, shorter treatment regimen times , etc.);
- by combining products incompatible until now because of their different pH.

Adocia's strategy involves continuing the development of each of its products until proof-of-concept is established. It is considered that proof-of-concept is established when experts in the field have the scientific and medical conviction of the efficacy of the proposed technology. Thus, depending on the nature of the product and the therapeutic area of application, proof-of-concept may be obtained from animal studies, but more generally from human clinical trials. Adocia plans to license its formulations of monoclonal antibodies on the

19 Upadhyay *et al.* (2009), Biomacromolecules 10:2802-2808; Upadhyay *et al.* (2010), Biomaterials 31: 2882-2892; Upadhyay *et al.* (2010), Macromol. Biosci., 10:503-512; Upadhyay *et al.* (2012) Nanomedicine: Nanotechnology, Biology and Medicine 8:71-80.

basis of animal studies; however, its PDGF-BB formulation for the treatment of diabetic foot ulcers will be licensed only after having obtained probative results in a phase 3 clinical trial. The proof-of-concept for the treatment of diabetic foot ulcers cannot be established with an animal model, as the large number of studies with humans required to establish this proof is equivalent to conducting a phase 3 study.

Therefore, over the last few years, the Company has developed several different and highly promising products for therapeutic applications that vary from the treatment for diabetic foot ulcers, to insulin therapy, or even oncology, with innovative formulations of monoclonal antibodies and the new Drive*In* technology.

1.1 An original and solid business model

Adocia has developed a B-to-B economic model having the following advantages:

- limited funding requirements: the cost of developing a product to obtain proof-of-concept is a lot lower than the cost of marketing a product;
- a relatively short time period required to generate revenue: the Company receives revenue from its partners well before the product reaches the market; and
- a much lower risk of failure for a novel formulation than that of a new therapeutic molecule: the safety-in-use of the therapeutic protein is already established.

All expenses until the establishment of this proof-of-concept are borne by Adocia, while all development costs thereafter will be assumed by the partner. As part of the signing of the licensing contract, Adocia will receive a an initial fee, i.e., the upfront payment, followed by payments in stages as scientific, technical or clinical milestones are reached, and it will also receive a share of the revenue generated by product sales, i.e., royalties.

This relatively non-capitalistic development model therefore has the advantage of enabling the Company, should a licensing contract be signed, to receive vested revenues without waiting for the products generated through its BioChaperone technology to be marketed.

In addition, by collaborating with multinational partners with expertise in regulatory, clinical and marketing aspects for the sales of pharmaceutical products, the Company can henceforth concentrate more on its competitive advantages from its know-how in terms of the design of innovative therapeutic formulations and drug delivery technology.

1.2 Technological developments optimizing the properties of all types of therapeutic molecules (hormones, growth factors, monoclonal antibodies) and facilitating their production

Adocia is developing specific applications using its proprietary BioChaperone technological platform for therapeutic molecules having already shown their value in the treatments of the intended or similar indications, and which in most cases have been granted international marketing authorizations.

These developments are built around five axes:

- maximizing the potential of the existing BioChaperone platform in terms of its physicochemical capacities;
- extending the number of polymers, oligomers and small molecules so as to multiply the number of therapeutic molecules likely to benefit from the BioChaperone technology;
- reformulating existing therapeutic molecules made possible by BioChaperone technology in order to ultimately create technological breakthroughs; for example, replacing intravenous injection of monoclonal antibodies by the subcutaneous route;
- creating best-in-class products providing a real pharmaceutical-economic advantage; and
- identifying new complexes responding to public health needs not yet fulfilled.

Work on the development of the collection of BioChaperone compounds was originally guided by requirements of the American Food and Drug Administration (FDA) and the European Medicines Agency (EMA) concerning new pharmaceutical excipients, such as the absence of biological activity, the absence of toxicity, stability of products for several months, reproducibility of the manufacturing process of the product, precise

documentation on impurities of the product and conducting clinical studies in compliance with standard operating procedures (SOP*) and requirements of the International Conference on Harmonization (ICH*).

In addition to these regulatory requirements, the industrial vision of the production of best-in-class products has led Adocia to add prerequisites to enable global marketing of its BioChaperone technology: production of BioChaperone compounds from natural molecules complying with the requirements of the European Pharmacopoeia* and The United States Pharmacopeia - National Formulary*, rapid synthesis of BioChaperone compounds and a manufacturing process that can be scaled-up to industrial production; and finally, production standards compatible with Good Manufacturing Practices* of the European Commission in the context of manufacturing drug products.

2. A management team that anticipated global public health challenges

In today's context of global markets, the pharmaceutical industry has not been spared and must face a number of economic, industrial and even ethical challenges. Adocia's management has anticipated pharmaceutical-economic changes via a strategy combining medical benefits and cost reduction with an offer suited for both developed countries and emerging nations, the latter providing genuine opportunities because of their growth and market size.

2.1 A strategy responding to changes in the pharmaceutical industry by combining medical benefits and cost reduction

Adocia's development of its BioChaperone technological platform was guided by the notion of proposing more effective and safer pharmaceutical products with competitive production costs and prices, using therapeutic proteins having already proven their value. In addition, most of them have been granted international marketing authorizations, thereby limiting the risks of failure during development.

Treatments can no longer be developed without taking the costs to consumers into account. This is because of the increased prevalence and incidence of the pathologies addressed by Adocia, as well as the growth and aging of the population in a political climate of controlling public health expenditures in developed nations and increasing demand from emerging nations. Primary health insurance and second carriers, whether public or private, require pharmaceutical companies to consider the costs of the products they offer. The fact of simply having been granted a marketing authorization is no longer sufficient and the reasoning applied during research and development must take economic and therapeutic aspects into account. The entities reimbursing medical expenditure are increasing their vigorous protests of the costs of medicines and services, resulting in numerous partial or total reimbursements.

These political-economic issues are dealt with by improving the efficacy of therapeutic molecules used with BioChaperone compounds enabling treatments and dosages to be changed, in particular with substantial reductions in dosages, the number of applications and/or treatment duration, similar to the treatment of diabetic foot ulcers, as well as reduced production costs because the manufacturing process is easily scaled-up to the industrial level.

The boom in generic medicinal products, which is expected to be bolstered by the arrival of multiple patent expirations in the years ahead[20] and the rise in strength of biosimilars by companies located both in developed and emerging countries, will force large pharmaceutical companies to rethink the life-cycle management of their flagship medicinal products, and for some, their approach to innovation in research and development, diversification, and industrial partnerships.

Obtaining marketing authorization for a new pharmaceutical molecule is a very long process, requiring more than ten years of research and development investment with a very high risk of failure related to toxicity, low or absent tolerance or harmful adverse reactions in humans not compensated by the therapeutic benefits provided. A response to issues of innovations by the pharmaceutical industry can thereby be furnished by new formulations of existing therapeutic molecules on the market developed using the BioChaperone technological platform based on compounds having no intrinsic biological activity and that are hence registered with regulatory authorities as new excipients. Pharmaceutical companies will be able to continue proposing their

20 Biopharma prepare for first wave of biosimilars, Mary Serebov. BioWorld Today vol. 22 no. 139 July 21, 2011.

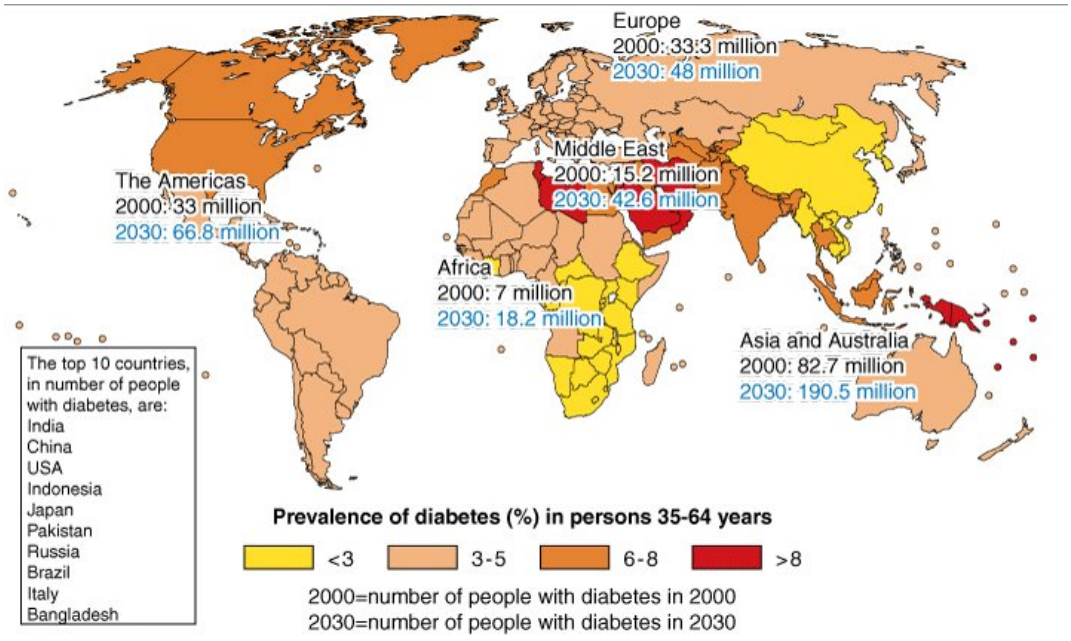
therapeutic molecules with new formulations that are at least as effective as before but with new properties (shorter onset to action, sustained action, new routes and/or methods of administration) with shorter lead times, with lower development costs and with a lower probability of project failure).

Adocia can provide credible responses in the context of political, economic and regulatory pressure, the explosion of drugs and biosimilars, and globalization of the pharmaceutical industry:

- to issues of innovations for large pharmaceutical companies that must cope with the increased use of generic drugs and the expiration of many patents protecting their flagship products, by proposing new formulations of their therapeutic proteins with new properties and with efficacy at least equivalent to that of existing treatments; and
- to issues of reducing treatment costs by enabling a reduction in dosages, the number of applications and the duration of treatment, or by new routes and/or mechanisms of administration of treatments.

2.2 A strategy adapted to emerging nations

Although the demand for pharmaceutical products is increasing in emerging nations, access to healthcare and drugs on the other hand remains highly problematic, even critical in some countries. The World Health Organization has estimated[21] that more than 80% of mortalities due to chronic pathologies occur in countries with low or intermediate per-capita income.



Source: Fauci AS, Kasper DL, Braunwald E, Hauser SL, Longo DL, Jameson JL, Loscalzo J: *Harrison's Principles of Internal Medicine*, 17th Edition: http://www.accessmedicine.com

Figure 12: Prevalence of diabetes in the world (from Fauci et al., Principles of Internal Medicine 17th Edition).

In 2011, the growth of the pharmaceutical products market in emerging nations (China +20%, India +15% or Brazil +11%) was much higher than the anticipated growth rate for the entire world market (+4.8% for a market estimated at $918.6 billion)[22]. Emerging nations will therefore play an increasingly important role in the pharmaceutical industry. As an illustration, the contribution of the United States to world growth of the

21 Prevention of chronic diseases: a life-saving investment, World Health Organization

22 IMS Health France

pharmaceutical market was 27% between 2005 and 2010 and will be only 11% between 2010 and 2015, whereas in the same period China will increase from 12% to 26%[23].

No.	in 2004	in 2014
1	United States	United States
2	Japan	Japan
3	France	China
4	Germany	Germany
5	Italy	France
6	United Kingdom	Brazil
7	Canada	Italy
8	Spain	Canada
9	China	Spain
10	Brazil	India
11	Mexico	Russia
12	Australia	United Kingdom
13	South Korea	Venezuela
14	India	Turkey
15	Holland	South Korea
16	Belgium	Australia
17	Poland	Mexico
18	Turkey	Argentina
19	Greece	Poland
20	Russia	Greece

Table2: Major pharmaceutical markets, listed in order of the value of the market in constant dollars. Source: IMS Health France

This strong growth in emerging nations is explained by elevated standards of living and hygiene, access to healthcare by populations and also by the creation of many local companies producing generic drugs and

23 IMS Health France

biosimilars, even the creation of biotechnology companies. According to a 2009 study by Ernst & Young[24], turnover by the Indian pharmaceutical industry was estimated at $22 billion in 2008, of which $2.5 billion was in biotechnologies; the domestic market was €7.7 billion with an average annual growth rate of 14.6% between 2003 and 2008. The same study stated that India was the fourth (in number) among countries producing drugs and the thirteenth in value.

Adocia's strategy involves proposing pharmaceutical products intended to become best-in-class products at costs lower than those of existing products to these markets. This strategy is very well suited to meet the substantial needs of these emerging nations. This strategy could also develop with the support of a growing local pharmaceutical industry and the possibility of licensing contracts with local companies.

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3. A model for development of pharmaceutical products with high added value

3.1 Experienced teams of scientists working on the development of innovative products

The Adocia team working on research and development of innovative pharmaceutical products developed with the BioChaperone technological platform accounts for almost 80% of Company staff. Scientific management (refer to section 17.1.1 "Main key employees") is provided by about twenty holders of PhDs in the varied and complementary fields of: chemistry, physical chemistry, biology, medicine and veterinary science, each having solid experience in the management of technological innovation and partnerships with large industrial groups in the field of drug delivery technologies of therapeutic proteins or in the development of medical devices.

This team of scientists was behind the in-house development of the BioChaperone technological platform, a real asset for the Company insofar as they have demonstrated their capacities for the coordinated, flexible and reactive management of complex, innovative, cross-discipline research and development programs.

3.2 Effective subcontracting of clinical trials

In order to maximize its economic model based on innovation and the creation of value, the Company has decided to outsource preclinical and clinical trials with recognized and certified service providers after conducting quality audits. Adocia is working with:

- the International Toxicology Center for all toxicology studies on BioChaperone compounds in compliance with rules defined by competent regulatory authorities (Good Laboratory Practices (GLP));
- NAMSA (formerly BIOMATECH) or the Claude Bourgelat Institute of the Lyon School of Veterinary Medicine in France, conducting preclinical studies on animals which employs specialists in anesthesiology, surgery, endocrinology, pathology and animal breeding, with animal facilities consistent with study needs; and
- contract research organizations (CROs), companies specialized in conducting clinical trials in compliance with rules defined by competent regulatory authorities (Good Clinical Practices (GCP)).

Clinical trials of BioChaperone insulins (refer to section 6.4.2.3. and 6.4.2.4 "Clinical trials conducted by Adocia and future clinical trials") were conducted by PROFIL, a German CRO that provides a full range of clinical trial services in the areas of diabetes, endocrinology and cardiovascular diseases, for all phases (1 to 4) in compliance with international quality standards (ICH-GCP and GLP). Adocia chose PROFIL because of its experience in conducting clinical studies of diabetes, with more than 200 studies conducted to date.

24 Capitalizing on the India opportunity: Helping French companies achieve business success in India, Ernst & Young, 2009.

3.3 Outsourced production

- Adocia is actively participating in the organization and supervision of the production of clinical batches. However, in compliance with its development model, product manufacture is outsourced to a CMO (contract manufacturing organization).

In addition to regulations, authorizations and required standards, these companies also comply with Good Manufacturing Practices (GMP) validated with competent authorities and certification organizations.

For the needs of preclinical and clinical work, however, Adocia produces all BioChaperone compounds in solution, primarily polymers of dextran manufactured by the Danish company PHARMACOSMOS which are then transferred to a CMO for freeze drying.

In the context of marketing BioChaperone compounds, they will be produced by CMOs selected by Adocia that use the same process as Adocia, a process that was designed to comply with industrial requirements.

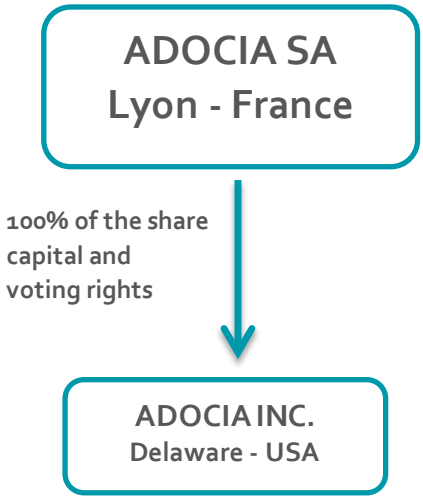
4. A strategy for dynamic management of intellectual property

The strategy for managing intellectual property developed by Adocia is intended to provide maximal protection of the Company's innovations, in terms of both products developed and geography, in order to protect future markets in which these products may be sold (cf. chapter 11 for details of patents held by the Company).

7. ORGANIZATIONAL CHART

A. ORGANIZATION OF THE COMPANY

At the date of issue of this reference document, the organizational chart for the Company is as follows:



B. SUBSIDIARIES, BRANCHES AND SECONDARY ESTABLISHMENTS

The Company created in February 2015 Adocia Inc., a subsidiary based in the state of Delaware in the United States which has, as of the date of this reference document, two employees: a medical director and a director of marketing. The objective is for the subsidiary to facilitate interaction with the US market and to lodge advocacy activities of the Company in the United States.

8. REAL ESTATE, FACTORIES AND EQUIPMENT

A. DESCRIPTION OF REAL ESTATE

The Company is headquartered in Lyon, 115 avenue Lacassagne in the 3rd *arrondissement* (district) of the city of Lyon.

The Company has been located at these premises since it was founded, initially as a tenant of the city of Lyon (*Metropole de Lyon*).

In February 2016, to make its presence at this site permanent, the Company acquired the building with a total area of 7,120 m², the land on which the building is located and 43 parking spaces The acquisition of this property was financed by a bank loan.

The *Métropole de Lyon*, which owns the business enterprise zone, has no capital ties with any of the Company's managers and/or shareholders.

B. OTHER PROPERTY, PLANT AND EQUIPMENT

The principal property, plant and equipment that the Company holds is described in note 3.2 to the notes to the corporate financial statements prepared in accordance with IFRS, in section 20.A of this reference document.

C. ENVIRONMENTAL ISSUES, AS REQUIRED BY ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE

In light of its business (drug research and development) and its geographical location (laboratories located at a single site in Lyon), the Company considers that its environmental impact is low. Its activities do not include industrial production or distribution, or significant discharges of effluents or greenhouse gases into the environment. Its activities do not require the use of the ground as a resource and employ few raw materials.

On February 21, 2016, the Company acquired the building located at 115, avenue Lacassagne, Lyon, in which the laboratories and offices are located. The building has a total surface area of 6,874 m² (excluding the basement) of which 1,602 m² is occupied by three companies to which Adocia has granted commercial leases.

The following factors are not discussed in this report because they were deemed irrelevant or because the Company does not have significant information in light of the quantities and interests at stake:

- Greenhouse gas emissions
- Adaptation to climate change
- Biodiversity
- Ground use
- Visual and noise environmental impact of the business
- The two employees based in the subsidiary Adocia Inc. have a low environmental impact due to their activity, limited to business travel. These two employees are excluded permanently from environmental indicators.

Despite the Company's low environmental impact, from the outset, it has focused on environmental protection and appointed two individuals to manage environmental aspects, one of whom, the HSQE manager, represents senior management.

The Company has made the treatment and recycling of chemical substances one of its priorities.

Circular economy, waste prevention and management

Chemical products

The Company purchases chemicals that are used in research and development operations. However, given the Company's size, only limited quantities of chemicals are handled, all of which are carefully monitored. The traceability of chemicals is strictly ensured from the time they arrive (a register kept by each department tracks raw materials), and after their use in research operations, waste is recovered and stored under specific conditions until it is collected by a specialized company.

The Company has no regulatory obligation to monitor solvents used or emissions of volatile organic compounds (VOC) for effluents linked to the use of volatile solvents used with extractors.

The Company has appointed a service provider that specializes in removing and recycling chemical waste. Before collection, which takes place at least once per quarter, the Company stores its waste in appropriate containers in dedicated premises (a storeroom).

In 2016, the quantity of hazardous laboratory waste sent to a specific center (packaging and soiled glass, chemical waste) totaled 40.8 tons. The Company considers that the quantity of waste that it discharges into the city of Lyon's wastewater treatment system is low, as most waste is recovered during handling. The Company emits no liquid effluent in waste water.

Furthermore, the Company has initiated the following recycling actions:

- sorting of plastics and caps
- sorting of paper and cardboard
- sorting of ink cartridges
- sorting of coffee pods
- recycling of vials, and
- sorting of batteries.

In 2016, the quantity of paper and cardboard removed totaled approximately 23.18 tons. Sorting and packaging is undertaken by the Vaux en Velin Sorting Center, for recycling in the paper industry.

The resources devoted to waste management issues are of two types:

- external resources, comprised of purchases of specific containers and expenses associated with services subcontracted to waste specialists, amounting to €49 thousand euros in 2016;
- internal resources, consisting of involving all employees in sorting waste and reducing energy consumption. Training is regularly provided, in particular at the time employees are hired. Each new employee receives "integration training," during which the Safety-Environment Department provides information on environmental practices that have been implemented. During this training, employees are provided with a waste management procedure.

The Company has set up a shared space that includes refrigerators for meals, thus favoring the provision of meals by everyone rather than the establishment of a catering service in order to limit food waste.

In 2016, under the impetus of the employee representative body (DUP), the Company installed a composter for the organic waste employees create during their lunchtime meals. This initiative was carried out with the help of a local firm.

In terms of noise pollution, only the laboratories' fume chamber extractors are potential sources of noise. This equipment, which is installed on the roof, is fitted with a soundproofing casing. Accordingly, the Company deems that it has minimized the risk of noise pollution.

With respect to sustainable resource use, the Company is concerned by the management of its water and energy consumption.

Until the beginning of the year, and prior to owning the building, the Company estimated its consumption of water and electricity from the amount invoiced in its rates expenses. In February 2016, the meters were replaced and the Company has since had direct and accurate information for the entire building

The Company's consumption of municipal water is mainly for sanitary purposes, although it also uses municipal water to produce distilled water.

The Company also uses water for its research activities, but it is mainly used for washing machines and sinks that are installed in the various laboratories and shared spaces of the Company. It is discharged after use in conventional drainage systems.

Until 2015, the Company purchased bottled water for the staff to drink. In 2016, to reduce its environmental impact, the management took the decision to install drinking fountains in the lobby, thereby considerably reducing water bottle and hence plastic waste. As a result, the quantities purchased are negligible and are no longer monitored. Running water consumption is calculated via actual consumption, based on invoices received. Lastly, for some of its research operations requiring purified water, the Company buys containers of purified water.

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Consumption	2015	2016
Bottle water	10	N/A
Double-distilled water	12	12
Running water consumption (m^3)	6,807	3,486
Total water (m^3)	6,829	3,498

The decrease in consumption in 2016 is mainly due to the withdrawal of water-based air-conditioning systems which required continuous water circulation.

With respect to energy, the Company consumes electricity only.

Electrical invoices received are for the entire building. In the absence of individual meters for each of the tenants, the Company estimated its own consumption according to the occupied m^2:

Consumption	2015	2016
Electricity (in kWh)	1,185,050	1,396,793

The increase in consumption in 2016 is explained by the Company's additional area of occupancy.

Gas consumption exists but is negligible.

The Company has set up a consumption monitoring program and, at the end of each day, has a person check and turn off electrical equipment that has been left on and adjust the temperature of heating and cooling systems. In certain premises, motion detectors that automatically turn off lights have been installed. The Company has also adopted and is gradually implementing a plan to replace old generation light bulbs with low consumption light bulbs.

With respect to the environment and impact on climate change, the Company considers that the quantity of greenhouse gases it emits in connection with its business is very limited. Its activities do not require combustion.

In light of the above factors and the Company's limited impact, no provisions or guarantees for environmental risks have been recognized to date.

D. INFORMATION ON SOCIETAL COMMITMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT, AS REQUIRED BY ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE

1. Territorial, economic and social impact of the Company's business

Because of its activity (medicinal product research and development), the Company considers that its environmental impact is low. The activities of the Company generate no particular noise and visual pollution for its employees or for the waterside residents.

Adocia has been based in Lyon since its creation, and it endeavors to be active and involved in its local area. In eleven years, the Company has hired over 100 people, most of whom are from the Lyon area. The Company's ongoing policy is to recruit and train young people. Each year, the Company accepts workers under apprenticeship or work-training contracts (eight at the end of December 2016) and a certain number of interns in order to train them (eight over the year 2016). The Company therefore is attractive to and offers professional prospects for scientists, researchers and technicians in the life sciences.

In 2016, the Company's payroll expenses and social security contributions accounted for nearly 32.5% of total expenses.

The Company maintains close ties with the training centers. In this regard, it sponsored ESPCI Paris Tech's 135th cohort so as to create and undertake multiple placements with students during their four-year academic pathway.

In 2016, the Company received three prizes:

- The EY Global Enterprise Award for the Auvergne Rhône-Alpes region, which rewards managers whose company is an international leader in its market, whose strategy and culture are internationally oriented and which have achieved at least 25% of its turnover internationally.
- The 1st Profitable Growth Prize and the 3rd Technology Fast 50 award for the Grand Rhône Alpes region awarded by Deloitte In Extenso Technology Fast 50.
- Lastly, the Special Mention Award in the "High Tech" category during the Human Capital Leaders Victoires Awards for the quality and diversity of its achievements as well as its ability to develop innovations and initiatives supporting human resources during the last few years.

2. Relations with shareholders and investors

The Company's financial communication is intended to guarantee access to complete, transparent and clear information for all. To this end, the Company has put in place a number of documents for its shareholders to explain its strategy, the research being conducted and the results obtained.

These documents are accessible on the Company's website under the Investor's heading, in French and in English. An email address (contactinvestisseurs@adocia.com) is also available for investors.

The Company also complies with its obligations as a listed company. It disseminates annual information supplemented by periodic information and press releases to the financial community and more generally to the public. It also organizes regular telephone conferences to comment on its results and to answer questions from shareholders.

In 2016, the Company participated in the Salon Actionaria, which took place in Paris on November 18 and 19, 2016, to meet individual shareholders. It has also participated in multiple investor salons in France, Europe and the United States, enabling it to meet institutional investors.

3. Subcontracting and suppliers

The Company appoints external suppliers to perform a significant portion of its activities, in particular, activities that require specific accreditations (Good Laboratory or Manufacturing Practices), particular facilities (animal housing unit) or organizations specialized in conducting clinical trials, known as contact research organizations (CROs). These external expenses account for nearly 40% of the Company's total expenses.

The supplier selection process complies with pharmaceutical regulations and takes into account criteria such as proximity, excellence and research ethics. Due to its size and the social and environmental stakes at play, the Company does not audit its suppliers on CSR issues.

At the local level, the Company has created partnerships with the Lyon Veterinary School and Biomatech for conducting its preclinical studies. The main service provider, Namsa, is AAALAC accredited and the ICB is taking steps to acquire the AAALAC accreditation.

These two organizations comply with ethics legislation and have an animal welfare structure, an independent ethics committee and have socialization and enrichment programs for the two models used by the Company (dog and pig). These two structures also ensure that they have programs for the reclassification of animals in order to comply with the 3R rule when study conditions permit.

It also uses the services of numerous consulting firms in the area (patents, finance, lawyers).

4. Fair practices

With respect to the risk of corruption, the Company considers that it has set up mechanisms, relying on effective internal controls, to prevent this occurring. Separating tasks associated with payments is one of the means put in place for avoiding possible errors or embezzlement.

Concerning the choice of suppliers, comparative quotations are systematically requested above a certain expenditure threshold. As part of its research and development activities, the Company is obliged to comply with current standards (Good Laboratory Practice, Good Manufacturing Practice), as well as with the regulations adopted by public health protection agencies, such as the European Medicines Agency (EMA) and the Food and Drug Administration (FDA) in the United States.

The Company has been listed on the regulated Euronext-Paris stock exchange since February 2012. Accordingly, purchases and sales of securities and, in particular, bonus shares and business founders' stock warrants (BSPCE), are subject to strict rules.

Adocia has adopted a corporate disclosure policy and a code of ethics, which are in compliance with AMF recommendation no. 2010-07 of November 3, 2010, as well as the MiddleNext guide, which set forth and explain the rules applicable to privileged information and the duties owed by insiders.

5. Public health issues

Health and consumer safety is at the core of the Company's business: developing innovative medicines for everyone, all over the world.

The Company develops drugs based on therapeutic molecules that have already been approved. Using its proprietary BioChaperone technology, it improves the effectiveness of such molecules, thereby simplifying and expanding their therapeutic use, while improving patients' quality of life.

In a worldwide pharmacological and economic context marked by the adoption of policies designed to control health costs, the products that Adocia develops may improve the effectiveness of therapeutic molecules, while reducing the dosage, number of applications and/or duration of treatment.

Lastly, despite the fact that the demand for pharmaceutical products in emerging countries is expanding, access to healthcare and drugs remains problematic, even critical, in certain countries. The World Health Organization estimates that over 80% of the deaths due to chronic pathologies occur in low or medium income countries. By offering pharmaceutical products destined to become best-in-class and at lower prices than existing products, Adocia's strategy seems particularly suited to meet the mass needs of these emerging countries.

Given the stage of development of its entire project portfolio, no medicinal product containing BioChaperone technology developed by the Company has been marketed to date.

The development of the Company's projects is strictly regulated. Thus, for studies using animal models (preclinical development) and studies using human participants (clinical development), it submits its dossiers to various approval committees: regulatory affairs authorities (e.g., Bfarm for clinical studies in Germany) and ethics committees.

6. Actions taken to promote human rights

The Company endeavors to comply with prevailing regulations and is not aware of any specific issues in this regard.

The information concerning labor issues required by Article R. 225-105-1 of the French Commercial Code is provided in section 17.7 of this reference document.

9. REVIEW OF RESULTS AND FINANCIAL POSITION

Readers are invited to read this analysis of the Company's financial position and results along with the financial statements prepared under IFRS for the fiscal years ended December 31, 2015 and December 31, 2016, as well as the notes to the consolidated financial statements prepared under IFRS and presented in section 20.1 of this reference document and all other financial information included herein. Readers may also review the description of the Company in section 6 "Business Overview".

The consolidated financial statements restated under IFRS are presented in section 20.A of this reference document. Only the corporate financial statements prepared under French GAAP have legal force and are reproduced in the notes to this reference document along with the statutory auditor's reports.

A. COMPANY PRESENTATION

Adocia is a biotechnology company specializing in the development of innovative formulations of pre-approved therapeutic proteins. It has a high level of expertise in the field of insulin. The proprietary technology platform, called BioChaperone®, aims to improve the efficacy of therapeutic proteins and their ease of use for patients.

As the results of this research and their commercial development take many years, up to now the Company's annual financial statements have mainly reflected research and development costs which, for the most part, have been financed by capital increases, Bpifrance repayable advances and grants and the research tax credit.

Since its inception, and before its IPO, the Company has raised over €27 million through capital increases subscribed, in particular, by the Company's founders, Messrs. Gérard, Olivier and Rémi Soula, and institutional investors (IdInvest, Amundi, Viveris, BioAm, SHAM and InnoBio). In 2012, the Company was listed on the Euronext Paris regulated market and raised more than €27.4 million (excluding transaction costs). In March 2015, it completed a private placement of nearly €32 million by issuing new shares to investors specialized in the healthcare sector, particularly in the United States.

In 2009, the Company recorded its first revenue when it concluded research and collaboration agreements. At the end of 2011, a major license agreement was signed with the Eli Lilly group, from which it received an up-front payment of €7.6 million in early 2012. In July 2013, the Company announced the end of this collaboration agreement, thereby recovering its rights to develop an ultra-fast acting analog insulin and enabling it to conduct its own clinical studies to establish "proof of concept".

Following the clinical results obtained in late 2013 and throughout 2014, Adocia convinced Eli Lilly to renew their collaboration. On December 19, 2014, the two companies signed a licensing agreement for the development of an ultra-fast acting insulin called BioChaperone® Lispro. At the time the agreement was signed, the Company received a non-repayable up-front payment of $50 million (€41 million).

The years 2015 and 2016 were marked by intense activity under this partnership with the completion of six clinical studies on the BioChaperone Lispro formulation and the receipt of a $10 million milestone payment following the positive results of the bioequivalence study of the concentrated formulation of BioChaperone Lispro.

Throughout 2016, the Company focused its efforts entirely on diabetes by discontinuing its monoclonal antibodies and Drive*In* programs and launching new BioChaperone Combo projects, combinations of long-acting insulin glargine with GLP-1 and, recently, combinations of prandial insulins.

On January 26, 2017, the Company announced that Eli Lilly was ending the collaboration on BioChaperone Lispro. Adocia has therefore recovered all its rights to this product and is looking for a new partner to continue the development towards phase 3.

The Company's financial statements have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) and adopted by the European Union as of the date the financial statements were prepared. The financial statements at December 31, 2016 were approved by the Company's Board of Directors at its meeting on March 7, 2017.

B. PRESENTATION OF THE LAST TWO FISCAL YEARS

1. Components of net income

The table below summarizes the Company's income statement under IFRS for the fiscal year ended December 31, 2016 and provides a comparison with fiscal year 2015.

(IFRS - € thousands)	FY 2016 (12 months)	FY 2015 (12 months)
Research and collaborative agreements	11 739	17 048
Licencing revenues	10 749	19 888
Revenue (a)	**22 488**	**36 936**
Research tax credit	7 812	6 768
Grants, public financing, others	154	1 050
Other revenue (b)	**7 966**	**7 818**
Operating revenue (a)+(b)	**30 454**	**44 753**
Research and development expenses	(30 971)	(28 625)
General and administrative expenses	(7 484)	(6 025)
Operating expenses	**(38 455)**	**(34 651)**
Operating income (loss)	**(8 001)**	**10 103**
Financial income	**181**	**2 118**
Tax	(72)	333
Net income (loss)	**(7 892)**	**12 553**
Base earning per share (€)	(1,15)	1,88
Diluted earning per share (€)	(1,15)	1,80
Group net profit (loss)	**(7 892)**	**12 553**

1.1 Operating income

The Company's operating income resulted from the collaboration and licensing agreements and from the public funding of research expenses. It amounted to €44.7 million and €30.5 million for the fiscal years ended December 31, 2015 and December 31, 2016, respectively, based on the following breakdown:

(IFRS - € thousands)	FY 2016 (12 months)	FY 2015 (12 months)
Research and collaborative agreements	11 739	17 048
Licencing revenues	10 749	19 888
Revenue (a)	**22 488**	**36 936**
Grants, public financing, others (b)	**7 966**	**7 818**
Operating revenue (a)+(b)	**30 454**	**44 753**

The Company's revenue mainly resulted from the collaboration and licensing agreement signed with Eli Lilly at the end of 2014 for the development of the BioChaperone® Lispro ultra-fast acting insulin. In January 2017, Adocia announced Eli Lilly's decision to end the collaboration on BioChaperone Lispro. The agreement will end after a four-month period during which the data and the materials produced will be transferred to Adocia.

2016 revenue amounted to €22.4 million compared to €36.9 million in 2015.

It includes, first of all, €10.7 million in **licensing revenue** related to the amortization of the up-front payment of $50 million (€40.8 million) received from Lilly at end-December 2014. Under IFRS, this payment is recognized as licensing revenue on a straight-line basis over the development period indicated in the agreement.

Following the announcement in January 2017 of Lilly's decision to end the agreement, the full unamortized balance at December 31, 2016, in the amount of €18.8 million, will be recognized in 2017.

In 2015, in addition to the €10.7 million in amortization, licensing revenue included the milestone payment of $10 million, or €9.2 million, received from Lilly following the success of the pilot bioequivalence clinical study.

In accordance with the agreement, the Company also billed Eli Lilly for all internal and external costs, which resulted in revenue under the **research and development agreement** of €11.7 million. The €5.3 million decrease compared to 2015 stemmed from the transfer of some of Adocia's activities to Lilly in the last quarter as indicated in the project development plan.

Other operating income, at €8 million, remained stable relative to 2015 and mainly consisted of the research tax credit in the amount of €7.8 million for fiscal year 2016.

1.2 Operating expenses

The table below shows a breakdown of operating expenses by function for the fiscal years ended December 31, 2015 and December 31, 2016:

(IFRS - € thousands)	FY 2016 (12 months)	FY 2015 (12 months)
Research and development expenses	(30 971)	(28 625)
General and administrative expenses	(7 484)	(6 025)
Operating expenses	**(38 455)**	**(34 651)**

Research and development costs mainly include payroll costs of research and development employees, subcontracting costs (including preclinical and clinical studies), intellectual property costs and purchases of materials (reagents and other consumables) and pharmaceutical products. They amounted to €28.7 million and €31 million for the fiscal years ended December 31, 2015 and December 31, 2016, respectively. These costs accounted for nearly 81% of operating expenses in 2016.

General and administrative expenses mainly include payroll costs of non-research and development employees, as well as the cost of services related to the sales management and development of the Company and its subsidiary in the United States. They amounted to €6 million and €7.5 million for the fiscal years ended December 31, 2015 and December 31, 2016, respectively. The increase in 2016 was mainly due to payroll expenses (including shares-based payments) and operating costs.

The table below shows a breakdown of operating expenses by type of expense for the fiscal years ended December 31, 2015 and December 31, 2016:

(IFRS - € thousands)	FY 2016 (12 months)	FY 2015 (12 months)
Purchases used in operations	(1 781)	(1 133)
Payroll expense	(16 619)	(12 690)
External expenses	(19 070)	(20 119)
Taxes and contributions	(222)	(240)
Depreciation, amortization and provisions	(763)	(468)
Operating expenses	**38 455**	**34 651**

The cost of materials, products and supplies consumed amounted to €1.8 million, an increase of 57% compared to the previous year. This increase resulted from procurement related to the intensification of clinical activities.

Payroll expenses rose by 31% between the two periods, reflecting the increase in staff and the Company's share-based employee profit-sharing policy. These expenses were recognized under IFRS at the fair value of the equity instruments granted in the amount of €4.6 million in 2016 compared to €2.6 a year earlier. This increase resulted from the share grant plans, particularly the plan implemented at the end of December 2015 for all employees for Adocia's 10-year anniversary.

Excluding these elements which had no impact on the Company's corporate financial statements or cash position, payroll expenses totaled €12.1 million, up €2 million (+20%) compared to 2015. This increase was mainly due to recruitments during the year to support project development. The average number of Full-Time Equivalents (FTE) therefore rose from 93.9 in 2015 to 115.9 in 2016.

External charges mainly included the costs of preclinical and clinical studies, subcontracting expenses and intellectual property costs. These expenses stood at €19.1 million, the same as the previous year, and reflect the intense project-related activity, including in particular:

- Completion of the efficacy and toxicity studies ahead of the clinical studies,
- Preparation, production and release of the batches needed for the clinical studies,
- Management of the clinical studies, particularly those for the insulin products subcontracted to Profil GmbH (Clinical Research Organization).

Taxes amounted to €0.2 million and were stable compared to 2015.

Depreciation and amortization for 2016 totaled €0.8 million compared to €0.5 million a year earlier. This increase resulted mainly from depreciation related to the purchase of the building at the beginning of 2016.

1.3 Net financial income/expense

Net financial income of €0.2 million in 2016, down by €1.9 million compared to last year, consisted mainly of changes in net foreign exchange gains and interest received on cash investments. In 2016, at a time of significantly lower interest rates, earned interest was far lower than in previous years.

The Company's investment policy focused on liquidity, the absence of capital risk and, to the extent possible, guaranteed performance.

1.4 Corporation tax

The €72,000 in tax for 2016 shown on the consolidated income statement refers only to the US-based subsidiary, as the parent company reported a tax loss.

Last year, with a net tax loss of nearly €5 million, no tax expense was recognized. The Company applied a portion of its tax loss to the previous year's income, thereby generating a tax credit (carryback) of €0.3 million.

The carry-over losses after this application for 2016 totaled €63.3 million. This carry-over loss is not time-barred. Since the Company cannot determine with certainty when its accumulated tax loss may be used, no deferred tax asset was recognized for this loss.

1.5 Net profit/loss

The net loss for 2016 was €7.9 million compared to a net profit of €12.6 million in 2015. The net loss per share was therefore €1.15, for a net gain last year of €1.88 per share.

2. Balance sheet items

2.1 Non-current assets

Non-current assets increased by €6.7 million between 2015 and 2016, including €5.5 million from the purchase of the building and parking spaces. When combined with the investments in lab equipment, non-current assets rose from €2.1 million at end-December 2015 to €8.8 million at end-December 2016.

2.2 Current assets

Current assets amounted to €70 million at December 31, 2016 compared to €86 million at December 31, 2015. They consisted of the following items:

- "Cash and cash equivalents" fell from €72.1 million at December 31, 2015 to €58 million at December 31, 2016. The €14.1 million in cash consumption during the year reflects the high level of expenses related to project development.
- Customer receivables mainly consisted of the amount due on activities in the fourth quarter of the year. This amount was €2.5 million for 2016 compared to €5.2 million at the end of 2015. This decrease stemmed from the transfer of some of Adocia's activities to Lilly in the last quarter of 2016 as indicated in the project development plan.
- Other current assets rose from €8.7 million at December 31, 2015 to €9.4 million at December 31, 2016. This €0.7 million rise was mainly due to the increase in the amounts due from the French government related to the hike in the research tax credit based on expenses for the year.

2.3 Current and non-current liabilities

Liabilities consisted mainly of four items presented on the balance sheet according to their maturity:

- "**Trade payables**" under current liabilities in the amount of €4.6 million compared to €5.5 million at end-December 2015.
- "**Financial debt**" totaling €6.8 million at end-December 2016 compared to €0.8 million a year earlier. The €6 million increase over the year mainly corresponds to the loans obtained to finance the purchase of the building and parking spaces. The short-term portion, shown under "Current financial liabilities", totaled €0.6 million at end-December 2016 compared to €0.1 million a year earlier.
- "**Long-term provisions**" mainly comprise provisions for retirement benefits, which totaled €1 million for fiscal year 2015 and €1.7 million for fiscal year 2016.
- The "**Other liabilities**" item includes the non-repayable unamortized balance of the up-front payment received from Lilly in the amount of $50 million (€40.7 million). Under IFRS, this amount is recognized as revenue on a straight-line basis over the expected term of the clinical development program, as anticipated at the time of the signing of the agreement. A portion of this €40.7 million was therefore recognized as revenue in 2015 and 2016 (€10.7 million per year).

  At the end of 2015, the unamortized balance was €29.6 million, with a short-term portion of €10.8 million corresponding to the portion recognized as revenue in 2016.

  At the end of 2016, this balance was €18.8 million, all of which is presented under current liabilities. In fact, given the discontinuation by Lilly of the collaboration agreement in January 2017, the entire unamortized

balance will be recognized as revenue in 2017. In addition to this amount, tax and social security liabilities totaled €3.8 million at end-December 2016 and were stable compared to last year.

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10. CASH AND EQUITY

A. INFORMATION ON THE COMPANY'S EQUITY, LIQUIDITY AND FUNDING SOURCES

Readers are invited to review notes 3.9 and 3.10 to the consolidated financial statements prepared under IFRS for the fiscal years ended December 31, 2015 and December 31, 2016, which are presented in section 20.1 of this reference document.

1. Equity financing:

Net changes in equity were, to a large extent, explained by the results recorded for fiscal years 2015 and 2016 which, for 2015, were offset by a capital increase.

The Company received a total of nearly €87 million in the form of capital increases between its creation and the filing date of this reference document:

- €11,999,999.97 raised in the first round of equity financing in October 2007 and supplemented in December 2007,
- €9,023,548.80 raised at the time of a capital increase on November 2, 2009,
- €4,976,665.44 raised in connection with various exercises of stock warrants in fiscal years 2009 and 2010;
- €27,362,288.08 raised at the time of the Company's stock exchange listing in February 2012 through a public offering in France and an institutional placement in France and certain other European countries which, in each case, concerned new shares,
- €31,964,991.80 raised at the end of March 2015, through a private placement of 621,887 shares of the Company with investors specialized in healthcare, mainly in the United States, which concerned new shares.

(in € thousands)	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 year 2015					12 553		12 553
Gain (losses) on actuarial adjustments on defined pension liabilities						(629)	(629)
Translation adjustment							0
Comprehensive income for the period	**0**	**0**	**0**	**0**	**12 553**	**(629)**	**11 924**
Allocation of profit for the year 2014				(20 715)	20 715		0
Augmentation de capital	621 887	62	31 903				31 965
Increase in capital			(2 152)				(2 152)
Exercise of equity instruments (warrants)	8 400	1	33				34
Share-based payment				2 903			2 903
			(211)	84			(127)
Liquidity Contract - Elimination of treasury shares							
Others							0
Total shareholder relations	**630 287**	**63**	**29 573**	**(17 728)**	**20 715**	**0**	**32 623**
Balance at 12/31/2015	**6 846 363**	**685**	**78 670**	**(44 299)**	**12 553**	**(558)**	**47 052**
Profit for the year 2016					(7 892)		(7 892)
Gain (losses) on actuarial adjustments on defined pension liabilities						(432)	(432)
Translation adjustment							0
Comprehensive income for the period	**0**	**0**	**0**	**0**	**(7 892)**	**(432)**	**(8 324)**
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)	13 400	1	3				4
Share-based payment				3 822			3 822
Liquidity Contract - Elimination of treasury shares			269	(66)			203
Others				6			6
Total shareholder relations	**13 400**	**1**	**271**	**16 315**	**(12 553)**	**0**	**4 035**
Balance at 12/31/2016	**6 859 763**	**686**	**78 942**	**(27 984)**	**(7 893)**	**(990)**	**42 762**

2. Debt financing:

As of the filing date of this reference document, the Company received non-interest bearing repayable aid for its research from Bpifrance and Coface, for a total amount of €3.6 million.

At December 31, 2016, the amount still owed on these advances was €0.9 million.

The details of each of the repayable advances received and the repayment terms are provided in section 22.1 of this reference document.

The Company also uses other types of financing to finance the purchase of laboratory equipment and a company car. The future short-term obligations under these financial leases totaled €229,000 at December 31, 2016.

The Company also obtained two bank loans to finance the purchase of the building and parking spaces where its research center and headquarters are located. At end-December 2016, this debt totaled €5.4 million, with a portion due in less than one year of €450,000.

3. Off-balance sheet commitments:

The Company's off-balance sheet commitments as of the filing date of this reference document are described in note 7 to the corporate financial statements prepared under French GAAP, which are presented in section 20.3 of this reference document.

B. CASH FLOWS

The statement of net cash flows between the fiscal years ended December 31, 2015 and December 31, 2016 is shown below:

(IFRS - € thousands)	FY 2016 (12 months)	FY 2015 (12 months)
Net cash flow generated by operating activities	(13 138)	(6 216)
Net cash flow in connection with investment transactions	(7 189)	(804)
Net cash flow in connection with financing transactions	6 301	29 282
Changes in net cash	(14 026)	22 262
Cash and cash equivalents at the start of the year	**72 062**	**49 800**
Cash and cash equivalents at year-end	**58 037**	**72 062**

1. Net cash flow from operations

For fiscal year 2016, net cash flow from operations amounted to €13.1 million compared to €6.2 million a year earlier.

Net cash flow includes reimbursements by Lilly of internal and external expenses incurred by Adocia for the BioChaperone Lispro project over the two years. In December 2015, the Company had also received the first milestone payment referred to in the licensing agreement (€9.2 million received in December 2015) following the positive results of the pilot bioequivalence study.

Excluding this payment specific to 2015, the cash consumption required for operations amounted to €15.4 million in 2015, i.e. an amount similar to that of 2016 (€13.1 million).

2. Net cash flow from investments

Cash consumption related to investment activities was €7.2 million, a significant increase over the previous year (€0.8 million at December 31, 2015).

During the course of 2016, the Company stepped up its investments to support its growth.

First of all, it had the opportunity to purchase the building that it has occupied since its creation and in which it has made a number of improvements and investments. The purchase of the building and 43 parking spaces and the subsequent purchase of additional parking spaces for a total of €5.6 million

were financed through bank loans (positive cash flow related to the financing of this transaction).

It then continued to invest in equipment and improvements for a total of €2.5 million, €0.9 million of which was financed through leasing.

3. Net cash flow from financing transactions

In 2016, net cash flow from financing transactions resulted primarily from the loan obtained to finance the purchase of the building and parking spaces. In 2015, this item was impacted by the private placement that generated a positive cash flow of nearly €30 million (net of costs), which was partly offset by the repayment of the balance of the Bpifrance repayable advance for €0.5 million.

C. RESTRICTION ON THE USE OF EQUITY

None.

D. FUNDING SOURCES NEEDED IN THE FUTURE

With nearly €58 million in cash and cash equivalents at December 31, 2016, the Company believes that it has the necessary resources to finance its operating expenses for at least the next 24 months from the filing date of this reference document.

Including debt, which mainly consists of €5.4 million in financing for the building, €0.8 million in equipment purchases and €0.9 million in repayable advances, net cash as of this same date was €51 million. This level of cash enables the Company to fund its planned clinical program (see section 6.A.3.2 of this reference document) and the development of its new programs.

In particular, the Company believes that it is able to make its next repayments of the loans and the Bpifrance repayable advances, which are estimated at €791,000 for 2017. (see note 3.10 to the Company's consolidated financial statements prepared under IFRS in section 20.A. of this reference document).

11. INVENTIONS, PATENTS, LICENSES, TRADEMARKS AND DOMAIN NAMES

A. INNOVATION POLICY

Adocia's mission is to create and develop inventions that are subsequently licensed.

These inventions involve in particular innovative therapeutic treatments based on the combination of our processing technology (BioChaperone®) with therapeutic protein agents.

Since its founding, Adocia has created inventions in several therapeutic domains based on its BioChaperone technology, such as the healing of chronic wounds and the treatment of diabetes with insulin therapy. In 2016 the Company refocused its business on the treatment of diabetes, which is reflected in its patent portfolio.

The Company's innovation policy consists of all measures the Company takes in this area. The Company's innovative mission guides the recruitment of management employees and technicians, employee training, and its work methods. More specifically, researchers receive both internal and external training related to IP.

The inventions that Adocia develops are cross-disciplinary and cover various scientific, chemical, physicochemical, analytical and biological fields. Teams of experts have therefore been formed, and then expanded, in each discipline. The various teams are coordinated during regular working meetings held for each project. In addition, each lead scientist presents a bimonthly report on scientific advances every two weeks.

Mr. Gérard Soula has significant research and innovation management experience, with over 30 years' experience in this field. Mr. Olivier Soula, Vice President and R&D Director, has 11 years of experience in R&D management, first with Flamel Technologies and then with Adocia.

B. PROCEDURES FOR THE PROTECTION OF INTELLECTUAL PROPERTY

1. IP department and external firm

The Industrial Property department reports to the Business Development and Industrial Property department under the responsibility of Soula, BD and IP Director. It comprises three people at the date of this reference document.

The Industrial Property department, in collaboration with an industrial property consulting firm, evaluates the patentability of inventions and, if applicable, conducts studies of freedom to operate for the products intended to be utilized, in particular via a license.

An industrial property firm, Cabinet Tripoz, manages the Company's portfolio of patents.

2. Designation of inventor and remuneration

An invention declaration form has been created to describe the invention and designate its inventor or inventors, specifying their respective contribution.

Adocia has set up an attractive compensation policy for inventions in order to promote innovation within the Company. An internal memorandum explains the conditions under which employee-inventors are entitled to the additional compensation prescribed by the French Intellectual Property Code, and provides for payment of attractive lump-sum fixed compensation after submission of a first patent application and granting of a patent in Europe or the United States, as well as variable compensation that increases in accordance with sales generated by the relevant invention.

Mr. Gérard Soula has assigned to the company, without any financial consideration, all of the rights he held for inventions within the Company's field of business at the date of this reference document. Assignment agreements are signed whenever required by national law (in particular, in the USA and Canada). Furthermore, Mr. Gérard Soula has undertaken to assign to the Company, also without any financial consideration, all new intellectual property rights within the company's field of business that he may hold in the future during the time he continues to be an officer of the Company.

3. Communication and confidentiality

It is essential for an innovation company to manage communication and control the confidentiality of information.

Technical communication is therefore approved by the Industrial Property department and, if applicable, subject to contracts suitable to the situation (see chapter 11.4 Contracts).

C. PATENTS AND PATENT APPLICATIONS

1. Intellectual property protection policy

The success of the Company depends at least in part on its ability to protect its inventions, primarily by obtaining and renewing patents in Europe, the United States and the rest of the world.

Since March 16, 2013, priority applications are only submitted in France since it is no longer necessary to apply for a US patent in order for protection to be recognized. Before the new regulation took effect in the United States on March 16, 2013, priority applications were filed simultaneously in France and the United States to implement protection as rapidly as possible.

However, direct extensions in the United States are conducted simultaneously with PCT extensions to ensure direct and rapid US procedures.

2. Offensive, alternative and defensive strategies

An active policy is pursued to protect products under clinical development (offensive strategy) as well as products derived from alternative solutions (alternative strategy) and products corresponding to defensive solutions (defensive strategies). Patent applications are qualified as (i) protection of core business, (ii) protection of alternative solutions and (iii) defensive applications.

3. Territories

Patent coverages are examined with respect to the importance of inventions, and three predetermined strategies are implemented by the Company concerning the choice of countries in which the national phase of PCT applications are in force (no later than 30 months after submitting the priority application). These three predetermined strategies are:

- Strategy 1 for defensive applications: United States and Europe;
- Strategy 2 for alternative solutions: United States, Europe, China, India, and possibly Brazil, Canada, Japan, Australia and/or Israel;
- Strategy 3 for the core business: United States, Europe, Canada, China, Japan, India, Australia, Israel, Mexico, Brazil, Russia (or Eurasia), South Africa, Singapore and South Korea.

4. Applications in the sole name of Adocia

Patents submitted by the Company are the property of the Company if their inventors are all employees, with the exception of Mr. Gérard Soula (see chapter 11.2.2. Designation of inventor and remuneration). In the case of company employees, every employment contract for staff contributing to invention contains a clause covering inventions, and all inventions legally belong to the Company as stipulated in article L.611-7 of the French Intellectual Property Code. Transfer agreements are systematically signed for each invention whenever required by government regulation.

5. Types of patent application

There are two main types of patent:

- Patents concerning an object (also known as "composition of matter" patents) may involve polymers, composites or compositions;
- Patents concerning actions, such as utilizations or procedures.

6. Portfolio

Currently, inventions are protected by patent application filings comprising 30 distinct families. Adocia's portfolio contains more than 150 patents and patent applications belonging to the Company, of which 84 are still being examined by patent authorities. The table below indicates the number of patents granted as well as the patent applications currently underway, by territory, as of December 31, 2016:

Territories	Patents	Current patents pending
France	14	9
United States	15	11
European patent	4	17
Australia	4	2
Brazil	0	8
Canada	2	4
China	5	4
Eurasian patent	0	2
Hong Kong	0	3
Israel	3	3
India	1	7
Japan	5	2
South Korea	3	3
Mexico	4	2
Russia	6	0
Saudi Arabia	0	2
Singapore	5	1
South Africa	4	2
PCT	N/A	2
Total	**75**	**84**

Adocia's portfolio is primarily composed of "composition of matter" patents. More specifically, the families involving prandial or basal insulin, amylin receptor agonists (RA) and glucagon rely on polymers, composites and/or compositions.

The FAST insulin project (BC Lispro and HinsBet) comprises ten families of patent that include many supplied products.

It includes in particular among the most recent families, the WO2014076422 and WO2014076423 families currently under review for which patent applications have been submitted in Australia, Brazil, Canada, China, Eurasia, Europe, Hong Kong, Israel, India, Japan, South Korea, Mexico, Saudi Arabia, Singapore, the United States and South Africa.

The patents for these families, subject to their delivery and to payment of annuities, will confer protection until 2033.

The project for the combination of basal insulin, notably glargine insulin, and prandial insulin also comprises ten families of patents.

We can cite among these in particular the WO2013021143 family for which patents are pending in Australia, Brazil, Canada, China, Europe, Hong Kong, Israel, India, Japan, South Korea, Mexico, Russia, Singapore, the United States and South Africa. Patents have been granted in the United States, Europe, China, Israel, Japan, Mexico, Russia and Singapore.

Provided annuities are paid, these patents will provide protection until 2032.

A French patent application was submitted in 2016 for new composites and new compositions combining glargine insulin and prandial insulin.

Patent applications were submitted in 2016 to best protect the new projects related to Adocia's shift of its core focus to diabetes. They cover:

- glucagon formulated at physiological pH values;

- combinations of prandial insulin with GLP-1 RA;

- amylin or amylin receptor agonists, in particular Pramlintide, formulated at physiological pH values.

It should be noted that published patent applications and patents granted can be found on the internet using free patent databases, such as Espacenet or USPTO.

7. Portfolio management

The portfolio is examined periodically for patent applications made for inventions that are no longer under development and that cannot be sold or licensed. These are terminated to reduce costs. This is the case of applications concerning nanoparticles, for example.

8. Litigations

There are no claims or litigations to declare.

D. CONTRACTS

1. Protection of proprietary technologies

Before any exchange of information or material of a confidential nature with a third party, a suitable contract is drafted that systematically includes confidentiality and restriction of use clauses. A confidentiality contract is generally signed first when assessing the relevance of entering into a possible commercial relationship or collaboration. There will follow, depending on the situation, one or more contracts for transfer of equipment, service provision, consulting or collaboration, which will ensure, among other provisions, that Adocia retains full ownership of the results (related to Adocia's proprietary technologies) arising from these contracts and of the intellectual property rights attached to these results.

2. Cooperation agreements

In November 2007, the Company begin signing cooperation agreements with various major pharmaceutical groups.

The Company did not assign intellectual property rights to its technology with any of the agreements it signed, and no implicit license can arise from any of the cooperation agreements with its partners, as this is a prerequisite demanded by Adocia upon signing any such agreement.

Partners may hold rights only to inventions developed strictly within the scope of the cooperation that is the subject of these agreements, and to no other inventions. Depending on the partner, title may be held jointly with the company or outright by the partner.

Most of these cooperation agreements involve evaluating BioChaperone® technology with respect to active pharmaceutical ingredients that are already marketed or are under pharmaceutical development.

Trials are conducted in either the Company's or the partner's laboratories, and the costs of such trials are paid by the Company's partners.

Because the Company's partners have demanded confidentiality about the very existence of these agreements, neither the areas of cooperation nor the partners' identities may be disclosed in this reference document.

3. Licenses

3.1 License granted by Adocia to Eli Lilly

On December 14, 2011, the Company signed a licensing and cooperation agreement with the Eli Lilly group. This agreement concerned the development and marketing of Lispro rapid-acting insulin analog in conjunction with BioChaperone® technology ("BioChaperone® Lispro"). The company granted Eli Lilly exclusive worldwide rights to BioChaperone® for the purpose of developing, manufacturing and marketing BioChaperone® Lispro. This agreement covered all potential indications for BioChaperone® Lispro. The license rights granted were based on the WO2008038111 and WO2010122385 families of patent applications and patents. In July 2013, Adocia and Eli Lilly decided to terminate their licensing and cooperation agreement, and Adocia recovered its rights to develop ultra rapid-acting insulin analogs.

On December 19, 2014, Adocia et Eli Lilly announced the creation of a new partnership with the signature of a licensing agreement for the development of an ultra-rapid insulin based on insulin lispro (commercial product from Eli Lilly,

Humalog®) with BioChaperone® technology ("BioChaperone Lispro").

Under this contract, Adocia et Eli Lilly are developing BioChaperone Lispro with the goal of optimizing glucose levels during and after meals. The expected benefits of BioChaperone Lispro for patients with diabetes include greater flexibility in the timing of insulin injections, lower variability of postprandial glycemic levels, lower rates of hypoglycemia and better overall glycemic control.

Under the terms of the agreement, Lilly is responsible for future development, manufacturing, and commercialization of BioChaperone Lispro. The total upfront and milestone payments could reach $570 million. Adocia has received an upfront payment of $50 million, and a $10 million milestone payment in December 2015, and may receive future milestone payments of up to $270 million if the product reaches certain clinical and regulatory milestones, and up to an additional $240 million if certain sales objectives are met. Adocia may also receive tiered sales royalties. In addition, Lilly reimbursed Adocia for certain research and development expenses during the term of the agreement. A concentrated formulation of BioChaperone Lispro is also part of the agreement. Adocia retains the right to develop and license its insulin programs unrelated to prandial ultra-rapid insulin.

No joint patent applications were submitted during this collaboration.

By letter dated January 26, 2017, Eli Lilly announced its decision to terminate the 2014 licensing contract. As a result, the rights that Adocia has licensed to Lilly will revert to Adocia at no cost (see Adocia press release of January 27, 2017).

3.2 Obtaining a license in the field of nanotechnology

On December 9th, 2013, Adocia signed an exclusive and worldwide licensing agreement with the CNRS, Bordeaux I University, Bordeaux Polytechnic Institute and Aquitaine Science Transfert (SATT Aquitaine) for a nanotechnology to improve the effectiveness of anticancer agents. Adocia decided to terminate the licensing agreement in June 2016, and to stop the programs involving its proprietary DriveIn technology at the same time.

E. BRANDS AND DOMAIN NAMES

1. Brands

The Company holds the verbal brands/trademark applications for "ADOCIA," "BIOCHAPERONE" and

"  ," registered in Europe (EU trademark), the United States, Japan and China.

The company registers its trademarks by filing national, EU or international applications. In general, trademark registrations are granted for a period of ten years and are renewable indefinitely. The laws of certain countries may impose specific requirements for the validity of trademarks, such as requiring that the trademark be actually used.

The company defends its trademark rights by filing oppositions against the registration of identical or similar trademarks by third parties.

2. Domain names

The Company owns the following domain names: adocia.com/fr/eu/biz/net and biochaperone.com/fr.

Domain names are usual renewable annually or every two years, indefinitely

12. TRENDS

See section 6 of this reference document, which describes the epidemiological data for the pathologies targeted by the BioChaperone® technological platform, as well as, for certain pathologies, the expected market evolutions and size.

In the first months of 2017, the company communicated the following information:

A. PRESS RELEASE OF JANUARY 5, 2017

Lyon, France, January 5, 2017 – Adocia (Euronext Paris: FR0011184241 – ADOC), a clinical stage biopharmaceutical company focused on diabetes treatment with innovative formulations of approved proteins, announced today the launch of two new projects employing its proprietary BioChaperone® technology: the combination of insulin lispro with pramlintide (amylin analog, Symlin®, AstraZeneca) and the combination of insulin lispro with exenatide (GLP-1 receptor agonist, Byetta®, AstraZeneca).

"People with type 1 diabetes are still in need of improved treatments which more closely mimic normal physiology. In these patients, it has actually been clinically proven that the simultaneous administration of pramlintide or exenatide with prandial insulin not only increases time spent in the target glycemic range but also helps to reduce insulin requirements and weight," said Gérard Soula, Chairman and CEO. *"We are working to provide such benefit to people with type 1 diabetes by combining insulin lispro with pramlintide or exenatide in one product, in order to restore the synchronized effects of the hormones without increasing the number of necessary injections."*

Insulin is a life-saving therapy for people with type 1 diabetes. However, even optimally controlled patients using insulin exhibit profound glycemic variability and frequently fail to reach their treatment goals. This may be partly because, in people without diabetes, insulin, amylin and GLP-1 are secreted in synchrony and act in synergy to control blood glucose. In type 1 diabetes, ultimately, neither insulin nor amylin is secreted and GLP-1 secretion is deficient.

Both pramlintide, a short-acting amylin analog, and exenatide, a short-acting GLP-1 receptor agonist, have been approved for the treatment of type 1 and type 2 diabetes, respectively. It has been demonstrated in clinical trials that, when added to an existing insulin regimen, these molecules improve HbA1c and reduce prandial insulin consumption, weight gain, and side effects.[25,26]

However, insulin therapy for people with type 1 diabetes requires intense patient involvement, including multiple daily injections and frequent glucose monitoring. To maintain patient persistency, new treatment options in diabetes should not only demonstrate superior efficacy, but also avoid increasing the everyday burden of disease management, while remaining affordable.

"The use of either pramlintide or exenatide together with prandial insulin has been championed by a number of investigators for some time, including myself, as clinical research results support a strong potential medical benefit. The BioChaperone approach might overcome the main obstacles that previously have limited the use of such combinations," says Dr. Jay Skyler, MD, University of Miami, USA.

This formulation strategy, based on real-world clinical data with the separate hormones, could shorten development time. The BioChaperone projects also have the potential to support competitive pricing by leveraging approved, off-patent proteins.

"These two innovative projects, BioChaperone Lispro Pramlintide and BioChaperone Lispro Exenatide, further illustrate our strong commitment to improve diabetes care. Our portfolio of products is significantly strengthened by these complementary projects," said Olivier Soula, Deputy General Manager – R&D Director. *"Based on*

25 Karl D, et al. *Diabetes Technol Ther* 2007; 9(2):191-199.

26 Raman VS, et al. *Diabetes Care* 2010 Jun; 33(6): 1294-1296.

established expertise in developing innovative formulations with our BioChaperone technology, we aim to test one of these candidates in a clinical study in Q4 2017."

About pramlintide: pramlintide (Symlin®, AstraZeneca), an amylin agonist, is the only hormonal product, in addition to insulin, which is approved for the treatment of type 1 diabetes. Like amylin, which is co-secreted with insulin in normal physiology but absent in people with type 1 diabetes, pramlintide improves postprandial glucose control by suppressing abnormal secretion of glucagon at mealtime, increasing satiety and decreasing the rate of gastric emptying towards normal. In people with type 1 diabetes, pramlintide administered three times a day in addition to prandial and basal insulin has demonstrated improved HbA1c, a reduction in prandial insulin doses, and weight loss after six months of use.

About exenatide: short-acting exenatide (Byetta®, AstraZeneca), a short-acting GLP-1 receptor agonist, has been approved since 2005 for the treatment of type 2 diabetes with or without insulin. Short-acting GLP-1 agents have a similar action profile to that of physiologic GLP-1, and act in synergy with insulin to decrease blood glucose after a meal. In people with type 1 diabetes, the level of secretion of GLP-1 is abnormally low and it has been demonstrated in clinical studies that the addition of exenatide on top of prandial and basal insulin greatly improves reducing glucose excursion even with a 20% lower dose of prandial insulin. In people with type 2 diabetes, exenatide administered twice daily on top of prandial and basal insulin has demonstrated improved HbA1c, a reduction in prandial insulin doses, and weight loss after six months of use.

B. PRESS RELEASE OF JANUARY 19, 2017

Lyon, France, January 19, 2017 – Adocia (Euronext Paris: FR0011184241 – ADOC), a clinical stage biopharmaceutical company focused on diabetes treatment with innovative formulations of approved proteins, announced today its decision to transform its business model towards partnerships based on more mature projects.

"With the validation of our technology in the BC Lispro project and our experience acquired in terms of development, we intend to carry out our projects to a more advanced stage in order to create more long-term value for the company and its shareholders," said Gérard Soula, Chairman and CEO.

As for the historical projects, major positive clinical results were announced in 2016. Concerning BC Lispro, after six positive clinical studies carried out with Eli Lilly, the phase 1 program may make it possible to enter into phase 3 clinical studies. Eli Lilly's decision is expected in 2017.

The unique combination of glargine and lispro, BioChaperone Combo, is currently being tested in a clinical study on people with type 2 diabetes to confirm the very positive results seen in a previous study on people with type 1 diabetes. Two additional clinical studies are planned in 2017, a dose-response study in Q2 2017 and a two-week study in Q4 2017. The objective of these two studies is to prepare a submission for entry into phase 3.

More recently, Adocia announced the launch of new projects involving physiological hormones with a complementary role to insulin. These projects focus on improving the treatment of people with type 1 diabetes, both in terms of safety and effectiveness, by restoring physiological synergies.

The first project involves the stabilization of human glucagon in aqueous solution so that it can be administered with a pump. Such a formulation would allow the development of a dual-hormonal artificial pancreas, an automatic system that would provide increased safety against the risk of hypoglycemia and better blood glucose control for patients.

Two other projects combining lispro prandial insulin with pramlintide, the only commercial analog of amylin (Symlin®, AstraZeneca), and also insulin lispro with a GLP-1 receptor agonist, exenatide (Byetta®, AstraZeneca) could lead to better glycemic control and weight loss for people with type 1 diabetes. The significant medical benefit of such combinations in these individuals has already been established in clinical trials using separate injections. However, it is crucial to combine these hormones to facilitate the use of these products by limiting the number of injections. BioChaperone technology makes possible these combinations of proteins known to be incompatible. Adocia is to date the only company developing such combinations that can be described as "first in class."

Finally, for people with type 2 diabetes, Adocia has successfully developed combinations of insulin glargine with two GLP-1 RAs, dulaglutide (Trulicity®, Eli Lilly) and liraglutide (Victoza®, Novo Nordisk) using BioChaperone technology.

In 2017, Adocia intends to test in clinical studies its new formulation of human glucagon, one of the two prandial insulin lispro combinations and one of the two basal insulin glargine combinations.

These various programs make Adocia's portfolio of projects one of the most differentiated in the industry with a particular focus on improving treatment for people with type 1 diabetes.

With approximately €58 million of cash on hand at December 31, 2016, Adocia believes it has sufficient resources available to support the development of its products. In order to effect its new strategy, Adocia is considering a capital increase through a private placement at the appropriate time.

C. PRESS RELEASE OF JANUARY 27, 2017

Lyon, France, January 27, 2017 – Adocia (Euronext Paris: FR0011184241 – ADOC), a clinical stage biopharmaceutical company focused on diabetes treatment with innovative formulations of approved proteins, announces today that it was notified in a letter dated January 26 from Eli Lilly and Company (Lilly, NYSE: LLY) of its decision to terminate the December 2014 Collaboration Research and Licensing Agreement for the development of Adocia's ultra-rapid insulin, known as BioChaperone® Lispro, for treatment in people with type 1 and type 2 diabetes. As a consequence of such decision and according to the terms of this agreement, the rights that Adocia has licensed to Lilly will revert to Adocia at no cost.

"We are extremely disappointed and surprised by Lilly's decision to terminate the collaboration on our product which has demonstrated significant improvement in terms of performance vs Humalog® across six clinical studies. Based upon this stage of development, we are convinced that BC Lispro can improve the lives of people with diabetes and Adocia will continue to prepare launch of phase 3 clinical trials while looking for a new partner," said Gérard Soula, Chairman and CEO.

A conference call with Adocia leadership is scheduled on Monday January 30. Details of this call will be provided in a separate release.

D. PRESS RELEASE OF FEBRUARY 14, 2017

Lyon, France, February 14, 2017 - 6:00 PM CET - ADOCIA (Euronext Paris: FR0011184241 – ADOC), a clinical stage biopharmaceutical company focused on diabetes treatment with innovative formulations of approved proteins, announces today its 2016 revenue and cash position for the fiscal year ending December 31, 2016.

"Our strong cash position of €58 million at the beginning of the year enables us to pursue the development of our products as planned," said Gérard Soula, Chairman and CEO. *"Adocia has one of the most complete portfolio of innovative products dedicated to diabetes treatment. Our objective is to license these products to players in this field. Hence BioChaperone Lispro which is our most advanced program is currently our priority in order to pursue its development into phase 3 clinical trial."*

- **Cash position and debt**

At December 31, 2016, cash and cash equivalents amounted to €58 million compared with €72.1 million on December 31, 2015.

In 2016, the net cash needed to finance operations amounted to €14 million compared with €15.3 million over the same period in 2015.

Financial debts at the end of December 2016 totaled €6.3 million, primarily comprising the loan taken out in 2016 to finance the acquisition of the building where the company's research center and headquarters are located. This purchase is neutral in cash flow terms, with the repayment of the debt replacing rent payments.

- **Annual revenue details for 2016**

In millions of euros – IFRS rules	**2016**	**2015**	***Var. value***
Licensing revenue	10.7	19.9	*(9.2)*
Research and collaborative development contracts	11.7	17.0	*(5.3)*
Revenue (a)	**22.4**	**36.9**	***(14.5)***
Subsidies, research tax credit and other income (b)	8.0	7.8	**+0.2**
Operating income (a)+(b)	**30.4**	**44.7**	**(14.3)**

Revenue comes primarily from the licensing and cooperation agreement signed with Eli Lilly at end-2014 for the development of the ultra-rapid insulin BioChaperone® Lispro. In January 2017, Adocia announced Eli Lilly's decision to bring the BioChaperone Lispro collaboration to an end. This contract will be terminated following a period of four months during which the data and equipment produced will be transferred to Adocia.

2016 revenue amounted to €22.4 million, compared with €36.9 million in 2015.

It comprises **licensing revenue** in the amount of €10.7 million for the staggered $50 million upfront payment (€40.8 million) received from Lilly at end-December 2014. Under IFRS this payment is recorded as licensing revenue in a linear manner over the duration of development anticipated under the contract.

Following the announcement in January 2017 of Lilly's decision to terminate the contract, the unamortized balance at December 31, 2016, in the amount of €18.8 million, will be fully recorded in 2017.

In 2015, licensing revenue included, in addition to the €10.7 million amortization, the milestone payment of $10 million, or €9.2 million, received from Lilly following positive results of the pilot bioequivalence study.

In accordance with the agreement, the company also billed all internal and external expenses to Eli Lilly, generating revenue of €11.7 million, pursuant to the **research and development contract**. The €5.3 million decrease compared with 2015 is explained by the transfer of a portion of Adocia's activities to Lilly over the third quarter, as provided for in the project development plan.

The **other operating income** in the amount of €8 million is stable compared with 2015 and primarily comprises the research tax credit for €7.8 million for the 2016 fiscal year.

- **Detail of revenue per quarter**

	2016				2015			
In millions of euros - IFRS	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Licensing revenue	2.7	2.7	2.7	2.7	11.8	2.7	2.7	2.7
Research and collaborative development contracts	1.3	3.8	2.5	4.1	6.2	3.5	4.1	3.2
Revenue	**4.0**	**6.5**	**5.2**	**6.8**	**18.0**	**6.2**	**6.8**	**5.9**

E. PRESS RELEASE OF MARCH 7, 2017

Lyon, France, March 7, 2017 - 6:00 PM CET - ADOCIA (Euronext Paris: FR0011184241 – ADOC – the "Company") announced today its financial results for 2016. The financial statements were approved by the board of directors

on March 7, 2017 and will be submitted to the shareholders for approval at the next general shareholder's meeting on June 27, 2017.

"Following a number of positive clinical results in 2016, Adocia faced the unexpected termination of the licensing deal with Eli Lilly on our key program BioChaperone Lispro in January 2017," said Gérard Soula, Chairman and CEO of Adocia. *"We are now actively looking for a new partner to execute phase 3 clinical studies and commercialize our ultra-rapid insulin. We also have high hopes in the clinical advancement of BC Combo as well as in the potential of the products that are expected to enter clinical testing in 2017."*

A conference call will be held on Thursday, March 9 at 6 PM (CET)
Dial in number: +33 (0)1 70 77 09 32

A replay of the conference will be available at the following number:

+33 (0)1 72 00 15 01

REF: 307433#

A transcript in French and in English will be available on the Company's website
www.adocia.com

Financial Highlights

The following table summarizes the financial statements under IFRS for the years ended December 31, 2016 and December 31, 2015:

In thousand euros - IFRS	Fiscal year 2016 (12 months)	Fiscal year 2015 (12 months)
Revenue	22 488	36 936
Grants, public financing, research tax credits and other	7 966	7 818
Operating revenue	**30 454**	**44 753**
Research and development expenses	(30 971)	(28 625)
General and administrative expenses	(7 484)	(6 025)
Operating expenses	**(38 455)**	**(34 651)**
Profit from ordinary operating expenses / (Loss)	**(8 001)**	**10 103**
Financial income	**181**	**2 118**
Tax expense	(72)	333
Net profit / (Loss)	**(7 892)**	**12 553**

The consolidated financial statements on 31 December 2016 as well as detailed explanations on the evolution of accounts are presented in the Appendix.

The results of the Company for 2016 are characterized by:

- **A solid cash position** of €58 million, compared with €72.1 at December 31, 2015.

In 2016, the net cash needed to finance operations amounted to €14 million compared with €15.3 million over the same period in 2015.

Financial debts at the end of December 2016 totaled €7 million, primarily comprising the loan taken out in 2016 to finance the acquisition of the building where the Company's research center and headquarters are located. This purchase is neutral in cash flow terms, with the repayment of the debt replacing rent payments.

- **A net loss of €7.9 million**, compared with a net profit of €12.6 million in 2015, primarily comprising:

- Revenue of €22.5 million in 2016 (compared with €37 million in 2015), mainly from the licensing and cooperation contract signed with Eli Lilly in December 2014. In January 2017, Adocia announced Eli Lilly's decision to terminate this contract. This decision will impact Adocia's financial statements in 2017.

- Other operating income of almost €8 million, of which €7.8 million in research tax credit calculated on 2016 expenses.
- Operating expenses of €38.5 million (compared with €34.7 million in 2015) of which more than 80% are dedicated to research and development activities. Increased expenditures are mainly personnel expenditures, reflecting the growth of the workforce (115.9 full-time equivalent [FTE] in 2016 compared with 93.9 FTE in 2015), and the impact of payments in equity shares (non cash).
- A fiscal tax loss (by French standards) leading to the absence of taxes.

"Our cash position of EUR 58 million on December 31st, 2016 allows us to continue the development of our projects as planned. We remain extremely watchful and strict to control our expenditures and we have set up the necessary actions to maintain a cash horizon over 2 years. " says Valérie Danaguezian, CFO of Adocia.

Key events in 2016

- **The advancement of the BioChaperone Lispro project under the partnership with Eli Lilly.**

In 2016, Adocia and Eli Lilly announced positive results for four clinical studies:

- **Repeated administration in people with type 1 diabetes:** this study showed that BioChaperone Lispro U100 improves postprandial glycemic control compared to Humalog® U100 (insulin lispro, Eli Lilly) at the beginning and the end of a 14-day outpatient treatment period, during which each treatment was administered thrice a day in people with type 1 diabetes.
- **Repeated administration in people with type 2 diabetes:** a similar study confirmed these results for BioChaperone Lispro U100 vs. Humalog U100 after a 14- day outpatient treatment period in people with type 2 diabetes.
- **Pharmacokinetic and pharmacodynamic profiles of BioChaperone Lispro in healthy Japanese subjects:** this study confirmed the profile of BioChaperone Lispro in healthy Japanese subjects, which may allow to include Japanese people with diabetes in the global phase 3 program.
- **Administration using insulin pumps in people with type 1 diabetes:** this study confirmed the ultra-rapid profile of BioChaperone Lispro U100 compared to Humalog U100 in people with type 1 diabetes using insulin pumps.

To summarize, since the signing of the licensing and collaboration agreement in December 2014, Eli Lilly and Adocia have successfully completed 5 clinical studies with BioChaperone Lispro U100 and one pilot bioequivalence study of BioChaperone Lispro U100 / BioChaperone Lispro U200.

- **A strengthened commitment to diabetes**

2016 was the year of Adocia's strategic decision to reinforce the commitment of the Company to the treatment of diabetes. This market is characterized by continuous growth and a very large population of patients, for whom there remains a significant medical need, both in terms of treatment efficacy and simplification of treatment regimen. Adocia addresses these patients' needs by developing innovative and simple therapies, alone or in combination. These therapies aim to more closely mimic the healthy physiologic response while managing treatment costs.

In line with this strategy, in 2016, Adocia has pursued the development of its clinical programs as follows:

- BioChaperone Lispro, under the Eli Lilly-Adocia partnership, as described above.
- BioChaperone Combo, the unique combination of basal insulin glargine and prandial insulin lispro, with the initiation of a Phase 1/2 clinical study monitoring postprandial glycemic control (meal-test study) obtained in people with type 2 diabetes. Results from this study are expected in the second quarter of 2017.
- BioChaperone human insulin (HinsBet): results from the Phase 1/2 meal-test clinical study published in April 2016 showed that HinsBet U100 profile translated into an improved postprandial glycemic control compared to human insulin (Humulin U100, Eli Lilly), and similar to that obtained with insulin lispro (Humalog U100, Eli Lilly) during the first hour after the meal.

The Company initiated two new preclinical programs in the diabetes field in 2016:

- BioChaperone Human Glucagon: this project aims to develop an aqueous formulation of human glucagon that could be used to rescue people experiencing severe hypoglycemia or in an artificial pancreas (i.e. an automated pump delivering both insulin and glucagon without any intervention from the patient). Based on promising formulation and preclinical results, Adocia expects to initiate a first-in-man study in 2017.
- BioChaperone Glargine GLP-1, 2-in-1 combinations of basal insulin glargine and GLP-1 receptor agonists: BioChaperone Glargine Dulaglutide and BioChaperone Glargine Liraglutide. These projects aim to develop simple, 2-in-1 intensification options over basal insulin treatment, that could be both efficient and financially accessible. Based on promising formulation and preclinical results, Adocia expects to initiate a first-in-man study in 2017.

In line with the strategic focus on diabetes, Adocia terminated the mAbs (using Adocia technologies to improve formulation of third-parties proprietary monoclonal antibodies) and Drive*In*® (nanoparticle-based drug delivery technology in oncology) programs, both at a preclinical stage.

Finally, 2016 was marked by the termination of the clinical development of BioChaperone PDGF-BB. In August 2016, Adocia announced that BioChaperone PDGF-BB did not meet the primary endpoint of the Phase 3 clinical study that had been performed in India to evaluate this product for the treatment of diabetic foot ulcer. Although these results were in contradiction with positive results previously obtained during a Phase 2 trial, and after initiating a thorough review of the data to explain this unexpected outcome, Adocia decided to terminate all development of BioChaperone PDGF-BB.

Furthermore, following the agreement to sell signed in 2015, the Company became the owner of the building in which it has been established since its inception. This acquisition was financed by a bank loan.

Perspectives for 2017:

The beginning of 2017 was marked by Eli Lilly's decision to terminate the license and collaboration agreement signed in December 2014 for the development of ultra-rapid formulations, BioChaperone Lispro. The contract will effectively come to an end after a 4 months period during which data and manufactured material will be transferred to Adocia. Adocia's priority is now to find a new partner for the Phase 3 clinical development and the commercialization of this product.

Regarding BioChaperone Combo, Adocia is currently preparing a first dose-response study in people with type 1 diabetes. The Company also expects to launch a second outpatient repeated administration study in people with type 2 diabetes during the last quarter 2017.

Regarding HinsBet, Adocia's strategy is to license the product to one or more regional partner(s) to allow its development and commercialization in emerging countries.

Regarding the new programs, the objective is to initiate first-in-man studies for BioChaperone Glucagon and one BioChaperone Glargine GLP-1 product before the end of the year.

Early in 2017, Adocia also announced the initiation of two new multi-hormonal combination projects for the treatment of type 1 diabetes:

- the combination of insulin lispro with pramlintide (amylin analog, Symlin®, AstraZeneca)
- the combination of insulin lispro with exenatide (GLP-1 receptor agonist, Byetta®, AstraZeneca).

These projects aim to offer people with type 1 diabetes alternative treatment options that more closely mimic the healthy physiologic response, without increasing the number of daily injections. These projects are currently in preclinical development. Adocia aims to initiate a first clinical study during the fourth quarter of 2017.

13. PROFIT FORECASTS OR ESTIMATES

The Company does not plan to make any profit forecasts or estimates.

14. ADMINISTRATIVE, MANAGEMENT, SUPERVISORY AND EXECUTIVE MANAGEMENT BODIES

A. OFFICERS AND DIRECTORS

Until October 24, 2011, the Company was incorporated as a *société par actions simplifiée* (simplified joint stock company).

The shareholders' meeting held on October 24, 2011 approved the conversion of the company into a *société anonyme* (corporation) with a board of directors, and adopted new corporate governance rules.

A summary description of the main provisions of the Company's articles of incorporation and bylaws and of the rules of procedure of the specialized committees is provided in this reference document, in section 21.C "Articles of incorporation and bylaws" and section 16.C "Specialized committees – Corporate governance".

1. Members of the board of directors

As of the filing date of this reference document, the members of the Company's board of directors are:

Name	Office	Main functions within the Company	Main functions outside the Company	Starting and ending dates of terms of office
Mr. Gérard Soula	Chairman of the board of directors	Chairman and chief executive officer	None	Appointed director by the shareholders' meeting held on October 24, 2011. Renewed by the combined shareholders' meeting of June 24, 2014 for a term of three years which will expire at the conclusion of the shareholders' meeting convened to vote on the financial statements for the fiscal year ending December 31, 2016. Renewed as chairman and chief executive officer by the board of directors' meeting held on March 21, 2014 for the duration of his term of office as director.
Mr. Olivier Soula	Deputy Chief Executive Officer, Director	R&D Director VP	None	Appointed director by the shareholders' meeting held on October 24, 2011. Renewed by the combined shareholders' meeting of June 24, 2014 for a term of three years which will expire at the conclusion of the shareholders' meeting convened to vote on the financial statements for the fiscal year ending December 31, 2016.

				Renewed as deputy chief executive officer by the board of directors' meeting held on March 21, 2014 for the duration of his term of office as director.
Mr. Olivier Martinez	Director	None	Investment Manager, Bpifrance Investissement	Appointed director by the shareholders' meeting held on October 24, 2011. Renewed by the combined shareholders' meeting of June 24, 2014 for a term of three years which will expire at the conclusion of the shareholders' meeting convened to vote on the financial statements for the fiscal year ending December 31, 2016.
BPI France Investissement, represented by Mr. Laurent Arthaud - Director	Director	None	Deputy Chief Executive Officer, Bpifrance Investissement	Appointed director by the shareholders' meeting held on October 24, 2011. Renewed by the combined shareholders' meeting of June 24, 2014 for a term of three years which will expire at the conclusion of the shareholders' meeting convened to vote on the financial statements for the fiscal year ending December 31, 2016.
Ms. Dominique Takizawa	Director (*)	None	Secretary General, Institut Mérieux	Appointed director by the shareholders' meeting held on October 24, 2011. Renewed by the combined shareholders' meeting of June 24, 2014 for a term of three years which will expire at the conclusion of the shareholders' meeting convened to vote on the financial statements for the fiscal year ending December 31, 2016.
Ms. Ekaterina Smirnyagina	Director	None	Investment Manager, Capricorn Venture Partners	Appointed director by the shareholders' meeting held on June 18, 2013. Renewed by the shareholders' meeting of June 21, 2016 for a term of three years which will expire at the conclusion of the shareholders' meeting convened to vote on the

				financial statements for the fiscal year ending December 31, 2018.

** Independent board member*

The business address of the chairman and chief executive officer and of the deputy chief executive officer is the address of Company's registered office.

The business addresses of the other directors are shown below:

- Mr. Olivier Martinez, Bpifrance Investissement, 6-8 Boulevard Haussmann, 75009 Paris
- Mr. Laurent Arthaud, Bpifrance Investissement, 6-8 Boulevard Haussmann, 75009 Paris
- Ms. Dominique Takizawa, Institut Mérieux, 17 Rue Bourgelat, 69002 Lyon
- Ms. Ekaterina Smirnyagina, Capricorn Venture Partners, De Jonge Saint Jacob, Lei 19/1-B-3000 Leuven, Belgium

These persons have gained expertise and management experience in the various salaried and management positions they have previously held (see section 14.1.3 "Biographies of the directors").

There are no family ties between the persons listed above, except in the case of Messrs. Gérard Soula and Olivier Soula, who are both members of the board of directors.

Furthermore, during the five years preceding the date of this reference document, no corporate officer or board of director member:

- has been convicted of fraud;
- has been associated in his/her capacity as corporate officer or director with any bankruptcy, receivership or liquidation;
- has been deprived of the right to hold management positions in companies; and
- has been publicly and officially accused or penalized by any statutory or regulatory authority.

2. Other corporate offices

Other corporate offices currently held by the directors

Name	Office held	Company (*)
Mr. Gérard Soula	Director	GLOWBL
Mr. Olivier Soula	Chairman of the board of directors	GLOWBL
Mr. Olivier Martinez	Director Member of the Supervisory Board Member of the management committee Director Board observer Board observer	POXEL GENTICEL FAB PHARMA ALIZE PHARMA INNATE PHARMA CERENIS THERAPEUTICS
Mr. Laurent Arthaud	Member of the supervisory board Board observer Director Chairman of the board of directors	KURMA PARTNERS TxCell CELLECTIS SA SPARINGVISION SA

Name	Office held	Company (*)
Ms. Dominique Takizawa	Permanent representative and member of the audit committee Director and chair of the audit committee Director, chair of the audit committee and member of the investment committee Director and member of the audit committee Director Director Director and vice-chair Director Director	TRANSGENE (**) MERIEUX NUTRISCIENCES (USA) (**) APRIL GROUP (FRANCE) ABL Inc. (USA) (**) ElsaLys (**) Platine (**) Lyon Place Financière Lyon Pôle Bourse Theradia
Ms. Ekaterina Smirnyagina	Director Director Director Director	Nexstim plc (Finland) iSTAR Medical SA (Belgium) ConfoTherapeutics NV (Belgium) InvestEurope (Belgium)

(*) None of the companies mentioned has capital ties with Adocia

(**) Institut Mérieux group

Other corporate offices, now expired, held by the directors during the last five fiscal years

Name	Office held	Company
Mr. Gérard Soula	Director	LIFE CYCLE PHARMA A/S
Mr. Olivier Martinez	Director Member of the Supervisory Board	CERENIS THERAPEUTICS CYTHERIS
Mr. Laurent Arthaud	Director Chairman Member of the Supervisory Board	SCYNEXIS INC ORGANIBIO EMERTEC GESTION SA
Ms. Dominique Takizawa	Director	Platine
Ms. Ekaterina Smirnyagina	Director Director Director	Innate Pharma SA Cerenis Therapeutics SA Kiadis Pharma NV (Netherlands)

3. Biographies of the directors

Gérard Soula PhD, 72 years old, holds a doctorate in organic chemistry and is a graduate of IAE (Aix Marseille).

He founded Flamel Technologies (1990), a company listed on NASDAQ that specializes in drug delivery. He held the positions of chairman and chief executive officer and research director in the company until June 2005. When he left Flamel Technologies, the company employed 250 persons and had a market valuation of $500 million. Flamel Technologies' success was largely due to the performances of its Micropump and Medusa platforms.

Gérard Soula has lengthy experience in negotiating licensing agreements for technological innovations with major biopharmaceutical groups (Novo Nordisk, Bristol Myers Squibb, GlaxoSmithKline, etc.).

Olivier Soula PhD, 47 years old, holds a doctorate in polymer physical chemistry, and is a graduate of ENSIC Mulhouse. He also earned an MBA from IAE in Lyon.

He began his career with Flamel Technologies, where he stayed for eight years and was *inter alia* nanotechnologies research manager. He directed the development of Medusa, a therapeutic protein sustained release platform, and successfully conducted clinical studies for three such projects. He is co-holder of nearly 40 patents.

Olivier Martinez PhD, 46 years old, Senior Investment Manager within the Innovation Division of Investment Bpifrance.

From 1992 to 1997, Olivier Martinez was a student researcher with Institut Pasteur, and then with Institut Curie, in the field of cellular biology. After receiving training in management, he joined the life sciences group of Gemini Consulting where, for two years, he worked on projects in the pharmaceutical and health sectors. In 2000, he joined Bioam Gestion as project manager, and was appointed investment manager and member of the management board in 2004. When Bioam Gestion was taken over by CDC Entreprises in July 2010, Olivier Martinez joined the life sciences team of CDC Entreprises, which manages the InnoBio and Bioam funds, and advises the Strategic Investment Fund (FSI) on its investments in biotechnology firms. CDC Entreprises and the FSI are now divisions of Bpifrance, the French public investment bank. Olivier Martinez is an alumnus of the Ecole Normale Supérieure (Ulm) in Paris, holds a PhD in Cell Biology from the University of Paris XI, and an MBA from College des Ingénieurs.

Laurent Arthaud, 54 years old, is a graduate of the Ecole Polytechnique and the National Statistics and Economic Administration School (ENSAE).

He started his career in 1986 with INSEE, and then joined the economic forecasts division of the Economy and Finance Ministry. In 1993, he was appointed technical advisor to the Labor Ministry and, in 1995, technical advisor to Prime Minister Alain Juppé, in charge of employment issues. He created the system of personal services vouchers (*chèque emploi service*). In 1997, Laurent Arthaud joined Rhône-Poulenc as secretary general of the group's scientific division, in charge *inter alia* of external collaborations. In 1999, he created Aventis Capital within the Aventis group, the group's venture capital structure, and then created the Genavent venture capital fund in partnership with Société Générale. In 2004, Laurent Arthaud became the chairman of PharmaVent Partners, a newly created venture capital fund management company. In November 2006, he joined CDC Entreprises as deputy chief executive officer for new developments. In 2009, he took over all CDC Entreprises life sciences activities and the InnoBio investment fund. He is currently in charge of Bpifrance's investments in life sciences, environmentally friendly technologies and French tech.

Dominique Takizawa, 60 years old, has been secretary general of Institut Mérieux since 2006. She joined Merieux Group in 2001 and has been involved in its strategic development, especially in merger and acquisition transactions and relationships with other shareholders and investors. She also managed the IPO of bioMerieux. Previously, she held chief financial officer positions for various companies: Pasteur-Merieux Connaught (since renamed Sanofi Pasteur), Rhône Merieux/Mérial, etc. She is a board member of several subsidiaries of the Merieux Group: Mérieux NutriSciences Corporation (USA), ABL Inc. (USA) and is a member of the Transgène board of directors. She is also a board member and the chair of the Audit Committee of the April group.

Dominique Takizawa is a graduate of the HEC Business School and holds a degree in Accounting and Financial Studies (DECF).

Ekaterina Smirnyagina, 50 years old, holds a doctorate in cellular and molecular biology.

After having completed her training by obtaining a master's degree in biochemistry and attending Stanford Medical School, she began her career with the Biotechnology Business Development Council. From 2002 to 2012, she worked for Alta Partners, an investment fund company in San Francisco that specializes in the health field. Since then, she has held the position of manager with the Capricorn Partners investment fund in Belgium.

B. CONFLICTS OF INTEREST AT THE LEVEL OF THE COMPANY'S MANAGEMENT BODIES AND EXECUTIVE MANAGEMENT

The chairman and the directors are direct or indirect shareholders of the Company (see Chapter 18 "Major Shareholders").

There are no related-party agreements.

To the Company's knowledge, none of the Company's directors or officers was appointed

pursuant to any contract or agreement with shareholders, customers, suppliers or other parties.

To the company's knowledge, as of the filing date of this reference document, none of the persons listed in section 14.1 "Officers and directors" of this reference document has agreed to any restriction on the sale of their equity interest in the Company, other than the collective undertaking to retain their securities in the Company (known as a "Dutreil" agreement) concluded by Gérard Soula, Olivier Soula, Rémi Soula and Laure Soula pursuant to Article 787 B of the French General Tax Code.

To the Company's knowledge, there is no actual or potential conflict of interest between the duties to the Company and the private interests and/or other duties of the persons who are members of the company's management bodies, management staff or executive management, as listed in section 14.1 "Officers and directors" above.

15. COMPENSATION AND BENEFITS

A. COMPENSATION OF CORPORATE OFFICERS

The Company was originally incorporated as a *société par actions simplifiée* (simplified joint stock company) which was governed by a chairman, board of directors and audit committee. It was converted into a *société anonyme* (corporation) by a resolution adopted by the general shareholders' meeting held on October 24, 2011.

The information in this chapter has been prepared with reference to the Corporate Governance Code for mid-caps and small-caps published in December 2009, and revised in September 2016, by MiddleNext. All tables contained in the AMF's Positions-Recommendations No. 2014-14 and No. 2009-16 are presented below.

1. Breakdown of compensation, stock options and bonus shares granted to each corporate officer

(IFRS - €)	FY 2016	FY2015
Gérard Soula - Chairman and Chief Executive Officer		
Compensation owed for the fiscal year	583 387	633 389
Value of pluriannual variable compensation granted during the fiscal year	1 060 800	2 220 440
Value of stock options granted during the fiscal year	na	na
Total	**1 644 187**	**2 853 829**

(IFRS - €)	FY 2016	FY2015
Olivier Soula - Vice-President		
Compensation owed for the fiscal year	396 089	431 282
Value of pluriannual variable compensation granted during the fiscal year	na	na
Value of stock options granted during the fiscal year	842 292	14 758
Total	**1 238 381**	**446 040**

2. Breakdown of compensation paid to each corporate officer

The tables below show the compensation owed to the corporate officers for the fiscal years ended December 31, 2015 and December 31, 2016, as well as the compensation such persons received during those same fiscal years.

(IFRS - €)	FY 2016		FY2015	
Gérard Soula - Chairman and Chief Executive Officer	**Amouts owed (1)**	**Amounts paid (2)**	**Amouts owed (1)**	**Amounts paid (2)**
Fixed compensation	349 999	349 999	300 001	300 001
Variable compensation *	225 000	225 000	225 000	225 000
Extraordinary compensation *	na	100 000	100 000	100 000
Directors' fees	na	na	na	na
Non-cash benefis *	8 388	8 388	8 388	8 388
Total	**583 387**	**683 387**	**633 389**	**633 389**

(IFRS - €)	FY 2016		FY2015	
Olivier Soula - Vice-President	**Amouts owed (1)**	**Amounts paid (2)**	**Amouts owed (1)**	**Amounts paid (2)**
Fixed compensation	261 289	261 289	208 182	208 182
Variable compensation *	130 000	120 000	120 000	120 000
Extraordinary compensation *	néant	100 000	100 000	80 000
Premium invention	4 800	4 800	3 100	500
Directors' fees	na	na	na	na
Non-cash benefis *	na	na	na	na
Total	**396 089**	**486 089**	**431 282**	**408 682**

(1) owed for the fiscal year (2) paid during the fiscal year

* The compensation of each corporate officer is determined by the board of directors upon the recommendation of the compensation committee. It includes a fixed component, a variable component and an extraordinary component:

- The fixed component is the reference compensation of the officer. It compensates his/her responsibilities, experience and technical and managerial skills.
- The variable component is tied to performance. It is calculated on the basis of fixed salary and can reach up to 100% thereof if all qualitative objectives defined are achieved, which may be based on signing licensing agreements, developing collaborations, launching clinical trials, signing feasibility contracts, cash levels and, more generally, the development and growth of the Company.
- The extraordinary component aims to compensate a particularly exceptional performance that has a significant positive impact on the Company's development.

3. Breakdown of director's fees and other compensation received by non-executive corporate officers

Non-executive corporate officers	Amounts paid in fiscal year 2016	Amounts paid in fiscal year 2015
Mr. Olivier Martinez - Director		
Directors' fees (*)	0	0
Other compensation	0	0
BPI France Investissement, represented by Mr. Laurent Arthaud - Director		
Directors' fees (*)	0	0
Other compensation	0	0
Ms. Dominique Takizawa - Director		
Directors' fees (*)	42,000	26,000
Other compensation	0	0
Ms. Ekaterina Smirnyagina - Director		
Directors' fees (*)	26,000	16,000
Other compensation	0	0
Total	**68,000**	**42,000**

**Only Ms. Dominique Takizawa and Ms. Ekaterina Smirnyagina received directors' fees because the Company's board of directors voted to grant directors' fees to independent directors only.*

4. BSPCE founders' warrants granted during the year to each executive corporate officer

Executive corporate officer name	Plan date and number	Value of BSPCE founders' warrants based on method used for the consolidated accounts	Number of BSPCE founders' warrants granted during the year	Exercise price	End of exercise period
Gérard Soula	2016 Plan corporate officers Board of Directors' meeting of 3/15/2016	1,060,800	24,000	€61.73	March 2026

5. Share subscription or purchase options exercised during the year by each executive corporate officer

None.

6. Bonus shares granted during the year to each executive corporate officer

Corporate officer name	Plan date and number	Number of options granted during the year	Value of bonus shares based on method used for the consolidated accounts	Vesting date	Lock-in period end date	Performance criteria
Olivier Soula	2016 Plan corporate officers Board of Directors' meeting of 3/15/2016	12,000	747,240	3/15/2018	3/15/2018	YES
		8,000	498,160	2,000: 3/15/2017 2,000: 3/15/2018 2,000: 3/15/2019 2,000: 3/15/2020	2,000: 3/15/2018 2,000: 3/15/2019 2,000: 3/15/2020 2,000: 3/15/2021	NO

In accordance with Article L. 225-197-1 of the French Commercial Code, the Deputy chief executive officer will be required to retain, in registered form, 10% of the shares granted until he leaves office.

7. Bonus shares that have become available for each corporate officer

None.

8. History of BSA stock warrants awarded to each corporate officer

	BSA 12-2013 stock warrants
Date of shareholders' meeting	6/18/2013
Date of board of directors' meeting	12/13/2013
Number of BSA stock warrants authorized	20,000
Number of BSA stock warrants issued	20,000
Total number of shares that may be subscribed (1)	20,000
Of which, number that may be subscribed by corporate officers	*20,000*
Name of corporate officer beneficiaries	Dominique Takizawa Ekaterina Smirnyagina
Earliest exercise date	(1)
Expiration date	12/13/2023
Issue price	€0.588
Exercise price	€5.88

Exercise conditions	(1)
Number of shares subscribed as of the filing date of this reference document	0
Total number of lapsed or canceled share subscription warrants as of the filing date of this reference document	0
BSA stock warrants remaining as of the filing date of this reference document	20,000
Total number of shares that may be subscribed on the filing date of this reference document	20,000

(1) The BSA12-2013 stock warrants may be exercised (i) by Ms. Dominique Takizawa, in full at any time from January 1, 2014 for a period of ten years and (ii) by Ms. Ekaterina Smirnyagina, one-third as of January 1, 2014, an additional one-third as of January 1, 2015 and in full as of January 1, 2016.

9. History of BSPCE founders' warrants awarded to each corporate officer

	BSPCE corporate officers 2014	BSPCE corporate officers 2015	BSPCE corporate officers 2016
Date of shareholders' meeting	6/24/2014	11/12/2015	11/12/2015
Date of board of directors' meeting	9/25/2014	12/16/2015	3/15/2016
Number of BSPCE founders' warrants authorized	65,000	40,000	40,000
Number of BSPCE founders' warrants issued	65,000	40,000	40,000
Total number of shares that may be subscribed (1)	65,000	40,000	40,000
Of which, number that may be subscribed by corporate officers	*65,000*	*40,000*	*40,000*
Name of corporate officer beneficiaries	Gérard Soula Olivier Soula	Gérard Soula	Gérard Soula
Earliest exercise date	Immediate vesting upon fulfillment of conditions, approved by the Board of Directors on 12/23/2014	Immediate vesting upon fulfillment of relevant performance criteria, approved by the Board of Directors on 12/16/2015	Immediate vesting upon fulfillment of relevant performance criteria, approved by the Board of Directors on 12/16/2016
Expiration date	9/24/2024	12/16/2025	3/15/2026
Issue price	free	free	free
Exercise price	€34.99	€74.60	€61.73
Exercise conditions			

Number of shares subscribed as of the filing date of this reference document	0	0	0
Total number of lapsed or canceled BSPCE founders' warrants as of the filing date of this reference document	0	0	16,000
BSPCE founders' warrants remaining as of the filing date of this reference document	65,000	40,000	24,000
Total number of shares that may be subscribed as of the filing date of this reference document	65,000	40,000	24,000

10. Stock subscription or purchase options granted to the top ten non-corporate officer employees and options exercised by them

Stock subscription or purchase options granted to the top ten non-corporate officer employees and options exercised by them	Total number of options granted/shares subscribed or purchased	Weighted average price	2015 SO Plan No. 1	2015 SO Plan No. 2
Share subscription options granted during the year	24,000	€58.22	20,000	4,000
Options exercised during the year	none	none	none	none

11. History of bonus shares granted to executives and non-executive corporate officers

	2015 Plan corporate officers	2016 Plan corporate officers	
Date of board of directors' decision	12/16/2015	3/15/2016	
Total number of bonus shares granted	5,000	8,000	12,000
Beneficiary	Olivier Soula	Olivier Soula	Olivier Soula
Vesting date of shares	12/16/2016	2,000: 3/15/2017 2,000: 3/15/2018 2,000: 3/15/2019 2,000: 3/15/2020	3/15/2018
Lock-in period end date	12/16/2017	2,000: 3/15/2018 2,000: 3/15/2019 2,000: 3/15/2020 2,000: 3/15/2021	3/15/2018
Number of shares subscribed at the end of December 2016	0	0	0

Total number of shares cancelled or lapsed	none	none	none
Bonus shares remaining at the end of the fiscal year	5,000	8,000	12,000

12. Breakdown of compensation and other benefits granted to executive corporate officers

Executive corporate officers	Employment contract		Supplemental retirement plan		Severance pay or benefits that will or may be due in the event the officer's position is terminated or changed		Payments in consideration for a covenant not to compete	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Gérard Soula Chairman and chief executive officer		X		X		X		X
Term of office starting date	First appointment by the board of directors' meeting of October 24, 2011, renewed by the combined general meeting of June 24, 2014							
Term of office end date	Ordinary general shareholders' meeting convened to vote on the financial statements for the fiscal year ending December 31, 2016							
Olivier Soula Vice-president	X			X		X		X
Term of office starting date	First appointment by the board of directors' meeting of December 19, 2012, renewed by the combined general meeting of June 24, 2014							
Term of office end date	Ordinary general shareholders' meeting convened to vote on the financial statements for the fiscal year ending December 31, 2016							

B. AMOUNTS THAT THE COMPANY HAS PROVISIONED FOR PAYMENT OF PENSIONS, RETIREMENT ALLOWANCES AND OTHER BENEFITS TO CORPORATE OFFICERS

As of December 31, 2016, the Company recognized provisions of €72,029 for the payment of retirement benefits to Olivier Soula.

The company has not granted Mr. Soula any hiring or termination bonuses.

C. BONUS SHARES, STOCK SUBSCRIPTION WARRANTS AND STOCK OPTIONS GRANTED TO CORPORATE OFFICERS

1. BSA stock warrants granted on December 13, 2013

Pursuant to the authority delegated by the general shareholders' meeting held on June 18, 2013, the board of directors voted to issue 20,000 BSA12-2013 stock warrants at its meeting of December 13, 2013. The BSA12-2013 stock warrants were reserved to the two independent directors in office on that date, i.e., directors who were neither managers nor employees of the Company, as follows:

- 10,000 BSA stock warrants to Ms. Dominique Takizawa;
- 10,000 BSA stock warrants to Ms. Ekaterina Smirnyagina.

A table detailing the characteristics of the BSA12-2013 stock warrants is presented in section 15.A.8 of this reference document.

2. BSPCE founders' warrants granted on September 25, 2014

Pursuant to the authority granted by the general shareholders' meeting of June 24, 2014, the board of directors at its meeting of September 25, 2014 voted to issue 100,000 "BSPCE 2014 Corporate Officers" founders' warrants to three founders of the Company, Gérard Soula, Olivier Soula and Rémi Soula.

The BSPCE 2014 Corporate Officers founders' warrants were granted as follows:

- 20,000 BSPCE founders' warrants to Mr. Gérard Soula, President and CEO;
- 45,000 BSPCE founders' warrants to Mr. Olivier Soula, R&D Director and Deputy chief executive officer;
- 35,000 BSPCE founders' warrants to Mr. Rémi Soula, Director of Business Development and Scientific Advisor.

A table detailing the characteristics of the BSPCE founders' warrants is presented in section 15.A.9 of this reference document.

3. BSPCE founders' warrants granted on December 16, 2015

Pursuant to the authority granted by the general shareholders' meeting of November 12, 2015, the board of directors at its meeting of December 16, 2015 voted to issue 40,000 "BSPCE 2015 Corporate Officers" founders' warrants to Gérard Soula, the chairman and chief executive officer.

A table detailing the characteristics of the BSPCE founders' warrants is presented in section 15.A.9 of this reference document.

4. Bonus shares granted on December 16, 2015

Pursuant to the authority granted by the general shareholders' meeting of November 12, 2015, the board of directors at its meeting of December 16, 2015 voted to grant 5,000 "Plan AGA 2015 Corporate Officers" bonus shares to Olivier Soula, the deputy chief executive officer.

A table detailing the characteristics of the shares is presented in section 15.A.9 of this reference document.

5. BSPCE founders' warrants granted on March 15, 2016

Pursuant to the authority granted by the general shareholders' meeting of November 12, 2015, the board of directors at its meeting of December 16, 2015 voted to issue 40,000 "BSPCE 2016 Corporate Officers" founders' warrants to Gérard Soula, the chairman and chief executive officer.

A table detailing the characteristics of the BSPCE founders' warrants is presented in section 15.A.9 of this reference document.

6. Bonus shares granted on March 15, 2016

Pursuant to the authority granted by the general shareholders' meeting of November 12, 2015, the board of directors at its meeting of December 16, 2015 voted to grant 20,000 "Plan AGA 2016 Corporate Officers" bonus shares to Olivier Soula, the deputy chief executive officer.

A table detailing the characteristics of the shares is presented in section 15.A.6 of this reference document.

D. SUMMARY OF TRANSACTIONS IN THE COMPANY'S SECURITIES DURING THE PAST FISCAL YEAR BY CORPORATE OFFICERS AND THE PERSONS REFERRED TO IN ARTICLE 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE

Persons concerned	Nature of transaction	Date of transaction	Transaction amount (in euros)
Olivier Soula	Sale	4/3/2016	870,000.00
Rémi Soula	Sale	9/22/2016	256,292.00

E. MATTERS SUBMITTED FOR A VOTE OF THE SHAREHOLDERS PURSUANT TO ARTICLE L. 225-37-2 OF THE FRENCH COMMERCIAL CODE

In accordance with Article L. 225-37-2 of the French Commercial Code, the board of directors will submit for approval by the general shareholders' meeting convened to vote on the financial statements for fiscal year 2016 the principles and criteria to be applied in determining, allocating and awarding the fixed, variable and extraordinary components of total compensation and the benefits of all types that may be awarded to the chairman and chief executive officer and to the deputy chief executive officer for the performance of their duties in 2017, and which make up the compensation policy applicable to them.

These principles and criteria, which were approved by the board of directors pursuant to a recommendation of the compensation committee, are presented below.

For Mr. Gérard Soula, Chairman and Chief Executive Officer:

Compensation components	Principles	Determination criteria
Fixed compensation	The chairman and chief executive officer receives fixed compensation.	The annual gross amount of this fixed compensation is set at €350,000.
Variable compensation	The chairman and chief executive officer receives variable compensation that may equal 75% of his fixed compensation.	This variable compensation is based on defined qualitative objectives, which may be tied to signing licensing agreements, developing collaborations, launching clinical trials, signing feasibility contracts, cash levels and, more generally, the development and growth of the Company. Whether these objectives are met will be determined by the board of directors.
Extraordinary compensation	The chairman and chief executive officer may be awarded extraordinary compensation.	This extraordinary compensation is intended to compensate a specific performance that has a major impact on the Company's development.
Non-cash benefits	The chairman and chief executive officer is provided with a company car.	The annual value of this non-cash benefit is €8,388.
Supplemental retirement plan	None	None

In addition, the chairman and chief executive officer may be awarded BSCPE founders' warrants, stock options and/or bonus shares subject to continued employment and performance conditions.

For Mr. Olivia Soula, deputy chief executive officer:

Compensation components	Principles	Determination criteria
Fixed compensation	The deputy chief executive officer receives fixed compensation pursuant to his employment contract.	The annual gross amount of this fixed compensation is set at €267,000.

Variable compensation	The deputy chief executive officer receives variable compensation that may equal 60% of his fixed compensation.	This variable compensation is based on defined qualitative objectives, which may be tied to signing licensing agreements, developing collaborations, launching clinical trials, signing feasibility contracts, cash levels and, more generally, the development and growth of the Company. Whether these objectives are met will be determined by the board of directors.
Extraordinary compensation	The deputy chief executive officer officer may be awarded extraordinary compensation.	This extraordinary compensation is intended to compensate a specific performance that has a major impact on the Company's development.
Non-cash benefits	none	none
Supplemental retirement plan	none	none

In addition, the deputy chief executive officer officer may be awarded BSCPE founders' warrants, stock options and/or bonus shares subject to continued employment and performance conditions.

In accordance with Article L. 225-100 of the French Commercial Code, the amounts obtained by implementing these principles and criteria will be submitted for the approval of the shareholders at the general shareholders' meeting that will vote on the financial statements for fiscal year 2017.

16. FUNCTIONING OF ADMINISTRATION AND MANAGEMENT BODIES

A. MANAGEMENT OF THE COMPANY

Pursuant to a resolution adopted by an extraordinary general shareholders' meeting held on October 24, 2011, the Company was converted from a *société par actions simplifiée* (simplified joint stock company) into a *société anonyme* (corporation). A detailed description of the composition of the board of directors is provided in section 14.1 "Officers and directors".

During the fiscal year ended December 31, 2016, the Company's board of directors met six times. The average rate of attendance of members at board of directors' meetings was 92%.

Form of the Company's executive management

On October 24, 2011, the board of directors voted to combine the positions of chairman and chief executive officer. As a result, vis-à-vis third parties, the Company is represented by Mr. Gérard Soula, in his capacity as chairman of the board of directors and chief executive officer.

Since December 19, 2012, he has been assisted in these duties by a deputy chief executive officer, Mr. Olivier Soula.

B. INFORMATION ON CONTRACTS BETWEEN CORPORATE OFFICERS AND THE COMPANY

There are no service contracts between the members of the Company's board of directors or officers and the Company.

C. BOARD OF DIRECTORS AND SPECIALIZED COMMITTEES – CORPORATE GOVERNANCE

1. Board of directors

1.1 Composition

The composition of the board of directors and information about its members is provided in Chapter 14 "Administrative, management, supervisory and executive management bodies" and Chapter 21.2 "Articles of incorporation and bylaws" of this reference document.

Rules of procedure were adopted on October 24, 2011, which cover *inter alia* the role and composition of the board, the rules of conduct and the obligations incumbent on the members of the Company's board of directors. In particular, each board of directors member undertakes to maintain his/her independence of analysis, judgment and action and to actively participate in the work of the board. Directors must inform the board of any conflicts of interests that may arise. In addition, the rules of procedure explain the laws in force concerning the disclosure and use of inside information, and state that the directors must refrain from carrying out transactions in the Company's shares if they hold inside information. Each board of directors member is required to report to the Company and to the AMF any transactions in the Company's shares that they carry out directly or indirectly.

The Company deems that it already has two independent directors, Ms. Dominique Takizawa and Ms. Ekaterina Smirnyagina, within the meaning of the Corporate Governance Code for midcaps and small-caps, as published in September 2016 by MiddleNext and approved as a code of reference by the AMF. Ms. Dominique Takizawa and Ms. Ekaterina Smirnyagina meet the definition of independent directors because they:

- are not employees or executive corporate officers of the Company, nor employees or executive corporate officers of any of companies of its group, and have not held such position or office within the past five years;
- do not currently have, and during the last two years have not had, a significant business relationship with the Company or its group (customer, supplier, competitor, service provider, creditor, banker, etc.);
- are not major shareholders of the Company and do not hold a significant percentage of its voting rights;
- do not have close family ties with any corporate officer or major shareholder; and
- have not been auditors of the Company within the past six years.

Nevertheless, recruiting one or more additional independent directors is under consideration by the Company as part of its process to improve its corporate governance following the listing of the Company's shares on the Euronext regulated market in Paris.

2. Specialized committees

The Company has two specialized committees, the audit committee and the compensation committee.

2.1 Audit committee

2.1.1 Composition

Pursuant to a decision of the board of directors adopted on June 6, 2008, the Company set up an audit committee for an indefinite period. The committee members adopted rules of procedure, as described below.

To the extent possible, the audit committee is comprised of at least two members appointed by the board of directors on the basis of a recommendation of the compensation committee. The audit committee members are chosen from among the members of the board of directors and, to the extent possible, two-thirds of its members should be independent directors, one of whom should have specific financial or accounting expertise, although all members should have a minimum understanding of financial or accounting matters.

As of the filing date of this reference document, the audit committee members are:

- Ms. Dominique Takizawa, an independent member with financial and accounting expertise, and
- Mr. Olivier Martinez.

Ms. Dominique Takizawa chairs this committee.

Ms. Takizawa is the member of the board with "specific financial or accounting expertise," due to her nearly 25 years of experience in the pharmaceutical industry and the executive management positions she held at Sanofi Pasteur, Biomérieux and Institut Mérieux.

2.1.2 Duties

The role of the audit committee, acting independently of the company's management, is to assist the board of directors and ensure that the financial statements are accurate, that internal controls are adequate, that information provided is pertinent, and that the statutory auditors fulfill their duties.

The audit committee's duties include:

- monitoring the process for preparing financial information;
- ensuring the effectiveness of the internal control and risk management systems;
- ensuring that the statutory auditors perform their duties with respect to the legal certification of the annual financial statements and, if applicable, the consolidated financial statements;
- making recommendations on the statutory auditors proposed to be appointed by general shareholders' meetings, and reviewing the terms of their compensation;
- ensuring the independence of the statutory auditors;
- examining the conditions under which derivatives are used;
- regularly reviewing the status of major disputes; and
- in general, providing advice and making appropriate recommendations in connection with the above matters.

The audit committee's rules of procedure, which were adopted on October 24, 2011 after having been approved by the board of directors, describe the duties of the audit committee and its operating procedures, in particular the minimum number of meetings per year. These rules of procedure also state that the committee may interview any member of the company's board of directors and conduct any internal or external audits on any matter it deems to come within the scope of its duties. If it does so, the audit committee chair must give prior notice to the board of directors. In particular, the audit committee may interview any person involved in preparing or verifying the financial statements (the chief financial officer, the administrative and financial manager and the principal senior financial managers). The committee has the right to directly, independently and confidentially consult with the statutory auditors.

2.1.3 Operation

The audit committee meets at least twice a year, in accordance with a schedule set by the chair, to review the annual, semi-annual and, if applicable, quarterly financial statements, pursuant to an agenda prepared by its chair and sent to the audit committee members at least seven days before the date of the meeting. The committee may also meet

at the request of its chair, two of its members, or the chairman of the Company's board of directors.

The audit committee may interview any member of the Company's board of directors and conduct any internal or external audits on any matter it deems to come within the scope of its duties. If it does so, the audit committee chair must give prior notice to the board of directors. In particular, the audit committee may interview any person involved in preparing or verifying the financial statements (the chief financial officer, the administrative and financial manager and the principal senior financial managers).

The audit committee is entitled to interview the statutory auditors. It may meet with them outside the presence of any company representative.

2.1.4 Reports

The audit committee chair ensures that the reports on its work that it presents to the board of directors provide complete information to the board, thus facilitating its decision-making process.

The annual report includes a presentation of the committee's work over the past fiscal year.

If in the course of its work, the audit committee becomes aware of any material risk that it does not consider is being handled appropriately, the chair must immediately inform the chairman of the board of directors.

2.2 Compensation committee

2.2.1 Composition

The compensation committee was set up on June 6, 2008. Its members adopted rules of procedure, which are described below. If possible, the committee is composed of at least two members of the board of directors appointed by the board of directors.

No board of directors member who holds a management position within the Company may be a member of the compensation committee.

As of the filing date of this reference document, the compensation committee members are:

- Ms. Ekaterina Smirnyagina, independent member, and
- Mr. Laurent Arthaud.

Mr. Laurent Arthaud chairs this committee.

2.2.2 Duties

The compensation committee's duties include:

- reviewing the main objectives suggested by executive management with respect to the compensation of executives of the company who are not corporate officers, including bonus share plans and stock subscription or purchase options;
- reviewing the compensation of executives who are not corporate officers, including bonus share plans and stock subscription or purchase options, pension and benefit plans and non-cash benefits kind;
- submitting recommendations and proposals to the board of directors concerning:
  - compensation, retirement and insurance plans, non-cash benefits, and other financial entitlements, including severance pay, of the members of the board of directors. The committee proposes compensation amounts and structures, in particular the rules for calculating the variable component of compensation, taking into account the Company's strategies, objectives and performance, as well as market practices; and
  - bonus share plans, stock subscription or purchase options, and any other similar incentive plan, in particular benefits granted to specific members of the board of directors;
- reviewing the total amount of directors' fees and the method for distributing them among the members of the board of directors, as well as the requirements for obtaining reimbursement of expenses that board of directors members may incur;
- preparing and submitting to the board of directors any reports that may be required by the rules of procedure; and
- preparing any other compensation-related recommendations that may be requested by the board of directors.

In general, the compensation committee provides advice and makes appropriate recommendations in connection with the above matters.

2.2.3 Operating procedures

The compensation committee meets at least twice a year, in accordance with a schedule set by the chair, pursuant to an agenda prepared by its chair

and sent to the compensation committee members at least seven days before the date of the meeting. The committee may also meet at the request of its chair, two of its members, or the chairman of the Company's board of directors.

Non-executive board of directors members, who are not compensation committee members, may attend the committee's meetings without restriction.

The chairman of the Company's board of directors, if he is not a committee member, may be invited to attend committee meetings. The committee may request that the chairman submit proposals to it. The chairman is not entitled to vote, and may not be present during discussions concerning his personal situation.

The compensation committee may request the chairman of the board of directors to provide it with the assistance of any senior manager of the Company whose expertise may facilitate dealing with a matter of business on the agenda. The compensation committee chair or the meeting chair informs all persons who attend meetings that they are bound by a duty of confidentiality.

2.2.4 Reports

The compensation committee chair ensures that the reports on its work that it presents to the board of directors provide complete information to the board, thus facilitating its decision-making process.

The annual report includes a presentation of the committee's work over the past fiscal year.

In particular, the compensation committee reviews the Company's draft report on executive compensation.

D. Statement on corporate governance

To promote transparency and public disclosure, the Company has initiated a review of all of its corporate governance practices.

To comply with the requirements of Article L. 225-37 of the French Commercial Code, the Company has adopted as a code of reference the Corporate Governance Code for midcaps and small-caps published in September 2016 by MiddleNext.

The Company complies with all recommendations of the Corporate Governance Code for midcaps and small-caps.

E. Chairman's report on internal control

As required by Article 222-9 I of the AMF's General Regulation, and in accordance with Article L. 225-37 of the French Commercial Code, the chairman of the board of directors presents an annual report on the composition of the board, the conditions under which the board prepares and organizes its work, and the internal control and risk management procedures set up by the Company. The chairman's report for 2016 can be found in Appendix I of this reference document.

In the course of its expansion, with respect to internal control, the Company follows the risk management and internal control systems implementation guide for small-caps and midcaps published by the AMF on July 22, 2010.

F. Information required by Article L. 225-100-3 of the French Commercial Code

1. Shareholder structure of the Company

See Chapter 18 of this reference document.

2. Restrictions imposed by the articles of incorporation and bylaws on exercising voting rights and share transfers or similar clauses of which the Company is aware, as required by Article L. 233-11 of the French Commercial Code

None.

3. Direct or indirect equity stakes in the Company of which the company is aware, as required by Articles L. 233-7 and L. 233-12 of the French Commercial Code

See Chapter 18 of this reference document.

4. List of holders of any securities with special control rights and a description of such rights

The Company is not aware of the existence of any special control rights.

5. Control mechanisms included in any employee share plan in which the control rights are not exercised by the employees

The Company has not set up any employee share plan that may contain control mechanisms in which the control rights are not exercised by the employees.

6. Shareholder agreements of which the Company is aware that may impose restrictions on share transfers and exercising voting rights

None.

7. Rules governing the appointment and replacement of board of directors members and amendments to the articles of incorporation and bylaws

The rules governing these matters are set out in the articles of incorporation and bylaws and are in compliance with the law.

8. Powers of the board of directors, in particular the power to issue or redeem shares

The general shareholders' meeting held on June 11, 2015 renewed the authority granted to the board of directors to carry out, for a period of 18 months as of the date of the meeting, a share redemption program, in accordance with the provisions of Article L. 225-209 *et seq.* of the French Commercial Code and market practices accepted by the AMF (see sections 18.1, 18.2 and 21.1.4 of this reference document).

9. Agreements entered into by the Company that will be amended or terminated in the event of a change of control of the Company

None.

10. Agreements that provide for compensation to board of directors members or employees if they resign or are terminated without just cause or if their employment ends due to a takeover bid

None.

17. EMPLOYEES

A. HUMAN RESOURCES

1. Main key employees

The Company's main managers have significant experience in managing technological innovation and partnerships with major biopharmaceutical groups, as well as in drug delivery of therapeutic proteins and in the development of medical devices.

Their experience is summarized below, with the exception of the corporate officers (Messrs. Gérard and Olivier Soula), who are discussed in section 14.1.3 "Biographies of the directors" of this reference document.

Dr. Rémi Soula: Business Development Manager and Scientific Advisor

Rémi Soula holds a doctorate in polymer chemistry from CPE Lyon. He did a post-doctorate at Max-Planck Institute in Berlin. He began his career with Flamel Technologies as a senior researcher where, over the course of three years, he acquired solid experience in the synthesis of new polymers. He is a co-holder of 30 patents and has co-authored six scientific publications.

Ms. Valérie Danaguezian: Chief Financial Officer

Valérie Danaguezian is a graduate of ISC and began her career in corporate auditing and financial consulting with Calan Ramonilo et Associés, a member of Deloitte & Touche, where she stayed for four years. She then joined the Aventis Pasteur group in Lyon where, for 12 years, she was initially in charge of the group's financial consolidation, and then headed the group's research and development expenditures management control system. Thereafter, she joined Flamel Technologies as administration and financial officer. Valérie Danaguezian is specialized in the financial management of innovative research and development projects, and has acquired extensive experience in management control systems, international standards and internal controls.

Ms. Géraldine Favre Soula: Human Resources Director

Géraldine Favre Soula earned a Master 2 degree in human resources management (Université de Droit et de Sciences Politiques, Dijon) after having obtained a Master 1 degree in human resources from Institut de Gestion Sociale. She started her career at Bouygues as a professional training manager, before joining Pasteur Mérieux (Sanofi Pasteur) and Alptis Gestion where she worked as an HR generalist. She then joined Flamel Technologies as Human Resources Manager where she spent nine years, during which the workforce increased from 50 to 300 employees, and where she created an HR department and built HR teams at two different sites (Lyon and Bordeaux). She has been working at Adocia since its creation.

Dr. Martin Gaudier: Scientific Director

Martin Gaudier holds an engineering degree from Ecole Polytechnique and a doctorate in structural biology and protein biochemistry. He wrote his dissertation in the field of structural virology, and then did a four-year post-doctorate at Cancer Research UK in London on protein-DNA interactions. He has co-authored eight scientific publications and is a co-holder of two patents.

Dr. José Correia: Head of the Preclinical and Clinical Department, HSQE Manager and Project Manager

José Correia holds a doctorate in biomaterials engineering from the University of Paris-Nord. He was chairman and chief executive officer of Biodex from 2002 to 2006, where he managed chemical and pharmaceutical development for nine years. He is a co-holder of four patents and has co-authored three scientific publications.

Dr. Bertrand Alluis: Head of the Analysis Department and Project Manager

Bertrand Alluis holds a doctorate in chemistry. He wrote a thesis at the CNRS polyphenols laboratory of the University of Lyon I, and studied the complex and antioxidant powers of flavonoids. He spent three years with Diatos S.A. in the field of oncology and vectorization as head of the therapeutic chemistry department. He then joined Flamel Technologies where, for three years as senior researcher, he specialized in the development and validation of analytical methods used to characterize proteins and their formulation with polymers. He is a co-holder of one patent and has co-authored four scientific publications.

Dr. David Duracher: Head of the Pharmaceutical Development and Physical Chemistry Departments

David Duracher holds a doctorate in polymer physical chemistry. His thesis, which was financed by BioMérieux, was in the field of biomedical diagnostics, at the interface between the science of polymers and biology. After a post-doctorate at the Key Centre for Polymer Colloids at the University of Sydney and two years' experience in the field of biochips with Apibio, he worked for Flamel Technologies on sustained release formulations for therapeutic proteins. He is a co-holder of five patents and has co-authored 16 publications.

Dr. Grégory Meiffren: Director of the Biology Department and Project Manager

Grégory Meiffren is a graduate of the Ecole Normale Supérieure, Lyon and Doctor of Cellular Biology. He wrote his thesis on the transduction pathways of immune cells in various pathologies at the Centre d'Etudes et de Recherches en Virologie et Immunologie in Lyon, and also collaborated with the Dana-Farber Cancer Institute and the Brigham and Women's Hospital in Boston. He is the co-author of six scientific publications.

Dr. Richard Charvet: Director of the Chemistry Department

Richard Charvet earned a doctorate in organic chemistry and polymers from North Carolina State University, Raleigh, in the United States. He did a two-and-a-half year post-doctorate at Erato Nanospace Project in Tokyo, and then spent one year at the University of Wuppertal. Thereafter, he joined the National Institute for Materials Science (NIMS) in Tsukuba, Japan, as an associate researcher studying organic photoconductive nanostructures formed by supramolecular self-assembly. He is a co-holder of two patents and has co-authored fourteen scientific publications.

Dr. Sarah Gould: Director of the Preclinical Department

Sarah Gould holds a doctorate in biology and toxicology. She has worked in the pharmaceutical industry for over 20 years, with Astrazeneca and Sanofi Pasteur. She was also a toxicology and pharmacology consultant for Merck, Pfizer and GSK, for which she handled regulatory matters vis-à-vis the relevant authorities (FDA, EMA and PMDA). She is the co-author of 20 scientific publications.

Dr. You Ping Chan: Scientific Director (CMC activities)

You-Ping Chan holds a doctorate in Chemistry and is a graduate of Université de Strasbourg. He did a post-doctorate at MIT and earned an MBA from EMLyon. He worked for Flamel Technologies for 20 years where he held several management positions in the fields of research and development of biodegradable polymers and the formulation of proteins. He has co-authored ten scientific publications and holds 40 patents.

2. Number and breakdown of employees

At the end of the periods under review, the Company's workforce underwent the following changes:

Breakdown of employees	12/31/2016	12/31/2015
R&D	100	**89**
SG&A	25	20
Total number of employees	**125**	**109**

As of December 31, 2016, the Company had 125 workers (both full-time and part-time), including 2 blue-collar employees, 55 technicians and 68 management-level employees. Of these employees, 46 hold a doctorate in science, medicine or pharmacy, i.e., more than one-third of the Company's employees.

3. Employee representatives

In November 2016, a new single employee representative body (*délégation unique du personnel*) was elected. In accordance with the Rebsamen Act of August 18, 2015, this new single employee representative body combines the powers of the employee representatives, the works council and the health, safety and working conditions committee (CHSCT) in a single elected body (see section 17.G.5 below).

B. FINANCIAL INSTRUMENTS CONFERRING EQUITY RIGHTS IN THE COMPANY GRANTED TO THE TOP TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS

1. Bonus shares

The table below shows the number of bonus shares that have been granted:

	Dates of the Boards decided to award				
	01/23/2008	06/06/2008	12/15/2009	03/05/2010	12/07/2010
Number of shares granted	42 000	5 600	5 600	5 600	5 600
Shares cancelled	2 100	0	0	0	0
Acquired and available shares	39 900	5 600	5 600	4 200	4 200
Exercised stock	12 100		410	400	0
Acquired and remaining available shares	27 800	5 600	5 190	3 800	4 200
Shares acquired under conservation	0	0	0	1 400	1 400
Shares granted but not yet vested	0	0	0	0	0
End of acuisition period	*completed*	*completed*	*completed*	*completed*	*completed*
End of retention period	*completed*	*completed*	*completed*	1 400 stock : mach 2017	1 400 stock : dec 2017

	Dates of the Boards decided to award				TOTAL
	12/10/2015	12/16/2015	12/16/2015	12/13/2016	
Number of shares granted	39 150	5 000	12 600	40 000	**161 150**
Shares cancelled	1 495	0	1 800	0	**5 395**
Acquired and available shares	0	0	0	0	**59 500**
Exercised stock	0	0	0	0	**12 910**
Acquired and remaining available shares	0	0	0	0	**46 590**
Shares acquired under conservation	0	5 000	2 700	0	**10 500**
Shares granted but not yet vested	37 655	0	8 100	40 000	**85 755**
End of acuisition period	37 655 stock : dec 2017	*completed*	2 700 stock : dec 2017 2 700 stock : dec 2018 2 700 stock : dec 2019	10 000 stock : dec 2017 10 000 stock : dec 2018 10 000 stock : dec 2019 10 000 stock : dec 2020	
End of retention period	No retention period considering the vesting period of 2 years	5 000 stock : dec 2017	2 700 stock : dec 2018 2 700 stock : dec 2019 2 700 stock : dec 2020	10 000 stock : dec 2018 10 000 stock : dec 2019 10 000 stock : dec 2020 10 000 stock : dec 2021	

2. BSPCE founders' warrants

The table below shows a breakdown of the BSPCE founders' warrants that have been granted:

Date of the Boards decided to award	12/13/2013	12/13/2013	09/25/2014	09/25/2014	09/25/2014	12/16/2015	03/15/2016	TOTAL
	Plan 2013 n°1	Plan 2013 n°2	Plan 2014 n°1	Plan 2014 n°2	Plan 2014 Executives	Plan 2015 Executives	Plan 2016 Executives	
Number of BSPCE issued (2)	28 000	22 400	14 000	5 600	100 000	40 000	40 000	250 000
Number of BSPCE canceled	-	-	2 800	5 600	-	-	16 000	24 400
Number of BSPCE subscribed remaining	28 000	22 400	11 200		100 000	40 000	24 000	225 600
Number of BSPCE excercised	4 900	700	-	-	-	-	-	5 600
Number of BSPCE remaing to exercise	23 100	21 700	11 200		100 000	40 000	24 000	220 000

As of the filing date of this reference document, the Company has received all subscription forms from eligible employees for all BSPCE founders' warrants plans.

3. Stock options

Situation at 12/31/2016	Date of shareholders' meeting 06/24/2014 Date of Board of Directors' meeting 03/31/2015 SO 2015 Plan N°1	Date of shareholders' meeting 06/24/2014 Date of Board of Directors' meeting 12/16/2015 SO 2015 Plan N°2
Number of warrants issued	10 000	4 000
Number of warrants granted	10 000	4 000
Number of warrants subscribed	10 000	4 000
Number of warrantes exercised	-	-
Number of warrants remaining to be exercised	10 000	4 000

C. EQUITY INTERESTS AND SECURITIES CONFERRING EQUITY RIGHTS HELD BY CORPORATE OFFICERS

The direct and indirect investments of board of directors members and the number of securities that confer equity rights in the Company that they hold as of December 31, 2016 are shown below:

Name	Number of shares held directly	Number of shares held by tied entities	% of the company's capital	Securities
Mr. Gérard Soula	898 463	0	13,10%	84 000
Mr. Olivier Soula	297 490	0	4,34%	65 000
Ms. Dominique Takizawa	-	-		10 000
Ms. Ekaterina Smirnyagina	-	-		10 000
BPI Investissement represented by Mr. Laurent Arthaud [(2)]	-	738 639	10,77%	-
Total		1 934 592		169 000

(1) "Tied entities" means entities with which the member has capital or contractual ties (such as delegated management authority) or ties pursuant to articles of incorporation provisions.

(2) Bpifrance Investissements is the management company for the Innobio fund and for sub-fund II of the Bioam 1b fund, which hold a 10.8% stake in the Company (9.1% and 1.6%, respectively).

(3) Not including bearer shares, if any.

D. EQUITY INTERESTS IN THE COMPANY HELD BY EMPLOYEES

As of the filing date of this reference document, the Company's employees (including Olivier Soula and Rémi Soula) held 641,850 shares, i.e., 9.4% of the Company's capital and 13.10% of its voting rights.

E. PROFIT SHARING AGREEMENT (*INTÉRESSEMENT*)

Not applicable.

F. EMPLOYEE SAVINGS PLANS

Adocia has set up various employee savings plans. These plans, which the Company uses as tools to optimize its employment policy, are used to meet various objectives, including establishing a link between employee performance and business results, and retaining and motivating employees.

- Mandatory profit sharing ("*participation*") was set up by an agreement signed on December 11, 2013 between management and the employees, represented by the single employee representative body. This plan is mandatory for companies with more than 50 employees and distributes a portion of the Company's profits to the employees. Amendment No. 1 to this agreement was signed on July 28, 2014 in the same manner. This amendment provides for the payment of profit sharing into a PEE company savings plan and/or a PERCO group retirement savings plan. The agreement covers all employees who have been with the Company at least three months at the end of the fiscal year. The amount allocated to all beneficiary employees is called the Special Profit Sharing Reserve, which is calculated in accordance with the statutory formula. As of December 31, 2016, no profit sharing was paid due to the Company's net loss in fiscal year 2016.
- On July 28, 2014, the management and the employees, represented by the single employee representative body, agreed to set up a PEE company savings plan and a PERCO group retirement savings plan. Both plans allow employees who have been with the Company for at least three months (as of the date of the first payment in the case of optional voluntary payments) to contribute, with the Company's help, to the creation of a group securities portfolio that enjoys the tax benefits granted to these types of group collective savings plans. The PERCO group retirement savings plan is also a mechanism for building additional retirement savings.
- A time savings account (CET) was set up by an agreement signed on June 30, 2014 between management and the employees, represented by the single employee representative body. This account is not required by law, but is a deliberate choice by Adocia that allows employees who have been with the Company for at least three months, and who wish to do so, to build a long-term time savings account, or to acquire flexibility when taking vacation, or to increase their savings by transferring their time savings account rights to a PEE company savings plan or PERCO group retirement savings plan.

G. EMPLOYMENT INFORMATION REQUIRED BY ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE

1. Employment

The main objectives of Adocia's human resources policy are:

- to attract, retain and motivate the most competent talent to support the development of the Company's ambitious and innovative projects;
- to provide training opportunities for employees;
- to promote internal mobility and promotions, so as to offer employees a broader scope of activities and enable them to gain new expertise.

2. Workforce

As of December 31, 2016, the Company had 125 workers (both full-time and part-time), of which 123 are located In France and 2 are based in the U.S. subsidiary, Adocia Inc. The Company has a total of 2 blue-collar employee, 55 technicians and 68 management-level employees. Of these employees, 113 are on permanent employment contracts and 12 are on fixed-term employment contracts (8 on apprenticeship contracts and 4 on fixed-term contracts entered into due to a temporary increase in business). The two workers employed by the U.S. subsidiary are included in the "workforce" metric as of December 31, 2016, but not in the other employment metrics (not managed by HR France). These two employees are permanently excluded from the HR metrics.

All employees of the parent company are based in Lyon, at the Company's registered office at 115 Avenue Lacassagne. The employees of Adocia Inc. are located in California.

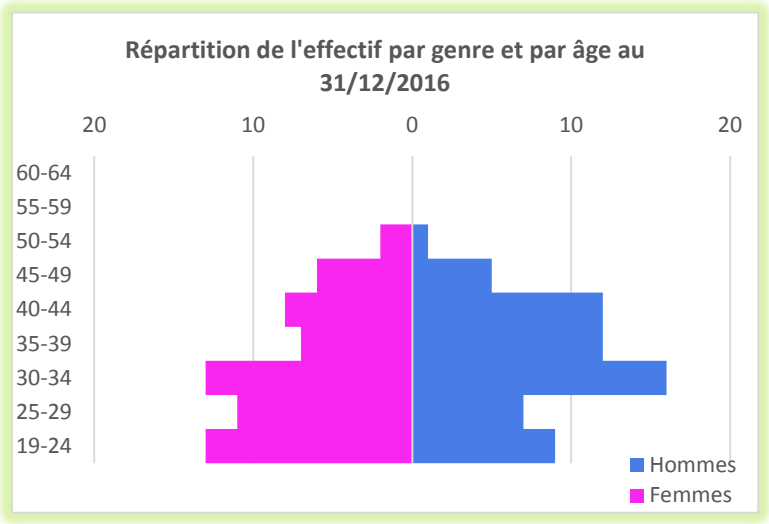
The Company's main managers have significant experience in managing technological innovation and partnerships with major biopharmaceutical groups, as well as in drug delivery of therapeutic proteins and in the development of medical devices.

As of December 31, 2016, the Company employed 46 researchers who hold doctorates in science, medicine or pharmacy, i.e., over one-third of all personnel.

As of December 31, 2016, over 80% of the workforce was assigned directly to research and development, and the remaining employees performed support functions, such as accounting, administrative services, quality control, security and human resources.

As of December 31, 2016, the average age of the parent company's employees was 34. Forty-nine percent of employees were women.

The graph below shows the distribution of employees by age and sex:



3. Personnel movements in 2016

Number of new hires and departures over the last three years:

	2014	2015	2016
Total new hires	27	54	37
Total departures	20	23	21

- The 21 departures in 2016 were due to:
- the expiration of fixed-term contracts (48%), of which 70% were work-study contracts;
- termination at the end of the probationary period at the employer's initiative (19%);
- negotiated termination of employment (19%);
- resignations (14%).

No dismissal procedure was initiated during the year.

Due to the Company's highly selective hiring policy and demanding standards, the integration rate for new hires is 76% (4 terminations at the end of the probationary period at the employer's initiative and 3 terminations of fixed-term contracts other than seasonal or replacement contracts).

The Company must be competitive and attractive to draw and retain top talent. Accordingly, it has an ambitious compensation policy which is reflected, in particular, by a payroll of €7.6 million (French GAAP) in 2015, as well

as significant annual pay increases. Over the last three years, average general and individual pay increases ranged from 4% to 10% (excluding senior management), plus bonuses tied to group and individual performances.

Pay increases and/or bonuses are awarded on the basis of objective criteria and individual merit. The Company treats all employees equally regardless of race, sex, color, religion, disability, family status, sexual orientation, age or ethnicity.

4. Work organization

The employment contracts of French employees are governed by the pharmaceutical industries collective bargaining agreement.

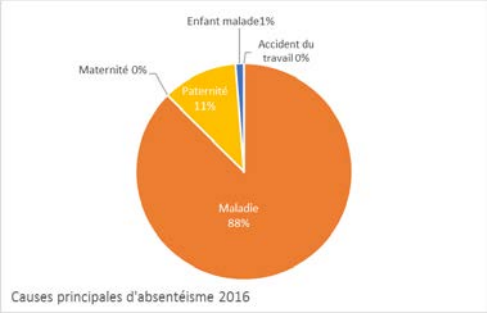
The employment contracts of Adocia Inc. are governed by U.S. law.

On July 22, 2010, the Company entered into a working hour adjustment agreement with employee representatives, the terms of which were negotiated in the spirit of cooperation and flexibility required for research activities. This agreement was approved by the national management-labor committee of the pharmaceutical industry on September 29, 2010.

Pursuant to this agreement, the working time of management-level employees (groups VI to IX of the pharmaceutical industries collective bargaining agreement classification) is calculated in days, and the working time of technicians and blue-collar employees (employees in groups I to V) is calculated in hours. The standard workweek for technicians and blue-collar employees is 35 hours, subject to increase, in which case employees are entitled to compensatory time off (RTT).

In 2016, 13 employees worked part-time, 4 of whom were on a parental leave contract. All of these employees have chosen to work part-time to deal with family responsibilities.

In 2016, the main reasons for absences were illness and paternity leaves. There were 284 days of absence due to sickness, work accidents and sick children in 2016, an absenteeism rate of 0.99%. This rate dropped significantly compared to the previous year: in 2015, there were 1,024 days of absence, a number significantly impacted by an employee who was on long-term sickness leave. Planned absences, such as maternity leave or paternity leave, are not included in the calculation.



5. Labor relations

In 2012, the Company reached the statutory number of workers for setting up a single employee representative body, which the Company set up in 2013. In November 2016, a new single employee representative body was elected.

In accordance with the Rebsamen Act of August 18, 2015, this new single employee representative body combines the powers of employee representatives, the works council and the health, safety and working conditions committee (CHSCT) in a single elected body. At year-end 2016, the single representative body comprised:

- three incumbent members and three alternates for the non-management section;
- three incumbent members and two alternates for the management section.

The Company ensures that the rights and freedoms of employee representatives are scrupulously respected, and that they are granted the same career and training opportunities as other employees.

Management and the employee representative bodies jointly and freely decide the common measures to be taken to promote the development of a progressive and high-quality industrial relations policy that maintains an ongoing and constructive labor-management dialogue.

The Company complies with the fundamental conventions of the International Labor Organization on respect for the freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labor, and the abolition of child labor.

6. Health and safety

The Company has a two-person Health, Safety and Environment department. Twelve persons in the Company's various departments have received first aid at work training. Individual and collective safety equipment has been installed and is inspected regularly. Evacuation drills are held according to a predetermined schedule. Fire safety equipment and electrical systems are inspected annually by certified organizations.

Pursuant to the Rebsamen Act of August 18, 2015, the election of the new single employee representative body in 2016 led to a reduction in the terms of office of the members of the health, safety and working conditions committee then in place, which expired on October 17, 2016.

The duties of the safety and working conditions committee are now performed by the new single employee representative body elected in November 2016.

Quarterly meetings are held, which are attended by the members of the Health and Safety department.

A workplace accident means any accident that occurs due to or during work to any person who is a Company employee or who is performing work for the Company. Workplace accidents also include commuting accidents that occur in the course of ordinary travel by an employee between his/her home and workplace (round trip).

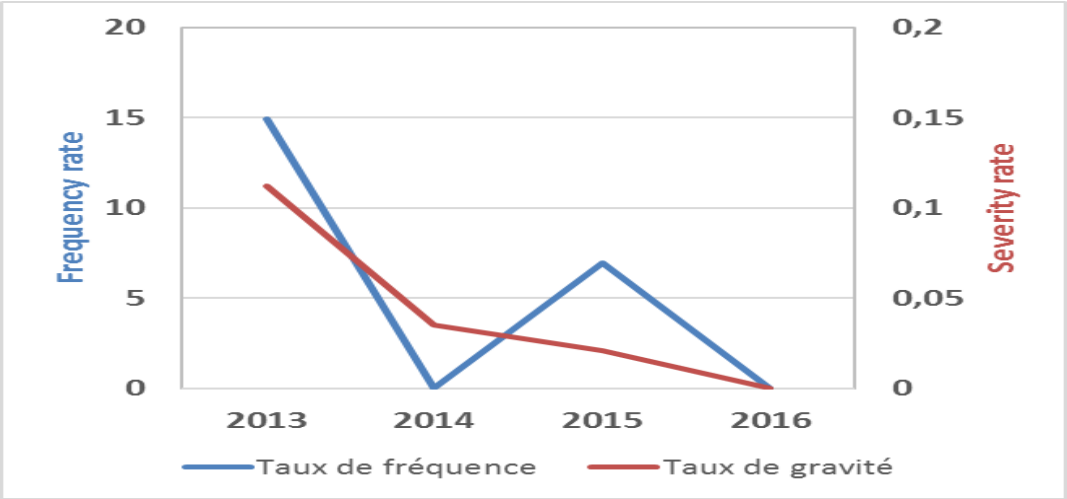
The Company recorded 27 accidents, 37% of which involved needle sticks and cuts to hands. Based on the average workforce in 2016, the rate of work accidents per employee was 0.22, compared to 0.24 the previous year. None of these accidents required medical leave in 2016, whereas in 2015 the Company recorded one medical leave due to an accident.

Consequently, in 2016, the frequency and severity rates of workplace accidents were both 0.

These rates are calculated using the following formulas:

- Frequency rate = (number of workplace accidents and commuting accidents resulting in medical leave / hours worked) x 1,000,000
- Severity rate = (number of days lost due to temporary disabilities as a result of a workplace accident or commuting accident / hours worked) x 1,000

	2014	2015	2016
Frequency rate	0	6.94	0
Severity rate	0.03	0.02	0



No occupational or work-related illness was reported in 2016 or during the previous three fiscal years. An occupational illness means an illness due to a person's exposure to a risk in connection with his/her employment position. The Company has not been informed of any permanent disability in this fiscal year or prior fiscal years.

The Company pays for a medical examination for all employees, with varying frequencies depending on the nature of employees' positions. Laboratory personnel undergo a medical examination, including a blood test, at least every 18 months, and administrative personnel are examined at least every two years.

To date, no agreement on occupational health and safety has been signed with the labor unions or employee representatives.

7. Training

Employees have extensive training and the Company places particular importance on maintaining each employee's knowledge and skills at a high level. Continuing education focuses primarily on scientific and technical training to develop the skills of laboratory staff (researchers and laboratory technicians), but it can also be provided to all employees on topics such as management, communication in English, the use of computer software, accounting and human resources training, training in the use of new tools and materials, regulatory watch, etc. Moreover, each year, all employees receive general training based on a theme intended to bring staff members together, whose main focus has been the same for several years: "increased self-knowledge allows knowing others better."

This year, Adocia's management has chosen to allocate a portion of its budget to training for management employees. Accordingly, 43 management employees received training on this theme.

In 2016, the total number of training hours was 3,575.

On average, in 2016, each worker employed by the Company as of December 31, 2016 took part in five training programs.

Number of employees trained in 2016	Men	Women	Total
Management employees	36	28	64
Non-management employees	24	30	54
Total	60	58	118

	Number of employees trained in 2016
Research and development	96
Administrative and support functions	22
Total	118

Moreover, to develop individual skills and to maintain a high level of expertise, the Company encourages all researchers to attend international conferences and seminars. In 2016, Adocia participated in 17 scientific conferences and seminars (involving 24 participants).

8. Equality in the workplace

The Company has taken steps to encourage the hiring of workers with disabilities, in particular holding meetings with CAP Emploi, the national placement network for persons with disabilities. Despite these actions and the fact that all positions are open to persons with disabilities, the Company has received few applications (problem of skills not matching the profile of positions available). As of December 31, 2016, the Company employed no workers who have disabled worker status.

The Company uses a disabled workers' assistance center to provide it with various paper supply services.

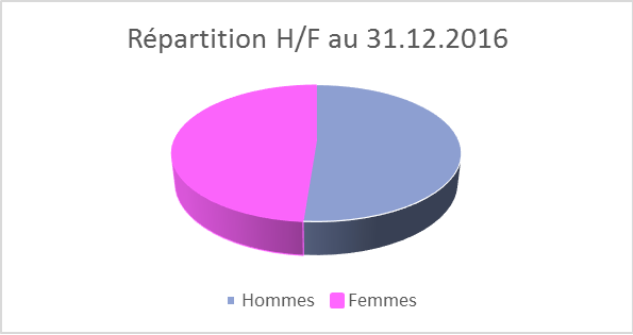
9. Gender equality action plan

After having consulted the single employee representative body in December 2013, an action plan took effect on January 1, 2014, in accordance with Article L. 2242-5-1 of the French Labor Code and Decree No. 2011-822 of July 7, 2011 on the implementation of companies' gender equality obligations (Articles R. 2242-2 to R. 2242-8 of the French Labor Code).

This plan focuses primarily on the following three points:

- **Workforce**: The Company will continue to hire its employs on the basis of objective expertise criteria and individual merit, while attempting to achieve a gender-balanced workforce.
- **Training**: The Company ensures that training to develop each employee's business skills and to enable them to adapt to changes in the Company is available equally to men and women.
- **Compensation**: The Company will continue its policy of compensating men and women equally.

As of December 31, 2016, the distribution of men and women in the workforce was balanced, with 49% women and 51% men.



18. MAJOR SHAREHOLDERS

A. CHANGE IN THE COMPANY'S CAPITAL STRUCTURE OVER THE PAST THREE YEARS ON AN UNDILUTED BASIS

	Situation at December 31, 2016			Situation at December 31, 2015			Situation at December 31, 2014		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Soula Family	**1 513 933**	**22,1%**	**31,4%**	**1 525 933**	**22,3%**	**31,8%**	**1 540 933**	**24,8%**	**32,0%**
Gérard Soula	898 463	13,1%	18,8%	898 463	13,1%	18,8%	898 463	14,5%	18,6%
Olivier Soula	297 490	4,34%	6,16%	307 490	4,49%	6,32%	317 490	5,11%	6,60%
Rémi Soula	300 490	4,38%	6,14%	302 490	4,42%	6,32%	307 490	4,95%	6,40%
Laure Soula	17 490	0,3%	0,4%	17 490	0,3%	0,4%	17 490	0,3%	0,4%
Financial investors	**1 168 209**	**17,0%**	**24,4%**	**1 166 639**	**17,0%**	**24,4%**	**1 831 650**	**29,5%**	**38,1%**
Innobio *(Bpifrance Investissement)*	625 923	9,1%	13,1%	625 923	9,1%	13,1%	700 020	11,3%	14,6%
Fonds BioAM *(Bpifrance Investissement)*	112 716	1,6%	2,4%	112 716	1,6%	2,4%	286 256	4,6%	6,0%
Subtotal BPIfrance investissement	*738 639*	*10,8%*	*15,4%*	*738 639*	*10,8%*	*15,4%*	*986 276*	*15,9%*	*20,5%*
Fonds IdInvest		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Fonds Amundi	1 570	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Fonds Viveris	67 439	1,0%	1,4%	67 439	1,0%	1,4%	364 754	5,9%	7,6%
Oréo Finance	40 561	0,6%	0,8%	40 561	0,6%	0,8%	81 561	1,3%	1,7%
Famille Deléage		0,0%	0,0%	0	0,0%	0,0%	17 090	0,3%	0,4%
SHAM (1)	320 000	4,7%	6,7%	320 000	4,7%	6,7%	381 969	6,1%	7,9%
Key employees	**43 870**	**0,64%**	**0,82%**	**40 270**	**0,65%**	**0,76%**	**50 090**	**0,8%**	**0,9%**
Scientific committees (stock warrants)	700	0,0%	0,0%	700	0,0%	0,0%	0	0,0%	0,0%
Administrator (stock warrants)	0	0,0%	0,0%	0	0,0%	0,0%	0	0,0%	0,0%
Treasury shares	**760**	**0,01%**	**0,0%**	**4 185**	**0,06%**	**0,0%**	**2 323**	**0,0%**	**0,0%**
other shareholders *	**4 132 291**	**60,2%**	**43,4%**	**4 108 636**	**60,0%**	**43,1%**	**2 791 080**	**44,9%**	**29,1%**
Total	**6 859 763**	**100,0%**	**100,0%**	**6 846 363**	**100,0%**	**100,0%**	**6 216 076**	**100,0%**	**100,0%**

* Including any shares held in bearer form by the Company's historical financial investors, as well as shares held by investors who took part in the private placement carried out in March 2015 (KKR filed a threshold crossing declaration).

(1) SHAM: Société Hospitalière d'Assurance Mutuelles

As of the filing date of this reference document, the Company is not aware of any significant changes in its shareholding structure since December 31, 2016.

B. DISTRIBUTION OF CAPITAL AND VOTING RIGHTS AS OF DECEMBER 31, 2016 ON A FULLY DILUTED BASIS

	Situation at December 31, 2016 on an undiluted basis			Situation at December 31, 2016 on a fully diluted basis (1)		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Soula Family	**1 513 933**	**22,1%**	**31,4%**	**1 708 983**	**23,6%**	**32,2%**
Gérard Soula	898 463	13,1%	18,8%	982 463	13,6%	18,9%
Olivier Soula	297 490	4,34%	6,16%	362 490	5,01%	6,58%
Rémi Soula	300 490	4,38%	6,14%	346 540	4,79%	6,37%
Laure Soula	17 490	0,3%	0,4%	17 490	0,2%	0,4%
Financial investors	**1 168 209**	**17,0%**	**24,4%**	**1 168 209**	**16,2%**	**23,5%**
Innobio *(Bpifrance Investissement)*	625 923	9,1%	13,1%	625 923	8,7%	12,6%
Fonds BioAM *(Bpifrance Investissement)*	112 716	1,6%	2,4%	112 716	1,6%	2,3%
Subtotal BPIfrance investissement	*738 639*	*10,8%*	*15,4%*	*738 639*	*10,2%*	*14,8%*
Fonds Viveris	67 439	1,0%	1,4%	67 439	0,9%	1,4%
Oréo Finance	40 561	0,6%	0,8%	40 561	0,6%	0,8%
Famille Deleage	0	0,0%	0,0%	0	0,0%	0,0%
SHAM (*)	320 000	4,7%	6,7%	320 000	4,4%	6,4%
Key employees	**43 870**	**0,64%**	**0,82%**	**198 575**	**2,75%**	**2,35%**
Scientific committees (stock warrants)	700	0,0%	0,0%	2 100	0,0%	0,0%
Administrator (stock warrants)	0	0,0%	0,0%	20 000	0,3%	0,2%
Treasury shares	**760**	**0,01%**	**0,0%**	**760**	**0,01%**	**0,0%**
other shareholders (2)	**4 132 291**	**60,2%**	**43,4%**	**4 132 291**	**57,1%**	**41,7%**
Total	**6 859 763**	**100,0%**	**100,0%**	**7 230 918**	**100,0%**	**100,0%**

(*) SHAM: Société Hospitalière d'Assurance Mutuelles

(1) On the date of this reference document, the dilutive instruments issued by the Company consist of (i) **105,755** shares (after accounting for the 10-for-1 stock split decided by the shareholders' meeting of October 24, 2011), which were issued as bonus shares by the Company to key employees and are in the vesting period, as more fully described in section 21.1.7 of this reference document; (ii) **1,400** BSA stock warrants conferring the right to subscribe for 1,400 shares (after accounting for the 10-for-1 stock split decided by the shareholders' meeting of October 24, 2011); (iii) **20,000** BSA stock warrants conferring the right to subscribe for 20,000 shares granted to independent directors; (iv) **220,000** BSPCE founders' warrants conferring the right to subscribe for 196,700 shares; and (v) **24,000** stock options conferring the right to subscribe for 24,000 shares.

(2) Including any shares held in bearer form by the Company's historical financial investors.

C. MAJOR SHAREHOLDERS NOT REPRESENTED ON THE BOARD OF DIRECTORS

The Innobio and Bioam Funds are major shareholders of the Company, holding 10.8% of the capital and 15.4% of the voting rights as of December 31, 2016. They are represented on the board of directors by Bpifrance Investments.

Société Hospitalière d'Assurance Mutuelles (SHAM) holds 4.7% of the Company's capital and 6.7% of its voting rights. It is not represented on the board of directors.

D. VOTING RIGHTS OF MAJOR SHAREHOLDERS

A double voting right equivalent to twice that attributed to other shares, based on the proportion of the share capital they represent, is attributed to all fully paid-up shares (regardless of their class), provided it can be proved that they have been registered in the name of the same shareholder for at least two years.

This right is also conferred at the time of issue, in the event of a capital increase carried out by capitalizing reserves, profits or issue premiums, to registered shares granted as bonus shares to a shareholder for existing shares that already entitled him to this right.

E. CONTROL OF THE COMPANY

As of the filing date of this reference document, no single shareholder owned a percentage of the capital sufficient to create a presumption that it controls the Company, within the meaning of Article L. 233-3 of the French Commercial Code.

The Company has therefore not been required to take measures to ensure that such control is not improperly exercised.

No shareholders' agreement is in force as of the date of this reference document, other than the collective undertaking to retain their securities in the Company (known as a "Dutreil" agreement) concluded by Gérard Soula, Olivier Soula, Rémi Soula and Laure Soula pursuant to Article 787 B of the French General Tax Code.

The Company's main shareholder is the Soula family group, which currently includes Gérard Soula (the Chairman and CEO), Olivier Soula (the Deputy CEO), Remi Soula, Laure Soula and Sylvie Soula. Gérard Soula and Olivier Soula serve on the Company's Board of Directors, respectively as chairman and Director, along with four other directors (Olivier Martinez, Laurent Arthaud representing Bpifrance Investment, Dominique Takizawa and Ekaterina Smirnyagina). The Soula family group files consolidated declarations (see section 18.A of this reference document) and has requested and obtained a waiver from the obligation to launch a public offer triggered by the fact that the Soula family group has crossed the 30% threshold.

F. AGREEMENTS THAT MAY LEAD TO A CHANGE IN CONTROL

No specific provision of the issuer's articles of incorporation or bylaws, or of any charter or rules of procedure could have the effect of delaying, deferring or preventing a change in its control.

G. PLEDGES OF THE COMPANY'S SHARES

None.

19. RELATED-PARTY TRANSACTIONS

The regulated agreements that exist to date are described in the statutory auditors' special reports presented below.

No agreement was entered into during the past fiscal year between (i) the chief executive officer, the deputy chief executive officer, any director or any shareholder of the Company holding more than 10% of the voting rights, and (ii) the Company's subsidiary.

A. INTRA-GROUP AGREEMENT

An annual contract for services ("Services Agreement") was entered into between Adocia and Adocia Inc. in March 2015. That contract provides for the re-invoicing of costs incurred by the Company in connection with its business, plus a 10% fee to cover the operating costs of the U.S. subsidiary.

The impact of the creation of this new company on the financial statements as of December 31, 2016 is limited. Expenses totaling €1.3 million are for the payroll costs of two employees and their travel and entertainment expenses.

B. RELATED-PARTY TRANSACTIONS

None.

C. STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS MADE IN THE FISCAL YEAR ENDED DECEMBER 31, 2016

Adocia

General shareholders' meeting convened to approve the financial statements for the financial year ended 31 December 2016

Statutory auditors' special report

on regulated agreements

ODICEO

115 boulevard de Stalingrad

C.S 52038

69616 Villeurbanne Cedex

A French corporation (S.A.) with capital of €275,000

Statutory auditor

Member of the Lyon

Regional Association

ERNST & YOUNG et Autres

Tour Oxygène

10-12 boulevard Marius Vivier Merle

69393 Lyon Cedex 03

A French simplified corporation (S.A.S.) with variable capital

Statutory auditor

Member of the Versailles

Regional Association

Adocia

General shareholders' meeting convened to approve the financial statements for the financial year ended 31 December 2016

Statutory auditors' special report on regulated agreements

To the Shareholders,

In our capacity as the statutory auditors of your company, we hereby present our report on regulated agreements.

It is our duty to inform you, on the basis of the information that has been provided to us, on the characteristics and material terms of agreements that have been reported to us or that we discovered in performing our assignment, as well as the grounds showing that they are in the company's interest. However, it is not our role to comment on whether these agreements are beneficial or appropriate, or to ascertain whether any other agreements exist. Pursuant to Article R. 225-31 of the French Commercial Code, it is your responsibility to determine whether entering into these agreements was beneficial, with a view to approving them.

In addition, if applicable, it is our duty to provide you with the information required by Article R 225-31 of the French Commercial Code on the performance, during the past fiscal year, of agreements already approved by a general shareholders' meeting.

We have performed the work that we deemed necessary in accordance with the professional guidelines of the French National Board of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relevant to this assignment.

Agreements subject to the approval of the general shareholders' meeting

We inform you that we have not been apprised of any agreement that has been authorized during the past fiscal year that must be submitted to the general shareholders' meeting pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements already approved by a general shareholders' meeting

We inform you that we have not been apprised of any agreement that has already been approved by a general shareholders' meeting and whose performance continued during the past fiscal year.

Villeurbanne and Lyon, April 7, 2016

The Statutory Auditors

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

20. FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS, FINANCIAL POSITION AND EARNINGS

A. CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS FOR THE YEARS ENDED DECEMBER FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

1. Consolidated statement of financial position (IFRS)

En milliers d'euros normes IFRS	Notes	12/31/2016	12/31/2015
Inventories	3.5	66	23
Trade and similar receivables	3.6	2 462	5 150
Other current assets	3.7	9 442	8 747
Cash and cash equivalents	3.8	58 037	72 062
Current assets		**70 008**	**85 983**
Goodwill			
Land	3.2	1 751	0
Buildings and constructions	3.2	3 793	0
Laboratory equipment	3.2	1 521	812
Other property, plant and equipment	3.2	1 388	1 118
Actifs financiers	3.3	338	182
Non-current assets		**8 790**	**2 112**
Total assets		**78 798**	**88 095**
Short-term financial debt	3.14	679	89
Other current financial liabilities	3.14	112	46
Trade and similar payables	3.13	4 572	5 461
Other current liabilities	3.13	22 655	14 811
Current liabilities		**28 017**	**20 407**
Long-term financial debt	3.10	6 281	702
Long-term provisions	3.11	1 738	1 095
Other non-current liabilities	3.12		18 839
Non current liabilities		**8 019**	**20 636**
Share capital		686	685
Share premium		78 942	78 670
Group translation gains and losses		7	2
Group reserves		(28 981)	(44 858)
Group net profit/loss		(7 892)	12 553
Capitaux propres	3.9	**42 762**	**47 052**
Total liabilities		**78 798**	**88 095**

2. Consolidated income statement (IFRS)

In thousand euros - IFRS	Notes	12/31/2016	12/31/2015
Revenue	3.16	22 488	36 936
Grants, research tax credits and others	3.17	7 966	7 818
Operating revenue		**30 454**	**44 753**
Operating expenses excluding additions and reversals	3.15	(37 692)	(34 182)
Additions to and reversals of depreciation, amortization and	3.20	(763)	(468)
Profit (loss) from ordinary operating activities		**(8 001)**	**10 103**
Other operating revenue and expenses			
Profit (loss) from ordinary operating activities		**(8 001)**	**10 103**
Financial income		646	2 548
Financial expense		(466)	(430)
Financial income	3.21	**181**	**2 118**
Pofit (loss) before tax		**(7 821)**	**12 220**
Tax expense	**3.22**	(72)	333
Net profit (loss)		**(7 892)**	**12 553**
Non-controlling interests			
Group net profit (loss)		**(7 892)**	**12 553**
Base earnings per share (€)	3.23	(1,2)	1,9
Diluted earnings per share (€)		(1,2)	1,8
Group net profit (loss)		**(7 892)**	**12 553**
Actuarial adjustments on defined pension liabilities		*(432)*	*(629)*
Deferred taxes		*0*	*0*
Unclassified elements in the Group net profit (loss)		*(432)*	*(629)*
Total profit (loss) for the year		**(8 324)**	**11 924**

3. Statement of Changes in Equity (IFRS)

(in € thousands)	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 year 2015					12 553		12 553
Gain (losses) on actuarial adjustments on defined pension liabilities						(629)	(629)
Translation adjustment							0
Comprehensive income for the period	**0**	**0**	**0**	**0**	**12 553**	**(629)**	**11 924**
Allocation of profit for the year 2014				(20 715)	20 715		0
Augmentation de capital	621 887	62	31 903				31 965
Increase in capital			(2 152)				(2 152)
Exercise of equity instruments (warrants)	8 400	1	33				34
Share-based payment				2 903			2 903
Liquidity Contract - Elimination of treasury shares			(211)	84			(127)
Others							0
Total shareholder relations	**630 287**	**63**	**29 573**	**(17 728)**	**20 715**	**0**	**32 623**
Balance at 12/31/2015	**6 846 363**	**685**	**78 670**	**(44 299)**	**12 553**	**(558)**	**47 052**
Profit for the year 2016					(7 892)		(7 892)
Gain (losses) on actuarial adjustments on defined pension liabilities						(432)	(432)
Translation adjustment							0
Comprehensive income for the period	**0**	**0**	**0**	**0**	**(7 892)**	**(432)**	**(8 324)**
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)	13 400	1	3				4
Share-based payment				3 822			3 822
Liquidity Contract - Elimination of treasury shares			269	(66)			203
Others				6			6
Total shareholder relations	**13 400**	**1**	**271**	**16 315**	**(12 553)**	**0**	**4 035**
Balance at 12/31/2016	**6 859 763**	**686**	**78 942**	**(27 984)**	**(7 893)**	**(990)**	**42 762**

4. Consolidated Statement of Cash Flows (IFRS)

In thousand euros - IFRS	12/31/2016	12/31/2015
Net profit (loss)	**(7 892)**	**12 553**
Net depreciation, amortization & provisions (excl. current assets)	740	507
Capital gains and losses on non-current assets	24	-
Calculated income and expenses	3 982	3 027
Loan writte-off	-	(1 050)
Tax paid	-	(544)
Cash flow from operations before cost of net financial debt and tax	**(3 147)**	**14 493**
Cost of gross financial debt	(26)	
Change in deferred revenues	**(10 749)**	**(10 749)**
Change in working capital requirement (including employee benefits)	**785**	**(9 959)**
Net cash flow related to operating activities	**(13 138)**	**(6 216)**
Acquisitions of property, plant and equipment & intangible assets	(8 079)	(1 284)
Disposals of property, plant and equipment & intangible assets	843	0
Acquisitions of non-current financial assets	(2)	(20)
Disposals of non-current financial assets	49	0
Other cash flows related to investing activities	0	500
Net cash flow related to investing activities	**(7 189)**	**(804)**
Capital increase	4	29 782
New loans and reimbursable advances	6 389	
Repayments of loans and reimbursable advances	(106)	(500)
Net financial interest paid	0	0
Other cash flows related to financing activities	14	0
Net cash flow related to financing activities	**6 301**	**29 282**
Change in net cash and cash equivalents	**(14 026)**	**22 262**
Opening cash	72 062	49 800
Closing cash	58 037	72 062

Breakdown of working capital requirement (WCR):

In thousand euros - IFRS	Change 2016/2015
Inventories	(43)
Trade and similar receivables	2 688
Other receivables and advances	(1 181)
Pre-paid expenses / other receivables	487
Trade and similar payables	(933)
Other debt	(232)
Change in working capital requirement	**785**

Components of net consolidated cash position broken down by type, and reconciliation with the balance sheet:

In thousand euros - IFRS	12/31/2016	12/31/2015
Short-term investment securities (due in < 3 months)	10 094	10 108
Cash on hand	47 942	61 954
Net cash and cash equivalents	**58 037**	**72 062**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS AS OF DECEMBER 31, 2016

Unless otherwise stated, amounts shown in these notes to the consolidated financial statements are in thousands of euros.

1. Description of business activities and significant events

1.1 Information about the Company and its business

Adocia is a biotechnology specialized in the development of innovative therapeutic protein formulations based on molecules already approved. It has a particularly high level of expertise in the field of insulin. The proprietary technological platform BioChaperone® aims to improve the efficacy of therapeutic proteins and to increase their ease of use for patients.

Adocia is a French *société anonyme* (corporation), which was created on December 22, 2005.

Since February 20, 2012, the Company has been listed on NYSE Euronext (compartment B).

The Company has a wholly-owned % subsidiary (Adocia Inc.), which was incorporated in March 2015 and which represents the Company in the United States.

The financial statements prepared under IFRS for the period from January 1 to December 31, 2016 are presented on a consolidated basis for Adocia and its subsidiary (Adocia Inc.), which are referred to jointly as the "Company". At its meeting of March 7, 2017, the board of directors approved the financial statements and authorized their publication.

1.2 Significant events during the fiscal year ended December 31, 2016

In 2016, the Company moved forward with the BioChaperone Lispro project under its partnership with Eli Lilly.

In 2016, Adocia and Eli Lilly announced positive results in four clinical studies:

- Repeated administration in type 1 diabetes patients: this study showed that BioChaperone Lispro U100 improves post-prandial glycemic control compared to Humalog® U100 (insulin lispro, Eli Lilly) at the beginning and end of a 14-day ambulatory treatment period, during which each treatment was administered three times per day in persons with type 1 diabetes.
- Repeated administration in type 2 diabetes patients: a similar study confirmed these results for BioChaperone Lispro U100 compared to Humalog U100 after a 14-day ambulatory treatment period for type 2 diabetes patients.
- Pharmacokinetic and pharmacodynamic profiles of BioChaperone Lispro in healthy Japanese subjects: this study confirmed the profiles of BioChaperone Lispro on Japanese subjects, which may support the inclusion of Japanese subjects with diabetes in phase 3 global program.
- Administration using a pump on subjects with type 1 diabetes: this study confirmed the ultra-rapid profile of BioChaperone Lispro U100 compared to Humalog U100 in persons with type 1 diabetes who use an insulin pump.

Since the signature of the licensing and collaboration agreement in December 2014, the two companies have successfully complete five clinical studies of BioChaperone Lispro U100 and one BioChaperone Lispro U100/BioChaperone Lispro U200 bioequivalence pilot study.

In 2016, the Company made a strategic decision to increase its focus on the treatment of diabetes. This market is characterized by continuous growth and a very large population of patients, for whom there remains a significant medical need, both in terms of treatment efficacy and simplification of treatment regimen. Adocia addresses these patients' needs by developing innovative and simple therapies, alone or in combination. These therapies aim to more closely mimic the healthy physiologic response while managing treatment costs.

In line with this strategy, in 2016, Adocia pursued the development of its clinical programs as follows:

- BioChaperone Lispro, under the Eli Lilly-Adocia partnership, as described above.
- BioChaperone Combo, the unique combination of basal insulin glargine and prandial insulin lispro, with the initiation of a phase 1/2 clinical study monitoring postprandial glycemic control (meal-test study) obtained in people with type 2 diabetes. Results from this study are expected in the second quarter of 2017.
- BioChaperone human insulin (HinsBet): results from the phase 1/2 meal-test clinical study published in April 2016 showed that HinsBet U100 profile translated into an improved postprandial glycemic control compared to human insulin (Humulin U100, Eli Lilly), and similar to that obtained with insulin lispro (Humalog U100, Eli Lilly) during the first hour after administration.

The Company initiated two new preclinical programs in the diabetes field in 2016:

- BioChaperone Human Glucagon: this project aims to develop an aqueous formulation of human glucagon that could be used to rescue people experiencing severe hypoglycemia or in an artificial pancreas (i.e., an automated pump delivering both insulin and glucagon without any intervention from the patient). Based on promising formulation and preclinical results, Adocia expects to initiate a first-in-man study in 2017.
- BioChaperone Glargine GLP-1, 2-in-1 combinations of basal insulin glargine and GLP-1 receptor agonists: BioChaperone Glargine Dulaglutide and BioChaperone Glargine Liraglutide. These projects aim to develop simple, 2-in-1 intensification options over basal insulin treatment, that could be both efficient and financially accessible. Based on promising formulation and preclinical results, Adocia expects to initiate a first-in-man study in 2017.

In line with the strategic focus on diabetes, Adocia terminated the mAbs program (using Adocia technologies to improve formulation of third-party proprietary monoclonal antibodies) and the DriveIn® program (nanoparticle-based drug delivery technology in oncology), both at a preclinical stage.

Finally, 2016 was marked by the termination of the clinical development of BioChaperone PDGF-BB. In August 2016, Adocia announced that BioChaperone PDGF-BB did not meet the primary endpoint of the phase 3 clinical study that had been performed in India to evaluate this product for the treatment of diabetic foot ulcer. Although these results were in contradiction with positive results previously obtained during a phase 2 trial, and after initiating a thorough review of the data to explain this unexpected outcome, Adocia decided to terminate all development of BioChaperone PDGF-BB.

Furthermore, following the agreement to sell signed in 2015, the Company became the owner of the building in which it has been established since its inception. This acquisition was financed by bank loans.

1.3 Post-year-end events

On 26 January 2017, Adocia announced that Eli Lilly had decided to terminate the licensing and collaboration agreement they had signed in December 2014 to develop BioChaperone Lispro. The agreement will end after a four-month period, during which data and manufactured material will be transferred to Adocia. As a result, the Company will recover its rights and will continue development of this product. This decision will impact the financial statements for fiscal year 2017: the unamortized balance of the initial payment of €40.8 million will be recognized in full in 2017, with an amount of €18.8 million recognized as revenue in 2017.

2. Accounting methods and principles used to prepare the financial statements

2.1 Principles applied to prepare the accounts

2.1.1 Declaration of compliance

In application of EU Regulation 1606/2002 of July 19, 2002 on international standards, the Company's consolidated financial statements for the period ended December 31, 2016 were prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) and adopted by the European Union as of the balance sheet date.

This accounting standards framework is available on the European Commission website at the following address:

http://ec.europa.eu/internal_market/accounting/ias_fr.htm

This framework includes the international accounting standards (IAS and IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Interpretations Committee (IFRIC).

2.1.2 Principles applied to prepare the financial statements

Since the incorporation of the subsidiary, Adocia Inc., in March 2015, the Company has presented consolidated financial statements. The consolidation and translation of accounts principles applied are described below ("Principles of consolidation").

The Company's financial statements were prepared based on the historical cost principle, with the exception of certain categories of assets and liabilities according to the rules set out in the IFRS. The relevant categories are indicated in the following notes.

2.1.3 Going concern

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

2.1.4 Accounting principles and methods

The accounting principles and methods the Company applied for the annual consolidated financial statements are the same as those used for the financial statements for the fiscal year ended December 31, 2015.

In addition, the following new texts are mandatory for fiscal years beginning on January 1, 2016:

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

The Company applied the new standards, amendments to standards and interpretations applicable as of January 1, 2016. These new texts dis not have a material impact on the Company's financial statements.

Standards and interpretations published but not yet in effect for the 2016 financial statements:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases

The Company is currently assessing the impact of the first-time application of these new texts. It does not anticipate a material impact on its financial statements.

2.1.5 Principles of consolidation

The consolidated financial statements fully consolidate the accounts of all subsidiaries that Adocia directly or indirectly controls. Whether control exists is determined in accordance with IFRS 10 on the basis of three criteria: its power, exposure to variable returns and the connection between its power and those returns.

In March 2015, the Company created a wholly-owned subsidiary called Adocia Inc. and consolidated it as of December 31, 2016 using the full consolidation method.

The addition of the subsidiary Adocia Inc. to the consolidation scope was effective on the date of its creation. Its income and expenses are recognized on the consolidated income statement as of the date of its creation.

All transactions between the subsidiary Adocia Inc. and the Company, as well as results internal to the consolidation group, are eliminated.

2.1.6 Translation of the foreign subsidiary's accounts

The Company's financial statements are prepared in euros, which is the presentation currency.

The Company uses the year-end rate method. This method converts the balance sheet items at the year-end rate and income statement items at the average rate for the year. Translation differences, on opening balance sheet items and the income statement, are included in equity under "Translation differences".

2.2 Use of judgments 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 reported for assets, liabilities and contingent liabilities as of the date the financial statements were prepared, as well as the amounts reported as 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 reviewed continuously based on past experience

and various other factors deemed reasonable which form the basis for the estimates of the carrying amount of the assets and liabilities. Estimates may be revised if the circumstances on which they are based change or if new information is obtained. Actual results may differ significantly from these estimates if assumptions or conditions differ.

In preparing its annual 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 concern, in particular, IFRS 2 ("Share-based Payment") and IFRS 15 ("Revenue from contracts with customers"), and are described in sections 2.15 and 2.21.

2.3 Functional presentation currency

The Company's financial statements are prepared in euros, which is the presentation currency and functional currency of the parent company and its subsidiary.

2.4 Current/non-current distinction

The Company's balance sheet presentation makes a distinction between current and non-current assets and liabilities.

This distinction is made based on the following rules:

- assets and liabilities that come within the scope of the Company's working capital requirement are classified as "current";
- assets and liabilities that are not part of the company's normal operations are presented as "current" or "non-current" based on whether their maturity date is more or less than one year.

2.5 Intangible assets

2.5.1 Research and development

In accordance with IAS 38, internal research costs are recognized as expenses when they are incurred.

Development costs are capitalized only if the following criteria are met:

- (a) it is technically feasible to complete the development project;
- (b) the Company intends to complete the project;
- (c) the Company is able to use the intangible asset;
- (d) the Company is able to demonstrate the probability that the asset will generate future economic benefits;
- (e) the Company has the technical, financial and other resources to complete the project; and
(f) the development costs are measured reliably.

2.5.2 Patents

The costs incurred prior to filing and obtaining patents are capitalized by the Company applying the same provisions as for capitalizing development costs.

2.5.3 Other intangible assets

Intangible assets acquired separately by the Company are recognized at historical cost and those acquired through a business combination are recognized at fair value.

Concessions, licenses and software are amortized over the expected useful life (two to five years depending on the type of software).

2.6 Property, plant and equipment

Property, plant and equipment are recognized at their original cost. They are then measured at cost less the total of depreciation and impairment, if any, with the exception of acquisitions of parking spaces, which the Company has chosen not to depreciate.

Depreciation is calculated on a straight-line basis according to the estimated useful life of the assets and, if applicable, the residual values:

	Useful life
Buildings	20 years
Fixtures and improvements	1 to 6 years
Laboratory equipment	3 to 5 years
Furniture, office equipment	5 years

Land is not depreciated.

An item of property, plant and equipment is derecognized at the time of its disposal or if no future economic benefits are expected from its use or disposal. Any gain or loss resulting from the derecognition of an asset (difference between the

net proceeds and carrying amount of the asset) is included in the income statement for the year in which derecognition occurs.

The residual values, useful lives and depreciation methods are reviewed and, if necessary, modified at the end of each fiscal year. Such adjustments are treated as changes in estimates.

The depreciation of property, plant and equipment is recognized in income under depreciation and amortization.

2.7 Financial leases (including lease-purchase agreements)

Where applicable, an asset held under a financial lease (which substantially transfers all the risks and rewards of ownership of the asset to the Company) is recorded as an asset and a liability (in the same amount) on the balance sheet at the lower of the fair value of the asset and the sum of the discounted payments.

These assets are depreciated applying the same methods and rules described above in note 2.6. The corresponding liabilities are recorded on the balance sheet and repaid by an amount equal to the theoretical amortization of loans whose characteristics are comparable to those of the financial leases.

Operating lease agreements are recorded as expenses on a straight-line basis over the term of the agreement until its expiration.

2.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial amount of time to prepare for its intended use or sale are included in the cost of the asset. All other borrowing costs are recorded as financial expenses for the fiscal year in which they are incurred. Borrowing costs include interest and other costs that an entity incurs to borrow funds.

2.9 Recoverable amount of non-current assets

Assets with an indefinite useful life are not depreciated and are subject to an annual impairment test. Depreciated assets are subject to an impairment test whenever there is an internal or external indicator that an asset may have lost value.

Impairment testing entails comparing the net carrying amount of the tested asset to its recoverable amount. The test is performed at the cash generating unit level, which is the smallest group of assets that includes the asset and whose continuous use generates cash inflows that are largely independent of those generated by other assets or groups of assets.

Impairment is recognized in the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Fair value less costs of disposal is the amount that can be obtained from the sale of an asset in an arm's length transaction between well-informed, consenting parties, less costs of disposal.

Value in use is the present value of the estimated future cash flows expected to be derived from the continuous use of an asset and from its disposal at the end of its useful life. Value in use is determined according to cash flow projections generally made on the basis of five-year budgets or forecasts. For periods after five years, cash flows are extrapolated using a constant or declining growth rate and are discounted at long-term after-tax market rates that reflect market estimates of the time value of money and the risks specific to the asset. The terminal value is determined based on the discounting of the last cash flow of the test to infinity.

As of December 31, 2016, there is no internal or external impairment indicator for any non-current assets.

2.10 Basis of measurement of inventories

Inventories are recognized at the lower of cost and net realizable value. They may be depreciated if their use-by date has expired and/or if the project to which they relate has been abandoned by the Company and has been declared a failure. The cost of inventories is determined using the first-in first-out method.

2.11 Financial assets

Financial assets are classified into four categories based on their type and the intention to hold them:

- held-to-maturity investments;
- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets.

With the exception of assets at fair value through profit or loss, all financial assets are initially recognized at cost, which corresponds to the fair value of the price paid plus acquisition costs.

All standardized purchases and sales of financial assets are recognized on the settlement date.

2.11.1 Held-to-maturity investments

Held-to-maturity investments are financial assets that the Company intends and is able to hold to maturity. After their initial recognition, these assets are measured at amortized cost, using the effective interest method, less the amount of any impairment.

2.11.2 Financial assets at fair value through profit or loss

This category represents assets held for trading, i.e. assets acquired by the Company for the purpose of selling them in the short term. They are measured at fair value and changes in fair value are recorded in income. Certain assets can also be voluntarily classified in this category.

2.11.3 Loans and receivables

Non-current financial assets include advances and security deposits given to third parties. Advances and security deposits are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are recognized at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired.

2.11.4 Available-for-sale financial assets

This category includes all other financial assets. They are measured at fair value and changes in fair value are recorded in income until the asset is sold, cashed in or disposed of in any other way or until it is shown that the asset has been impaired in a prolonged and significant manner. In such cases, the profit or loss, recognized until then in equity, is transferred to income.

Available-for-sale financial assets are tested for impairment when impairment indicators exist.

If the available-for-sale financial asset is an equity instrument, impairment is final. Subsequent increases in fair value are recognized directly in equity.

If the available-for-sale financial asset is a debt instrument, any subsequent appreciation is recorded in income in an amount equal to the impairment loss previously recognized in income.

Purchases and sales of financial assets are generally recognized on the trade date.

The only financial assets measured at fair value are cash and cash equivalents, which include marketable securities (money market mutual funds in euros), quoted in an active market. They therefore constitute level 1 financial assets at fair value.

2.11.5 Cash reserve of the liquidity agreement

The cash reserve pursuant to the liquidity agreement for the buyback of the Company's own shares is recognized as a non-current financial assets.

2.12 Cash and cash equivalents

Cash and short-term deposits recognized on the balance sheet include bank balances, cash on hand and short-term deposits with an initial maturity of less than three months.

Cash equivalents are held for trading purposes, are readily convertible to a known cash amount and are subject to an insignificant risk of change in value. They are measured at fair value and changes in value are recorded in financial income.

For the purposes of the statement of cash flows, net cash includes cash and cash equivalents as defined above, net of bank overdraft facilities. In the balance sheet, bank overdrafts are reported in Current financial liabilities.

2.13 Reimbursable advances

The company receives a certain amount of government assistance in the form of reimbursable advances.

Government grants are recognized as assets when there is reasonable assurance that:

- the Company will comply with the conditions attached to the grants; and
- the grants will be received.

Reimbursable advances are recognized as "long-term financial debt" or "short-term financial debt" depending on their due date. In the event of non-payment, any debt write-off granted is recognized in "Grants, government financing and tax credits".

These advances were recognized in accordance with IAS 20. Since they are financial advances granted at below-market interest rates, they are measured according to IAS 39 if the impacts are material.

2.14 Equity

Classification in equity depends on the specific analysis of the characteristics of each instrument issued. Ordinary shares and preferred shares have therefore been classified as equity instruments.

The incidental costs directly attributable to the issue of shares or stock options are recognized as a deduction from equity, net of tax.

Treasury shares held by the Company under a liquidity agreement are recognized at their acquisition cost as a reduction in equity. The gain or loss on disposal of these treasury shares is also recognized directly in equity.

2.15 Share-based payments

In accordance with IFRS 2, benefits granted to certain employees in the form of share-based payments are measured at the fair value of the instruments granted.

This payment can take the form of equity-settled instruments or cash-settled instruments.

The Company has set up several equity-settled payment plans.

For example, stock options are granted to senior managers, certain company employees and other individuals.

The Company uses the Black-Sholes model to measure the fair value of these options. This model takes into account the features of the plan (strike price, exercise period), market data on the grant date (risk-free interest rate, volatility, expected dividends) and grantee behavior assumptions. Changes in value subsequent to the grant date have no impact on this initial measurement.

The value of the options is based on their expected term. This value is recorded as payroll expense or external charges as follows: the fair value of the options granted is determined on the grant date and recognized in income over the vesting period (period between the grant date and the plan maturity date).

For bonus shares, the fair value is also determined based on the features of the plan, market data on the grant date and an assumption of continued employment at the end of the vesting period. If the plan does not specify vesting conditions, the expense is recognized in full when the plan is granted; otherwise, the expense is recognized over the vesting period based on the conditions being met.

2.16 Provisions

Provisions are recognized if the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. If the Company expects a partial or total reimbursement of the provision (for example under an insurance policy), the reimbursement is recognized as a separate asset, but only if such reimbursement is virtually certain. The expense corresponding to a provision is reported in the income statement net of any reimbursement. If the impact of the time value of money is material, provisions are discounted on the basis of a pre-tax rate that reflects, if applicable, the risks specific to the liability. If the provision is discounted, increases in the provision due to the passage of time are recognized as a borrowing cost.

Provisions correspond to risks and charges that are specifically identified. They are classified as non-current or current liabilities based on their nature, purpose and duration.

2.17 Employee benefit obligations

In accordance with IAS 19R, retirement plans, similar payments and other employee benefits that are considered defined benefit plans (plan in which the Company agrees to guarantee a defined amount or benefit level) are recorded in the balance sheet based on an actuarial assessment of the obligations on the closing date, reduced by the fair value of the plan assets. These calculations mainly include:

- an assumption related to the benefit payment date;
- a financial discount rate;
- an inflation rate;
- assumptions related to salary increases, employee turnover rate and mortality rate.

The main actuarial assumptions made as of December 31, 2016 are described in note 3.11.

Actuarial gains and losses include the impacts to the obligation as the result of changes in calculation assumptions, as well as experience-based adjustments to the obligation. These gains and losses are recognized in other comprehensive income for post-employment benefits.

The provision shown on a specific line of the balance sheet represents the total obligation on the balance sheet date, adjusted, if applicable, for past service costs. Past service costs related to a plan change are recognized immediately in the income statement for the portion of rights already vested, and are spread out over the average period remaining until the corresponding benefits vest.

The expense for the year consists of the cost of services rendered, which represents an operating expense, and the accretion expense, which represents a financial expense.

2.18 Financial liabilities

Financial liabilities are classified into two categories and include/

- financial liabilities recognized at amortized cost; and
- financial liabilities recognized at fair value in income.

2.18.1 Financial liabilities recognized at amortized cost

Loans and other financial liabilities, such as conditional advances, are generally recognized at amortized cost calculated using the effective interest rate.

Loans and conditional advances are initially recorded at the fair value of the amount received, less directly attributable transaction costs. After initial recognition, interest-bearing loans are measured at amortized cost, using the effective interest method.

The portion of debt due in less than one year is presented as a current liability.

2.18.2 Financial liabilities recognized at fair value in income

This category represents liabilities held for trading, i.e., liabilities that are intended to be realized in the short term. They are measured at fair value and changes in fair value are recorded in income.

2.19 Receivables and liabilities denominated in foreign currencies

Receivables and liabilities denominated in foreign currencies are recognized at the exchange rate prevailing at the time of the initial transaction. On the balance sheet date, the items corresponding to assets and liabilities are measured at the closing rate or at the hedged rate, if applicable.

2.20 Current and deferred tax

Current tax assets and liabilities for the period and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to determine these amounts are those enacted or substantively enacted as of the balance sheet date.

Deferred taxes are recognized using the variable carry-forward balance sheet method for all temporal differences on the balance sheet date between the tax base of assets and liabilities and their carrying amount on the balance sheet, as well as for tax loss carryforwards.

A deferred tax asset, generated by tax losses, is recognized when there is persuasive evidence that a sufficient taxable profit will be available.

2.21 Revenue

Revenue corresponds to the fair value of the consideration received or receivable for goods and services sold in the normal course of the Company's business. Revenue from ordinary business activities is shown net of value-added tax, returns of merchandise, rebates and discounts.

In the normal course of its business, the Company may enter into commercial agreements with pharmaceutical groups. Payment under these agreements is generally based on:

- The payment of a signing bonus (access fees or up-front payment);
- Payment for specific developments based on the attainment of technical milestones (milestone payments);
- Payment for research and development efforts (collaboration agreements);
- Future sales of products (royalties).

The Company recognizes revenue when the amount can be measured reliably, it is probable that future economic benefits will flow to the

Company, and specific criteria are met for each of the Company's activities.

In the case of licenses, an initial payment (up-front fee) may be stipulated in the agreement. If the Company has fulfilled all its obligations on the balance sheet date, the amount has been definitively received and the Company is not obligated to provide additional services over the term of the agreement, this initial payment is recognized immediately in income for the fiscal year. Adocia considers the circumstances and facts to determine whether such payments received should be spread out over the entire payment period of the agreement or recognized immediately.

The Company may also generate revenue from feasibility studies that is measured based either on the attainment of technical milestones or on the accrued cost method. If applicable, impairment expense be recognized when the collectibility of the invoiced amounts is uncertain.

2.22 Other income

2.22.1 Grants

Due to its innovative nature, since its creation the Company has received a certain amount of assistance and grants from the French government and public authorities to help finance its operations or recruit specific individuals.

These grants are recognized as income over the fiscal year in which the corresponding costs or expenses are recorded.

2.22.2 Research tax credit

The French government grants research tax credits to companies to encourage them to conduct technical and scientific research. Companies that can prove expenditures meeting the required criteria (research costs in France or, since January 1, 2005, within the European Community or in another State that is part of the Agreement on the European Economic Area and has signed a tax treaty with France containing an administrative assistance clause) are eligible for a tax credit that can be used to pay the corporate income tax due for the fiscal year in which the expenses are incurred and the following three fiscal years or, if applicable, be reimbursed for the excess share of such tax.

2.23 Segment information

To date, the Company has not identified distinct operating segments. For the most part, the Company's operations involve regenerative medicine for the treatment of chronic diseases. All the assets and operating income presented are located in France.

2.24 Presentation of the income statement

The information on the Company's income statement is presented by category.

The purpose of expenses is described in note 3.15.

2.24.1 Research and development costs

Internal and external costs related to the research and development of new products.

2.24.2 Administrative expenses

Total costs of the support and central management functions.

2.24.3 Other operating income and expenses

Information appears in this item when a significant event occurring during the accounting period could give a distorted view of the Company's performance.

Other operating income and expenses include income and expense items that are very limited in number, and that are unusual given their frequency, nature or amount.

2.24.4 Operating income/loss

Operating income/loss includes all income and expenses directly related to the Company's activities, whether such income and expenses are recurrent or result from one-time decisions or operations.

2.24.5 Financial income/expense

Financial income/expense includes all:

- Expenses related to financing the Company: interest paid and accretion expense on reimbursable advances;
- Income related to interest received.

Foreign-exchange gains and losses are also recognized in financial income/expense.

2.24.6 Taxes

Corporate income tax: This item includes tax recognized for the year on possible taxable income (French GAAP).

Deferred taxes are recognized for all temporary differences arising from the difference between the tax and accounting bases of assets and liabilities in the financial statements. The main temporary differences relate to tax loss carryforwards. The statutory tax rate on the balance sheet date is used to determine deferred taxes.

Deferred tax assets are recognized only to the extent that it is probable that future earnings will be sufficient to absorb losses carried forward. Given the stage of its development, which does not enable establishing income projections considered sufficiently reliable, the Company did not recognize any deferred tax assets for loss carryforwards on the balance sheet.

2.25 Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to holders of the Company's shares by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the net income attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.26 Fair value of financial instruments

Fair value measurements are broken down by level according to the following fair value hierarchy:

- the instrument is quoted in an active market (level 1);
- measurement uses valuation techniques based on observable inputs, either directly (price) or indirectly (price derivatives) (level 2);
- at least one material component of fair value is based on unobservable inputs (level 3).

The fair value of financial instruments traded in active markets is based on quoted prices on the balance sheet date. A market is considered active if quoted prices are easily and regularly available from an exchange, trading officers, brokers, an appraiser or a regulatory agency, and such prices are based on regular trades. These instruments are classified as level 1.

The fair value of financial instruments that are not quoted in an active market (for example, over-the-counter derivatives) is determined based on valuation techniques. These methods maximize the use of observable market inputs, if available, and, for the most part, are not based on the Company's own estimates. If all elements required to calculate the fair value of the instrument are observable, this instrument is classified as level 2.

If one or more of the main calculation elements are not based on observable market inputs, the instrument is classified as level 3.

3. Additional information regarding certain balance sheet and income statement items

3.1 Intangible assets

Intangible asssets *(in € thousands)*	Gross amount	Amortization and impairment	Net amount
Value at December 31, 2015	**75**	**75**	**0**
Acquisitions/(Additions)			
(Disposals)/reversals			
Value at December 31, 2016	**75**	**75**	**0**

Given the risks and uncertainties related to regulatory authorizations and the R&D process, the six criteria for recognition of intangible assets are not considered to have been met for any of the pending development projects. As a result, all costs incurred by the Company are recognized as expenses. The treatment is the same for patent-related costs (see note 3.15).

3.2 Property, plant and equipment

Gross amount *(in € thousands)*	Land	Building	Laboratory equipment	Fixtures and facilities	Furniture, office equipment	Total
Total value at December 31, 2015	**0**	**127**	**2 329**	**1 284**	**819**	**4 559**
Acquisitions	1 751	3 800	1 923	334	248	8 055
Cessions			(912)		(0)	(912)
Total value at December 31, 2016	**1 751**	**3 927**	**3 341**	**1 618**	**1 066**	**11 702**

Depreciation and impairment *(in € thousands)*	Land	Building	Laboratory equipment	Fixtures and facilities	Furniture, office equipment	Total
Total value at December 31, 2015	**0**	**0**	**1 518**	**564**	**546**	**2 629**
Acquisitions		134	347	93	93	666
Cessions			(45)		(0)	(46)
Total value at December 31, 2016	**0**	**134**	**1 820**	**657**	**638**	**3 250**

Net amount *(in € thousands)*	Land	Building	Laboratory equipment	Fixtures and facilities	Furniture, office equipment	Total
Total value at December 31, 2015	**0**	**127**	**811**	**720**	**273**	**1 930**
Total value at December 31, 2016	**1 751**	**3 793**	**1 521**	**960**	**428**	**8 452**

In February 2016, the Company purchased the building it has occupied since its creation and where it has its research center and principal office. The total amount of the purchase price was allocated between the real property (tangible portion) and the structure (building portion).

The value of the real property, as determined by an independent expert, is €1.7 million and accounts for the greatest share of intangible assets. The structure portion is valued at €3.8 million, is reported in property, plant and equipment and is depreciated over 20 years.

The Company owns several assets that are financed through lease-purchase agreements. It is a party to four contracts. The first contract is for an asset with a purchase price of €72,000 that is being financed over three years, and the three other contracts are for equipment with a total purchase price of €0.9 million that is being financed over four years. The oldest of these contracts will expire in 2017, and the most recent contract will expire in 2020.

3.3 Non-current financial assets

The Company's non-current financial assets break down as follows:

Non current investments *(in € thousands)*	GROSS AMOUNT	AMORTIZATION AND IMPAIRMENT	NET AMOUNT
Value at December 31, 2015	**183**		**183**
Acquisitions/(Additions)	204		204
(Disposals)/reversals	(49)		(49)
Value at December 31, 2016	**337**		**337**

Non-current financial assets consist mainly of security deposits paid under operating lease agreements and the cash reserve pursuant to the liquidity agreement (see the section entitled "Capital management" in note 3.09.).

After the purchase of the building, the Company recovered the security deposits it had paid to the former owner (Lyon metropolitan area).

3.4 Additional information on deferred taxes

The Company cannot determine in a sufficiently reliable manner when it will be able to absorb its accumulated losses. Therefore, the Company has not recognized deferred tax assets in connection with these losses.

The amount of deferred tax assets not recognized for prior tax loss carryforwards was €41 million as of December 31, 2015 and €63 million as of December 31, 2016.

3.5 Inventories

INVENTORIES *(in € thousands)*	12/31/2016	12/31/2015
Raw materials	66	23
Semi-finished products		
Finished products		
Total net value	**66**	**23**

The net value of inventories was €23,000 on December 31, 2015 and €66,000 on December 31, 3016.

Inventories for which impairment has been recognized are primarily products for projects that the Company has determined have failed.

3.6 Trade receivables

Trade receivables *(in € thousands)*	12/31/2016	12/31/2015
Gross amount	2 462	5 150
Impairment		
Total net value	**2 462**	**5 150**

Trade receivables are not yet due and concern collaboration contracts.

3.7 Other current assets

Other current assets (in € thousands)	12/31/2016	12/31/2015
Research tax credit	7 884	6 768
VAT claims	699	637
Receivables from suppliers	338	330
Pre-paid expenses	189	676
Carryback	333	333
Miscellaneous		4
Total other current assets	**9 442**	**8 747**

All other current assets have a maturity of less than one year.

Since its creation, the Company has been entitled to a research tax credit. At the end of each period, it recognizes a receivable for the amount of the tax credit calculated on eligible expenses during the year. Because it reported a tax loss in 2015 and 2016, the Company was unable to set off its Research Tax Credit (CIR) and Competitiveness and Employment Tax Credit (CICE) against its tax liabilities and, therefore, recognized them as current assets in the amounts of €6.8 million and €7.9 million respectively.

Prepaid expenses relate to current expenses.

In addition to social security claims and various other creditors, the miscellaneous item includes grants receivable.

3.8 17 Classification and fair value of financial assets

FINANCIAL ASSETS (in € thousands)	2015	Value on the balance sheet under IAS 39			2015
	Value on the balance sheet	Assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Fair value
Non-current financial assets						
Trade receivables	5 150			5 150		5 150
Other current financial assets	8 747			8 747		8 747
Cash on hand	61 954	61 954				61 954
Cash equivalents (UCITS)	10 108	10 108				10 108
Total assets	**85 960**	**72 062**		**13 898**		**85 960**

FINANCIAL ASSETS (in € thousands)	2016	Value on the balance sheet under IAS 39			2015
	Value on the balance sheet	Assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Fair value
Non-current financial assets						
Trade receivables	2 462			2 462		2 462
Other current financial assets	9 442			9 442		9 442
Cash on hand	47 942	47 942				47 942
Cash equivalents (UCITS)	10 094	10 094				10 094
Total assets	**69 941**	**58 037**		**11 905**		**69 941**

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

3.9 Equity

For easier cross-reference between periods, the number of shares in fiscal year 2011 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, with a par value of €0.10 each, for one previously held share with a par value of €1.

3.9.1 Corporate capital

The Company was created on December 22, 2005. All shares issued have been paid in full.

The Company holds treasury shares under its liquidity agreement.

Following the initial public offering, preferred shares were converted into ordinary shares and the Ratchet BSA stock warrants lapsed.

	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
Au 31 décembre 2016	**6 859 763**	**6 859 763**			**685 976**

3.9.2 BSA stock warrants

Stock options were granted (i) to certain employees and corporate officers in the form of BSPCE founders' warrants, (ii) to two independent directors on the board of directors in the form of BSA stock warrants and (iii) to scientific consultants in the form of BSA stock warrants.

The main features of the warrants of the BSA stock warrants and the main assumptions used to measure the fair value of the options based on the Black-Sholes model are shown below:

Situation at 12/31/2016	BSPCE 2014 Plan N°1	BSPCE 2014 Plan N°2	BSPCE 2014 "Dirigeants"
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 au 31/12/2016	SO 2015 Plan N°1	SO 2015 Plan N°2	BSPCE 2015 Executives	Plan 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	24 000
Number of warrants subscribed	10 000	4 000	40 000	24 000
Date of shareholders' meeting	06/24/2014	12/12/2015	11/12/2015	11/12/2015
Date of Board of Directors' meeting	31/03/2015	12/16/2015	12/16/2015	03/15/2016
Issue price	free	free	free	free
Strike price	55.64€	71.12€	74.6€	61.73€
Deadline to exercise warrants	03/31/2025	12/16/2025	12/16/2025	03/15/2026
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 tif completion of 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	néant
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 cost of services rendered is recognized as a payroll expense and external charge over the vesting period. The total expense was €4.6 million as of December 31, 2016.

3.9.3 Bonus shares

Bonus shares have been granted to certain Company employees and corporate officers since 2008.

Movements in bonus shares are shown below:

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	0	1 495	1 800	0	0	**5 395**
Acquired and available shares	39 900	5 600	5 600	4 200	4 200	0	0	0	0	**59 500**
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	0	0	**46 590**
Sahres acquired under conservation	0	0	0	1 400	1 400	0	12 700		0	**15 500**
Shares granted but not yet vested	0	0	0	0	0	37 655	8 100	20 000	40 000	**105 755**

In 2016, 12,700 bonus shares were issued, in accordance with the December 16, 2015 share plan.

Pursuant to the authority granted by the general shareholders' meeting of November 12, 2015, the board of directors at its meeting of March 15, 2016 voted to grant 20,000 "Plan AGA 2016 Corporate Officers" bonus shares to Olivier Soula, the deputy chief executive officer. This grant was made in first half of 2016 and has the following main features:

* vesting conditions: all 20,000 shares granted are subject to the condition of continued employment. In addition, the 12,000 shares are subject to performance conditions unrelated to market des conditions (such as concluding a licensing agreement or achieving a clinical development plan).

As of December 31, 2016, there were 105,755 bonus shares that had been granted but had not yet vested.

Bonus Shares	**Plan AGA 2016 Executives**	
Date of the Board deciding to award	3/15/2016	3/15/2016
Number of bonus shares granted	8,000	12,000
End of acquisition period	2,000: March 2017 2,000: March 2018 2,000: Mars 2019 2,000: Mars 2020	March 2018
End of retention period	2,000: March 2018 2,000: March 2019 2,000: Mars 2020 2,000: Mars 2021	March 2018
Condition of présence	yes	yes
Peformance criteria	no	yes (*)

BONUS SHARES - EGM date authorizing the grant	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**			
Number of years of vesting	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
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
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
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 value (thousands of Euros)	90	90	90	90	12	12	12	12	12	12	12	12
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 31/12/2015												
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 31/12/2016												
Expenses accounted December 2015 (thousands of Euros)												
Expenses accounted December 2016 (thousands of Euros)												

BONUS SHARES - EGM date authorizing the grant	20/12/2007				20/12/2007				12/11/2015	12/11/2015
Date of grant decided by the Board	05/03/2010				07/12/2010				16/12/2015	16/12/2015
Number of years of vesting	2	3	4	5	2	3	4	5	1	1
Performance criteria	Non	Non	Non	Non	Non	Non	Non	Non	Non	Non
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
Value of the shares when granted (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 value (thousands of Euros)	12	12	12	12	12	12	12	12	384	384
Number of bonus shares granted									5 000	5 000
Number of bonus shares cancelled										
Number of bonus shares definitively granted				-1 400						
Number of bonus shares to be issued as of 31/12/2015								**1 400**	**5 000**	**5 000**
Number of bonus shares granted										
Number of bonus shares cancelled										
Number of bonus shares definitively granted									-5 000	-5 000
Number of bonus shares to be issued as of 31/12/2016									-	-
Expenses accounted December 2015 (thousands of Euros)		0,4				2,2			15	15
Expenses accounted December 2016 (thousands of Euros)		-				-			369	369

Date of grant decided by the Board	12/16/2015				12/10/2015	03/15/2016				03/15/2016	12/13/2016				
Number of years of vesting	1	2	3	4	2	1	2	3	4	2	1	2	3	4	
Performance criteria	No	No	No	No	No	No	No	No	No	Yes	No	No	No	No	
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	10 000	10 000	10 000	10 000	**186 150**
Value of the shares when granted (Euros)	76,74	76,74	76,74	76,74	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)	76,74	76,74	76,74	76,74	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)	242	242	242	242	2 772	125	125	125	125	747	515	515	515	515	**8 364**
Number of bonus shares granted	3 150	3 150	3 150	3 150	39 150										
Number of bonus shares cancelled															**0**
Number of bonus shares definitively granted															**-1 400**
Number of bonus shares to be issued as of 31/12/2015	**3 150**	**3 150**	**3 150**	**3 150**	**39 150**										**63 150**
Number of bonus shares granted															
Number of bonus shares cancelled	-450	-450	-450	-450	-1 495										**-3 295**
Number of bonus shares definitively granted	-2 700														**-12 700**
Number of bonus shares to be issued as of 31/12/2016	**-**	**2 700**	**2 700**	**2 700**	**37 655**	**2 000**	**2 000**	**2 000**	**2 000**	**12 000**	**10 000**	**10 000**	**10 000**	**10 000**	**105 755**
Expenses accounted December 2015 (thousands of Euros)		19			76		-			-		-			**127**
Expenses accounted December 2016 (thousands of Euros)		424			1 337		206			267		50			**3 022**

The cost of services rendered is recognized as a payroll expense over the vesting period. The expense amounted to €0.1 million as of December 31, 2015 and €3 million as of December 31, 2016. The increase was due primarily to the shares granted in December 2015 to all employees to commemorate Adocia's ten-year anniversary.

3.9.4 Dividends

The Company has not distributed any dividends over the last three years.

3.9.5 Capital management

The Group's policy is to maintain a solid capital base in order to safeguard investor and creditor confidence and support future business development.

As of December 31, 2014, 2,323 Adocia shares and €778,747.18 in cash were allocated to the agreement between the Company and Kepler Capital Markets.

In accordance with the terms of the liquidity agreement, on February 10, 2015, the Company decided to partially recovery the resources allocated to this agreement, in the amount of €700,000. On September 10, 2015, the resources allocated under the liquidity agreement with Kepler Capital Markets S.A. were increased by €200,000. As of December 31, 2015, under this agreement, the Company held 4,185 shares and €132,740 in cash.

During fiscal year 2016, the share buyback program was used solely in connection with the liquidity agreement with the objective of stimulating the market for and liquidity of the Company's securities. As of December 31, 2016, under this agreement, the Company held 760 shares and €335,365.88 in cash.

3.10 Long-term financial debt

As of December 31, 2015 and 2016, long-term financial debt includes bank loans and reimbursable advances.

Bank loans were taken out in 2016 to finance the purchase of the building that houses the Company's research center and principal office. As of December 31, 2016, the financial debts in connection with these loans totaled €5.4 million.

A breakdown of the advances and repayment terms is shown in note 3.1 to the individual financial statements prepared under French GAAP for the fiscal years ended December 31, 2015 and 2016, which is in section 20.3 of this reference document.

The breakdown between current and non-current financial debts as of year-end 2016 is shown below:

FINANCIAL DEBT *(in € thousands)*	Current	Non current	Total	Bank overdrafts
Reimbursable advances	112	697	809	
Bank Loan	450	4 990	5 440	
Other financial debt	229	594	823	0
Total financial debt	**791**	**6 281**	**7 072**	**0**

The breakdown of advances granted and repaid in fiscal year 2016 is shown below:

REIMBURSABLE ADVANCES	(in € thousands)	Historical cost	
Value at December 31, 2015	**792**	**891**	(A)
Long-term portion	*702*		
Short-term portion	*89*		
Grant during the year			
Repayment during the year			
Discount on grant during the year			
Financial expenses	*18*		
Value at December 31, 2016	**810**	**891**	(B)
Long terme portion	*697*		
Short term portion	*112*		

(A) in € thousands	12/31/2015	Less than 1 year	1 to 5 years	More than 5 years
Insulin advance (2012)	800		800	
Coface advance (2013)	91		91	
	891			

(B) in € thousands	12/31/2016	Less than 1 year	1 to 5 years	More than 5 years
Insulin advance (2012)	800	130	670	
Coface advance (2013)	91		91	
	891			

3.11 Provisions

PROVISIONS *(in € thousands)*	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	642			642
Reversal of used provisions				
Reversal of unused provisions				
Value at December 31, 2016	**1 738**			**1 738**

Provisions comprise primarily the provision for retirement pensions. This provision is estimated on the basis of the terms of the applicable collective bargaining agreement, which is collective bargaining agreement 176.

The main actuarial assumptions used to measure retirement benefits are shown below:

Retirement indemnities (in € thousands)	12/31/2016	12/31/2015
Economic assumptions		
Discount rate	1,3%	2%
Rate of annual salary increase		entre 5 et 6%
Demographic assumptions		
Retirement age	67	67
Type of retirement	Initiated by employee	Initiated by employee
Mortality table	INSEE 08-10	INSEE 08-10
Rate of tax and social security charges	44,5%	44,5%
Annual mobility	Average or High depending on	Average or High depending on
Provision		
Present value of obligations	1 738	1 095
Payments to a fund		
Provision recorded on the balance	**1 738**	**1 095**
Past service costs for the period	185	63
Financial expense	26	7
Actuarial gains and losses	-432	-629
Annual expense	**210**	**70**

3.12 Other non-current liabilities

Other non-current liabilities include the long-term portion of the unamortized balance of the non-reimbursable $50 million (€40.7 million) up-front payment received from Lilly. Under IFRS, this amount is recognized as revenue on a straight-line basis over the expected duration of the clinical development program, as anticipated at the time of the signature of the agreement. Of this €40.7 million payment, €0.4 million was recognized as revenue in 2014 due to the fact that the agreement was signed on December 18, 2014, and €10.7 million was recognized as revenue in 2015 and 2016. Due to the termination of the collaboration with Eli Lilly announced in January 2017, the entire unamortized balance will be recognized in revenue in 2017. As of December 31, 2016, that amount was recognized in other current liabilities (portion maturing within one year in the amount of €18.8 million - see note 3.13), whereas as of December 31, 2015, the balance was recognized in other non-current liabilities (portion maturing in over one year in the amount of €18.8 million) and in other current liabilities (portion maturing within one year in the amount of €10.8 million).

3.13 Trade payables and other current liabilities

The Company's current liabilities break down as follows:

(in € thousands)	12/31/2016	12/31/2015
Subsidiary accounts	1 738	2 303
Invoices pending	2 833	3 158
Trade payables	4 572	5 461
Customer credit balances		
Tax and social security liabilities	3 803	3 950
Other debt	28	13
Unearned income	18 823	10 848
Other current liabilities	22 655	14 811
Total current operating liabilities	**27 226**	**20 272**

All trade payables and other current liabilities a have a maturity of less than one year.

Tax and social security liabilities are shown below:

TAX AND SOCIAL SECURITY LIABILITIES (in € thousands)	12/31/2016	12/31/2015
Compensation owed	1 750	1 986
Debt owed to social welfare agencies	1 374	1 489
Other tax and social security liabilities	679	475
Tax and social security liabilities	**3 803**	**3 950**

Compensation payable and debts due to social security agencies as of December 31, 2016 include bonuses granted for fiscal year 2016 and paid in 2017.

Other tax and social security liabilities as of the December 31, 2016 include the employer contributions owed on employee bonus share plans.

OTHER DEBT (in € thousands)	31/12/2016	31/12/2015
Advances and payments on account		
Debts on fixed assets		
Other	28	13
Other debt	**28**	**13**

3.14 Financial liabilities

(in € thousands)	12/31/2016			
	Value on the balance sheet	Fair value	Breakdown by instrument	
			Fair value through profit or loss	Debt at amortized cost
Reimbursable advances	697	697		697
Financial debt	5 570	5 570		5 570
Other non current liabilities	14	14		14
Total non-current financial liabilities	6 281	6 281		6 281
Short-term reimbursable advances	112	112		112
Short-term financial debt	679	679		679
Trade and similar payables	4 572	4 572		4 572
Other debt	3 831	3 831		3 831
Unearned income	18 823	18 823		18 823
Total current financial liabilities	28 017	28 017		28 017
Total financial liabilities	**34 298**	**34 298**		**34 298**

(in € thousands)	12/31/2015			
	Value on the balance sheet	Fair value	Breakdown by instrument	
			Fair value through profit or loss	Debt at amortized cost
Reimbursable advances	702	702		702
Financial debt				
Other non current liabilities	18 939	18 939		18 839
Total non-current financial liabilities	19 541	19 541		19 541
Short-term reimbursable advances	89	89		89
Short-term financial debt	46	46		46
Trade and similar payables	5 461	5 461		5 461
Other debt	3 963	3 963		3 963
Unearned income	10 848	10 848		10 848
Total current financial liabilities	20 407	20 407		20 407
Total financial liabilities	**39 949**	**39 949**		**39 949**

3.15 Operating income/loss

INCOME STATEMENT *(in € thousands)*	**Notes**	**12/31/2016**	**12/31/2015**
Research agreements and license revenue	3.16	22 488	36 936
Grants, public financing and research tax credit and other	3.17	7 966	7 818
Income		**30 454**	**44 753**
Cost of goods sold		(1 781)	(1 133)
Payroll expense	3.19	(16 619)	(12 690)
External charges	3.18	(19 070)	(20 119)
Taxes		(222)	(240)
Depreciation, amortization & provisions	3.20	(763)	(468)
Other current operating income and expenses		0	0
Operating expenses		**(38 455)**	**(34 651)**
Profit (loss) from ordinary operating activities		**(8 001)**	**10 103**
Non-recurring operating income and expenses			
Profiy (loss) from operating activities		**(8 001)**	**10 103**

Breakdown of expenses by function:

EXPENSES BY FUNCTION *(in € thousands)*	**12/31/2016**	**12/31/2015**
Research and development costs	(30 971)	(28 625)
Administrative costs	(7 484)	(6 025)
Operating expenses	**(38 455)**	**(34 651)**

A breakdown of research and development costs is shown below:

RESEARCH AND DEVELOPMENT COSTS ***(in € thousands)***	**12/31/2016**	**12/31/2015**
Cost of goods sold	(1 781)	(1 133)
Payroll expense	(11 223)	(8 312)
External charges	(17 211)	(18 588)
Taxes	(136)	(187)
Depreciation, amortization & provisions	(621)	(405)
Total research and development costs	**(30 971)**	**(28 625)**

3.16 Revenue

REVENUE (in € thousands)	12/31/2016	12/31/2015
Research agreements	11 739	17 048
License revenue	10 749	19 888
Total	**22 488**	**36 936**

The main source of the Company's revenue is the licensing and collaboration agreement signed with Eli Lilly in late 2014 for the development of BioChaperone® Lispro ultra-rapid insulin. In January 2017, Adocia announced that Eli Lilly had decided to terminate the collaboration on BioChaperone Lispro. The agreement will end after a four-month period, during which data and manufactured material will be transferred to Adocia.

Revenue in 2016 totaled €22.4 million compared to €36.9 million in 2015.

This amount includes, firstly, an amount of €10.7 million in **licensing income** generated by spreading the up-front payment of $50 million (€40.8 million) received from Eli Lilly in late December 2014. Under IFRS, this payment is recognized as revenue on a straight-line basis over the expected duration of the agreement.

Following the announcement in January 2017 of Eli Lilly's decision to terminate the agreement, the unamortized balance as of December 31, 2016 in the amount of €18.8 million will be recognized in full in 2017.

In 2015, licensing income included, in addition to the amortization of the amount of €10.7 million, the milestone payment of $10 million (€9.2 million) that was received from Eli Lilly following the positive results of the pilot bioequivalence clinical study.

In accordance with the agreement, the Company also invoiced Eli Lilly for all internal and external expenses, which generated revenue under the **research and development contract** of €11.7 million. The decrease of €5.3 million compared to 2015 is due to the transfer of certain activities from Adocia to Eli Lilly in the third quarter, as provided in the project development plan.

3.17 Other income

OTHER INCOME (in € thousands)	31/12/2016	31/12/2015
Project financing	0	1 050
Research tax credit	7 812	6 768
Other	154	
Total	**7 966**	**7 818**

Other operating income, in the amount of €8 million, is stable compared to 2015 and is primarily comprised of the Research Tax Credit Recherche in the amount of €7.8 million for fiscal year 2016.

The reimbursable advance of an initial amount of €2.25 million received from Bpifrance Financement for the bone reconstruction (osteoporosis) project was settled in fiscal year 2015. Following the decision to treat the program as a partial failure in 2015, an amount of €1.050 million was forgiven by Bpifrance and recognized as a grant. The outstanding balance of the advance (€0.5 million) was repaid by Adocia on September 30, 2015. No repayments were made in 2016.

In 2016, the Company purchased the building it has occupied since its creation. A portion of the premises is rented to other companies, which generated rental income of €0.2 million, which is reported in the "other income" item.

3.18 Other external purchases and expenses

External purchases and expenses are mainly in-vivo studies, preclinical and clinical trials, subcontracting and all operating expenses of the Company.

3.19 Payroll expense

Payroll expense breaks down as follows:

PAYROLL EXPENSE *(in € thousands)*	12/31/2016	12/31/2015
Wages and salaries	8 535	6 998
Social contributions	3 515	3 099
Share-based payment	4 568	2 593
Total payroll expenses	**16 618**	**12 689**

STAFF	12/31/2016	12/31/2015
Technicians	57	51
Management personnel	68	58
Total employees	**125**	**109**

As of December 31, 2016, the Company employed 46 researchers who hold PhDs. Over 80% of employees are directly engaged in research and development activities.

3.20 Depreciation/amortization and impairment

Net depreciation/amortization and provisions are shown below:

DEPRECIATION, AMORTIZATION AND IMPAIRMENT *(in € thousands)*	12/31/2016	12/31/2015
Depreciation of property, plant and equipment	671	424
Amortization of intangible assets		
Depreciation of leased assets	93	45
Depreciation, amortization and provisions for fixed assets	**763**	**468**
Provisions for risks and charges (additions)Provisions pour risques et		
Provisions for current assets (additions)		
Reversals		
Additions to/Reversals of Depreciation, Amortization and Provisions	**763**	**468**

3.21 Financial income/expense

The cost of net financial debt breaks down as follows:

FINANCIAL INCOME/EXPENSE *(in € thousands)*	31/12/2016	31/12/2015
Cash and cash equivalents income	646	2 548
Interest on conditional advances	(78)	(37)
Cost of net financial debt	**568**	**2 511**
Foreign exchange gains and losses		
Other financial income and expenses	(387)	(393)
Financial Income / expense	**181**	**2 118**

3.22 Corporate income tax

In 2016, as in 2015, Adocia SA reported a tax loss (€21.7 million in 2016) and, therefore, no corporate income tax expense was recognized in France. The tax expense of €0.072 million concerns the U.S. subsidiary Adocia Inc.

After having set off the tax loss in fiscal year 2016 (€21.7 million), tax loss carryforwards total nearly €63 million. This tax loss can be carried forward indefinitely. Because the Company cannot determine in a sufficiently reliable manner when it will be able to absorb its accumulated losses, it has not recognized deferred tax assets in connection with these losses

The difference between pre-tax income/loss and the actual tax expense in the consolidated financial statements prepared under IFRS is shown below:

(in € thousands)	12/31/2016	12/31/2015
Profit (loss) before tax	(7 821)	12 220
National tax of 34.43%	2 693	(4 207)
Permanent differences	1 118	(2 227)
Uncapitalized tax loss adjusted for deferred tax	(3 883)	(1 981)
Actual tax expense	**(72)**	**0**

No tax asset was recognized due to the fact that the Company cannot determine with sufficient reliability when it will be able to absorb its losses.

3.23 Earnings per share

	12/31/2016	12/31/2015
Consolidated net profit/loss (in € thousands)	**(7 892)**	**12 553**
Average number of shares	6 847 357	6 689 199
Net earnings (loss) per share - in €	**(1,2)**	**1,9**
Net earnings (loss) per share - fully diluted- in €	**(1,2)**	**1,8**

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 corporate officers

The main related parties are the Company's key executives and its directors.

Compensation paid to related parties is shown in the table below.

in € thousands	12/31/2016	12/31/2015
Short-term benefits	1 047	1 107
Posterior employment benefits	72	82
Other long term benefits	0	0
Termination benefits employment contract	0	0
Share-based payment	1 725	2 240
Total	**2 844**	**3 429**

5. Financial risk management objectives and policies

5.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's strategy is to enter into contracts denominated in euros because the most of the Company's expenses are also denominated in euros.

However, after the licensing and collaboration agreement was concluded with Eli Lilly in December 2014, most of the Company's revenue, and the up-front payment to the Company under that agreement, were denominated in U.S. dollars. Therefore, the Company is exposed to the risk of fluctuations in the euro-U.S. dollar exchange rate.

In late January 2017, the Company announced the decision of Eli Lilly to terminate the licensing and collaboration agreement. The termination of the agreement will take effect after a 120-day period. If the Company enters into other licensing and collaboration agreements with U.S. pharmaceutical groups, it may be exposed to an additional risk of fluctuations in the euro-U.S. dollar exchange rate.

A significant increase in the Company's business could increase its exposure to currency risk. In such case, the Company will consider adopting a new policy to hedge this risk, such as currency hedging transactions and purchasing foreign exchange futures.

The Company cannot rule out the possibility that a significant increase in its business may result in greater exposure to currency risk. In such case, the Company will consider developing an appropriate policy to hedge these risks.

5.2 Credit risk

The credit risk associated with receivables in connection with government grants and the research tax credit is not deemed material in light of the Company's history.

The credit risk in relation to cash, cash equivalents and current financial instruments is not deemed material given the quality of the contracting financial institutions.

Regarding its customers, the Company believes that it has little exposure to credit risk because of the profile of the customers with whom partnership agreements have been signed (leading worldwide pharmaceutical groups). Furthermore, the Company has adopted policies to ensure that its customers have an appropriate credit risk history.

5.3 Liquidity risk

The Company obtains financing pursuant to policies implemented by the finance department.

The Company's financing structure is comprised primarily of equity, public financing (Bpifrance Financement – formerly OSEO) and the proceeds of initial public offering.

5.4 Interest rate risk

In 2015, the Company took out a loan with two banks to finance the purchase of the building housing its research center and principal office. These loans carry a fixed rate of interest for a term of 12 years.

The Company is exposed to variations in interest rates in managing its cash and cash equivalents. The Company had cash and cash equivalents totaling €72 million on December 31, 2015 and €58 million on December 31, 2016. This item is comprised of term deposits, interest bearing accounts at fixed rates and investments in money market mutual funds. The Company's investment policy is to invest solely in liquid products with no capital risk.

The Company endeavors to reduce the credit risk in connection with its cash and cash equivalents by monitoring the quality of the financial institutions that hold its funds.

The Company has no guarantee that it will be paid the same interest rate when its term deposits mature.

5.5 Equity risk

The Company has no non-consolidated holdings or investment securities tradable on a regulated market.

6. 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.

6. Statutory auditors' report on the consolidated financial statements prepared under IFRS for the fiscal year ended December 31, 2016

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Adocia

Year ended 31 December, 2016

Statutory auditors' report on the consolidated financial statements

ODICEO
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C.S. 52038
69616 Villeurbanne Cedex
S.A. au capital de € 275,000

Commissaire aux comptes
Membre de la compagnie
Régionale de Lyon

ERNST & YOUNG et Autres
Tour Oxygène
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69393 Lyon Cedex 03
S.A.S à capital variable

Commissaire aux comptes
Membre de la compagnie
Régionale de Lyon

Adocia

Fiscal year ended December 31, 2016

Statutory auditors' audit report

on the consolidated financial statements

To the s In compliance with the assignment entrusted to us by your General Meeting of Shareholders, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying consolidated financial statements of Adocia;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Notes “1.3 Post-close events”, “2.21 Revenues” and “3.12 Other non-current liabilities” to the consolidated financial statements set out the accounting rules and methods relating to recognition of revenues. Within the framework of our assessment of the accounting rules and methods used by Adocia, we verified the appropriateness of the accounting methods and the information disclosed in the notes to the consolidated financial statements, and we assured ourselves of their correct application.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group’s management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Villeurbanne and Lyon, April 10, 2017

The Statutory Auditors

(French originals signed by)

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

B. INDIVIDUAL FINANCIAL STATEMENTS PREPARED UNDER FRENCH GAAP FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2016

1. Balance sheet (French GAAP)

In € thousands french gaap	12/31/2016 Gross amount	Dep. / Amort. And Prov.	Net amount	12/31/2015 Net amount
Intangible assets				
* Start-up costs	11	11	0	0
* Concessions, patents and similar rights	75	75	0	0
Total intangible assets	**86**	**86**	**0**	**0**
Tangible fixed assets				
* Lands	1 751		1 751	127
* Constructions	3 926	134	3 793	0
* Fixtures & fittings, industrial equipement	2 397	1 707	690	771
* Other tangible fixed assets	2 319	1 227	1 092	777
* Construction work in progress	310		310	155
* Advances and payment on account	0		0	33
Total tangible fixed assets	**10 703**	**3 068**	**7 635**	**1 862**
Fiancial assets				
* Other financial assets	377		377	491
Total financial assets	**377**	**0**	**377**	**491**
Long term assets	**11 166**	**3 154**	**8 012**	**2 353**
Inventory and work in progress	**134**	**67**	**66**	**23**
Receivables				
* Advance payments made on orders	65		65	330
* Trade and similar receivables	2 476		2 476	5 150
* Other receivables	9 275		9 275	7 824
Total receivables	**11 816**		**11 816**	**13 304**
Cash assets and Misc.				
* Short-term investment securities	46 369		46 369	40 182
* Cash assets	11 575		11 575	31 720
* Pr-paid expenses	589		589	344
Total Cash assets and Misc.	**58 533**		**58 533**	**72 247**
Current assets	**70 482**	**67**	**70 415**	**85 574**
Translation losses	31		31	16
TOTAL ASSETS	**81 679**	**3 221**	**78 457**	**87 943**

In € thousands french gaap	12/31/2016	12/31/2015
Net position		
Paid-up capital	686	685
Additional paid-in capital	79 590	79 587
Balance brought forward	(2 794)	(7 272)
Profit.loss for the year	(13 993)	4 478
Total net position	**63 488**	**77 477**
Equity	**63 488**	**77 477**
Conditional advances	891	891
Other equity	**891**	**891**
Provisions for risks	31	16
Provisions for charges		
Provisions for risks and charges	**31**	**16**
Financial debt		
Loans and debt with credit institutions	5 440	
Misc.loans and financial debt	14	163
Total financial debt	**5 454**	**163**
Advance payments received on pending orders		
Misc. Debt		
Trade and similar payables	4 572	5 443
Tax and social security liabilities	3 738	3 843
Debt on fixed assets and similar accounts	240	
Other debt	39	11
Total Misc.debt	**8 589**	**9 297**
Unearned income	**4**	**99**
Debt	**14 048**	**9 558**
Translation gains	0	0
TOTAL LIABILITIES	**78 457**	**87 943**

2. Income statement (French GAAP)

In € thousands french gaap	12/31/2016			12/31/2015
	France	Export	Net amount	Net amount
Sales of goods				
Sales of services	238	11 739	11 976	26 189
Total Net revenue	**238**	**11 739**	**11 976**	**26 189**
Operating subsidies			0	1 050
Reversals of depr./amort.and prov., transfers of charges			92	159
Other income			13	0
Operating income	**238**	**11 739**	**12 082**	**27 397**
Purchase of raw materials ans other supplies			1 820	1 109
Change in inventory of raw mat. And supplies			-49	25
Other purchases and external charges			20 177	20 899
Total External charges			**21 948**	**22 033**
Taxes and similar payments			**222**	**255**
Wages and salaries			7 622	6 410
Social contributions			3 434	3 024
Total payroll expense			**11 056**	**9 434**
Depreciation of fixed assets			633	437
Provisions for fixed assets			9	
Provisions for current assets			67	55
Total operating allowances			**709**	**491**
Other operating expenses			**68**	**42**
Operating expenses			**34 003**	**32 254**
OPERATING PROFIT / LOSS			**(21 920)**	**(4 857)**
Income from other securities and receivables on long-term assets			251	584
Other interest and similar income				
Reversals of provisions and transfers of charges			16	22
Foreign exchange gains			374	1 937
Net income on sales of short-term investment securities				
Total financial income			641	2 543
Depreciation allowance and provisions			31	
Interest and similar expenses			56	16
Foreign exchange losses			349	374
Total financial expenses			**436**	**390**
FINANCIAL INCOME / LOSS			**205**	**2 153**
PROFIT/LOSS FROM ORDINARY ACTIVITIES BEFORE TAX			**(21 715)**	**(2 704)**
Extraordinary income from management operations			0	16
Extraordinary income from capital transactions			951	120
TOTAL extraordinary expenses			**951**	**136**
Extraordinary depreciation, amortization and provisions			0	0
Extraordinary expenses on capital transactions			1 041	55
TOTAL Extraordinary expenses			**1 041**	**55**
EXTRAORDINARY PROFIT/LOSS			**(90)**	**81**
Employee profit-sharing				
Income tax			7 812	7 101
PROFIT OR LOSS			**(13 993)**	**4 478**

NOTES TO THE FINANCIAL STATEMENTS PREPARED UNDER FRENCH GAAP

AS OF DECEMBER 31, 2016

1. Accounting rules and methods

(Decree No. 83-1020 of November 29, 1983 – Articles 7, 21, 24 preamble, 24-1, 24-2 and 24-3)

The balance sheet total, before allocation, for the fiscal year ended December 31, 2016 was €78.5 million.

Net accounting income was a net loss of nearly €14 million.

The notes and tables below are an integral part of the annual financial statements, which were approved by the board of directors on March 7, 2017.

The financial statements were prepared in accordance with:

- the 1999 General Chart of Accounts approved by the ministerial order of June 22, 1999;
- Act No. 83 353 of April 30, 1983;
- Decree No. 83 1020 of November 29, 1983
- accounting regulations:
- 2000-06 and 2003-07 on liabilities
- 2002-10 on depreciation/amortization and impairment of assets;
- 2004-06 on the definition, recognition and measurement of assets.

The general accounting conventions have been applied in compliance with the principle of prudence in accordance with the following basic assumptions:

- the going concern concept;
- the consistency concept; and
- the accruals concept;

and in accordance with the general rules for preparing and presenting annual financial statements.

The basic method used to measure items recognized in the accounts is historical cost.

1.1 Intangible assets

Start-up costs were capitalized and amortized over a three-year period.

Research and development costs are not capitalized and are recognized as expenses on the Company's income statement.

1.2 Property, plant and equipment

Property, plant and equipment are recognized at their acquisition cost (purchase price and incidental expenses).

The Company has taken advantage of the leeway offered by the tax code and opted to depreciate assets that cannot be broken down into components based on their useful lives.

The Company has no assets that can be broken down into components.

Depreciation is calculated using the straight-line method based on the assets' expected useful lives:

- Software: 1 year
- Fixtures and fittings: 3-5 years (used – new)

- Miscellaneous improvements: 1-6 years
- Structures and buildings: 20 years
- Office and computer equipment: 3-5 years
- Office furniture: 5 years
- Other purchases of property, plant and equipment comprises purchases of land, which is not depreciated.

1.3 Equity holdings and other long-term investments

As of the filing date of this reference document, the Company holds a subsidiary in the United States called Adocia Inc., which has two employees, a chief medical officer and a marketing director.

The Company has capital of $1 divided into 100 shares, all of which are owned by Adocia.

1.4 Marketable securities

The Company invests its funds in marketable securities (money market mutual funds) measured at their acquisition cost. It has also invested a portion of its liquidities in short-term term deposits at a guaranteed fixed rate.

At year-end 2016, the unrealized capital gain on these investments was €49.3 thousand.

1.5 Inventories

Inventories are measured using the "first-in first-out" method. They may be depreciated if their use-by date has expired and/or if the project to which they relate has been abandoned by the Company and has been declared a failure.

1.6 Revenue

The main source of the Company's revenue is the licensing and collaboration agreement signed with Eli Lilly in late 2014 for the development of BioChaperone® Lispro ultra-rapid insulin. Revenue totaled nearly €12 million in 2016, compared to €26.2 million in 2015.

This is revenue generated by research and collaboration contracts, which totaled €11.7 million for the period, and which primarily reflect the payment by Eli Lilly of all internal and external expenses incurred by Adocia in connection with the development of the licensed project. Last year, over the same period, these revenues totaled €17 million.

In 2015, in addition to these revenues, an amount of $10 million (€9.2 million) was received from Eli Lilly following the success of the pilot bioequivalence clinical study, and was recognized as licensing income.

Lastly, in 2016, the Company recognized rental income of €0.2 million after it purchased its building and rented out a portion of the premises.

1.7 Change in accounting methods

None.

2. Significant events during the fiscal year

In 2016, the Company moved forward with the BioChaperone Lispro project pursuant to its partnership with Eli Lilly.

In 2016, Adocia and Eli Lilly announced positive results in four clinical studies:

- **Repeated administration in type 1 diabetes patients:** this study showed that BioChaperone Lispro U100 improves post-prandial glycemic control compared to Humalog® U100 (insulin lispro, Eli Lilly) at the beginning and end of a 14-day ambulatory treatment period, during which each treatment was administered three times per day in persons with type 1 diabetes.

- **Repeated administration in type 2 diabetes patients:** a similar study confirmed these results for BioChaperone Lispro U100 compared to Humalog U100 after a 14-day ambulatory treatment period for type 2 diabetes patients.
- **Pharmacokinetic and pharmacodynamic profiles of BioChaperone Lispro in healthy Japanese subjects:** this study confirmed the profiles of BioChaperone Lispro on Japanese subjects, which may support the inclusion of Japanese subjects with diabetes in phase 3 global program.
- **Administration using a pump on subjects with type 1 diabetes:** this study confirmed the ultra-rapid profile of BioChaperone Lispro U100 compared to Humalog U100 in persons with type 1 diabetes who use an insulin pump.

Since the signature of the licensing and collaboration agreement in December 2014, the two companies have successfully complete five clinical studies of BioChaperone Lispro U100 and one BioChaperone Lispro U100/BioChaperone Lispro U200 bioequivalence pilot study.

In 2016, the Company made a strategic decision to increase its focus on diabetes. This market is characterized by continuous growth and a very large population of patients, for whom there remains a significant medical need, both in terms of treatment efficacy and simplification of treatment regimen. Adocia addresses these patients' needs by developing innovative and simple therapies, alone or in combination. These therapies aim to more closely mimic the healthy physiologic response while managing treatment costs.

In line with this strategy, in 2016, Adocia pursued the development of its clinical programs as follows:

- BioChaperone Lispro, under the Eli Lilly-Adocia partnership, as described above.
- BioChaperone Combo, the unique combination of basal insulin glargine and prandial insulin lispro, with the initiation of a phase 1/2 clinical study monitoring postprandial glycemic control (meal-test study) obtained in people with type 2 diabetes. Results from this study are expected in the second quarter of 2017.
- BioChaperone human insulin (HinsBet): results from the phase 1/2 meal-test clinical study published in April 2016 showed that HinsBet U100 profile translated into an improved postprandial glycemic control compared to human insulin (Humulin U100, Eli Lilly), and similar to that obtained with insulin lispro (Humalog U100, Eli Lilly) during the first hour after the meal.

The Company initiated two new preclinical programs in the diabetes field in 2016:

- BioChaperone Human Glucagon: this project aims to develop an aqueous formulation of human glucagon that could be used to rescue people experiencing severe hypoglycemia or in an artificial pancreas (i.e., an automated pump delivering both insulin and glucagon without any intervention from the patient). Based on promising formulation and preclinical results, Adocia expects to initiate a first-in-man study in 2017.
- BioChaperone Glargine GLP-1, 2-in-1 combinations of basal insulin glargine and GLP-1 receptor agonists: BioChaperone Glargine Dulaglutide and BioChaperone Glargine Liraglutide. These projects aim to develop simple, 2-in-1 intensification options over basal insulin treatment, that could be both efficient and financially accessible. Based on promising formulation and preclinical results, Adocia expects to initiate a first-in-man study in 2017.

In line with the strategic focus on diabetes, Adocia terminated the mAbs program (using Adocia technologies to improve formulation of third-party proprietary monoclonal antibodies) and the DriveIn® program (nanoparticle-based drug delivery technology in oncology), both at a preclinical stage.

Finally, 2016 was marked by the termination of the clinical development of BioChaperone PDGF-BB. In August 2016, Adocia announced that BioChaperone PDGF-BB did not meet the primary endpoint of the phase 3 clinical study that had been performed in India to evaluate this product for the treatment of diabetic foot ulcer. Although these results were in contradiction with positive results previously obtained during a phase 2 trial, and after initiating a thorough review of the data to explain this unexpected outcome, Adocia decided to terminate all development of BioChaperone PDGF-BB.

Furthermore, following the agreement to sell signed in 2015, the Company became the owner of the building in which it has been established since its inception. This acquisition was financed by bank loans.

3. Additional notes to certain items in the financial statements

3.1 Non-current assets (French GAAP)

In € thousands french gaap	12/31/2016						
	Gross amount at start of fiscal year	Increases by revaluation	Acquisitions, contributions, creation, transfers	Decreases by transfer	Decreases by disposals and removals from service	Gross amount at end of fiscal year	Statutory revaluations
Start-up and development costs	11					11	
Other intangible assets	75					75	
Total Intangible assets	**86**					**86**	
Lands	0		1 703	47		1 751	
Constructions	127		3 847	(47)		3 926	
Fixtures & fittings and industrial equipment	2 245		1 064	0	(912)	2 397	
General facilities, fixtures and misc.	1 096		228			1 325	
Office, computer equipment and furniture	679		316		(0)	994	
Tangible fixed assets in progress	155		652	(497)		310	
Advances and payment on account	33		20	(53)		0	
Total Tangible fixed assets	**4 334**		**7 830**	**(550)**	**(912)**	**10 703**	
Loans and other financial assets	491		204	(318)		377	
Total Financial assets	**491**		**204**	**(318)**	**0**	**377**	
TOTAL ASSETS	**4 911**		**8 035**	**(868)**	**(912)**	**11 166**	

In € thousands french gaap	12/31/2015						
	Gross amount at start of fiscal year	Increases by revaluation	Acquisitions, contributions, creation, transfers	Decreases by transfer	Decreases by disposals and removals from service	Gross amount at end of fiscal year	Statutory revaluations
Start-up and development costs	11					11	
Other intangible assets	75					75	
Total Intangible assets	**86**					**86**	
Lands							
Constructions	127					127	
Fixtures & fittings and industrial equipment	1 756		489		(1)	2 245	
General facilities, fixtures and misc.	550		546			1 096	
Office, computer equipment and furniture	540		212		(73)	679	
Tangible fixed assets in progress	0		155			155	
Advances and payment on account	0		33			33	
Total Tangible fixed assets	**2 974**		**1 434**		**(74)**	**4 334**	
Loans and other financial assets	905	85	200		(700)	491	
Total Financial assets	**905**	**85**	**200**		**(700)**	**491**	
TOTAL ASSETS	**3 965**	**85**	**1 634**		**(774)**	**4 911**	

3.2 Depreciation/amortization (French GAAP)

In € thousands french gaap	12/31/2016					
	Amount at start of fiscal year	Increases additions	Decreases reversals	Amount at end of fiscal year	Straight-line depr./amort.	Extraordinary depr./amort.
Start-up and development costs	11			11	11	
Other intangible assets	75			75	75	
Total intangible assets	**86**	**0**	**0**	**86**	**86**	**0**
Buildings on own land		134		134	134	
Fixtures & fittings and industrial equipment	1 474	269	45	1 698	1 698	
General facilities, fixtures and misc.	565	93		659	659	
Office, computer equipment and furniture	433	136	0	569	569	
Total tangible fixed assets	**2 472**	**642**	**46**	**3 068**	**3 068**	**0**
Expenses for purchases of equity interests						
TOTAL DEPRECIATION / AMORTIZATION	**2 558**	**642**	**46**	**3 154**	**3 154**	**0**

In € thousands french gaap	12/31/2015					
	Amount at start of fiscal year	Increases additions	Decreases reversals	Amount at end of fiscal year	Straight-line depr./amort.	Amort. Exceptionnels
Start-up and development costs	11			11	11	
Other intangible assets	73	2		75	75	
Total intangible assets	**84**	**2**		**86**	**86**	**0**
Buildings on own land						0
Fixtures & fittings and industrial equipment	1 262	213	1	1 474	1 474	
General facilities, fixtures and misc.	416	149		565	565	
Office, computer equipment and furniture	433	73	73	433	433	
Dépréciation matériel et équipement				0	0	
Total tangible fixed assets	**2 111**	**435**	**74**	**2 472**	**2 472**	**0**
Expenses for purchases of equity interests						
TOTAL DEPRECIATION / AMORTIZATION	**2 195**	**437**	**74**	**2 558**	**2 558**	**0**

3.3 Provisions recognized on the balance sheet (French GAAP)

In € thousands french gaap	12/31/2016		
	Increases additions	Decreases reversals	Amount at end of fiscal year
Regulatory provisions	**0**		**0**
Provisions for foreign exchange losses	15		31
Provisions for risks and charges	**15**		**31**
Provisions for impairment			
TOTAL PROVISIONS	**15**		**31**

In € thousands french gaap	12/31/2015		
	Increases additions	Decreases reversals	Amount at end of fiscal year
Regulatory provisions	**0**		**0**
Provisions for foreign exchange losses	13		16
Provisions for risks and charges	**13**		**16**
Provisions for impairment			
TOTAL PROVISIONS	**13**		**16**

3.4 Statement of receivables and payables (French GAAP)

In € thousands french gaap	12/31/2016						
RECEIVABLES	**Gross amount**	**Up to 1 year**	**1 year or more**	***DEBTS***	**Gross amount**	**Up to 1 year**	**1 year or more**
				Loans and debt with credit institutions	5 440	450	4 990
Other financial assets	377		377	Misc.loans and financial debt	14	0	14
Total Long-term assets	377		377	Total financial debts	5 454	450	5 004
Bad and doubtful debts							
Other trade receivables	2 476	2 476		Trade and similar payables	4 304	4 304	
Receivables represent. securities lent or used as collateral				Staff and similar accounts	1 605	1 605	
Staff and similar accounts				Social security and other agencies	1 374	1 374	
Social security and other social agencies	1	1		Income tax			
Government - Income tax	8 217	7 884	333	Value added tax	2	2	
Government - Value added tax	699	699		Guaranteed bonds			
Government - Other taxes and similar payments	80	80		Other taxes and similar	758	758	
Government - Misc.				Debt on fixed assets and similar accounts	240	240	
Group and partners				Group and partners	269	269	
Misc. Debtors	345	345		Other debt	39	39	
Total current assets	11 816	11 483	333	Debt representing borrowed securities			
Pre-paid expenses	589	589		Unearned income	4	4	
TOTAL	**12 783**	**12 073**	**710**	**TOTAL**	**14 048**	**9 044**	**5 004**

In € thousands french gaap	12/31/2015						
RECEIVABLES	**Gross amount**	**Up to 1 year**	**1 year or more**	***DEBTS***	**Gross amount**	**Up to 1 year**	**1 year or more**
Other financial assets	491		491	Up to 1 year at origin			
Total Long-term assets	491		491	More than 1 year at origin			
Bad and doubtful debts				Loans and misc. financial debt			
Other trade receivables	5 150	5 150		Trade and similar payables	5 443	5 443	
Receivables represent. securities lent or used as collateral				Staff and similar accounts	1 805	1 805	
Staff and similar accounts				Social security and other agencies	1 489	1 489	
Social security and other social agencies	16	16		Income tax			
Government - Income tax	7 101	6 768	333	Value added tax			
Government - Value added tax	637	637		Guaranteed bonds			
Government - Other taxes and similar payments	71	71		Other taxes and similar	549	549	
Government - Misc.				Debt on fixed assets and similar accounts			
Group and partners				Group and partners	163	163	
Misc. Debtors	330	330		Other debt	11	11	
Total current assets	13 304	12 971	333	Debt representing borrowed securities			
Pre-paid expenses	344	344		Unearned income	99	99	
TOTAL	**14 139**	**13 315**	**824**	**TOTAL**	**9 559**	**9 559**	

3.5 Accrued expenses

In € thousands french gaap	12/31/2016	12/31/2015
Accrued expenses included in the following balance sheet items		
Trade and similar payables	2 833	3 158
Tax and social security liabilities	3 100	3 002
Total	**5 933**	**6 160**

3.6 Accrued revenue

In € thousands french gaap	12/31/2016	12/31/2015
Financial assets :		
* Receivables related to individuals		
* Other financial assets		
Receivables		
* Trade and similar receivables	2 463	5 065
* Staff		
* Social agencies		
* Government	80	71
* Misc. revenue accruals		
* Other receivables	338	330
Short-term investment securities		
Cash assets	**24**	**102**
TOTAL	**2 904**	**5 568**

3.7 Prepaid expenses and prepaid income (French GAAP)

In € thousands french gaap	12/31/2016	12/31/2015
Operating income or expense	585	246
Financial income or expense		
Extraordinary income or expense		
TOTAL	**585**	**246**

3.8 Composition of capital

Securities categories	12/31/2016		12/31/2015	
	Number	Nominal value	Number	Nominal value
1. Stocks or partnership shares composing the share capital at start of fiscal	6 846 363	684 636	6 216 076	62 108
2. Stocks or partnership shares issued during fiscal year	13 400	1 340	630 287	63 029
3. Stocks or partnership shares redeemed during fiscal year				
4. Stocks or partnership shares composing the share capital at end of fiscal	6 859 763	685 976	6 846 363	684 636

3.9 Workforce

Staff	12/31/2016	12/31/2015
Technicians	57	51
Management	66	58
Total employees	**123**	**109**

3.10 Reimbursable advances and Bpifrance grants

3.10.1 Bpifrance (formerly OSEO Innovation) agreement of April 25, 2012

In connection with the Insulin project, the Company signed an agreement with Bpifrance Financement on April 25, 2012 under which the Company received a reimbursable advance totaling €0.8 million for the development of a fast-acting "human" insulin formulation and the Phase 2a clinical trial. After fulfilling all technical and financial conditions, the Company received the full amount of this reimbursable assistance on April 30, 2012.

In accordance with the provisions of the agreement, the Company is obliged to repay all or part of this sum in March 2017 (see Chapter 23).

3.10.2 Coface - International business development insurance agreement of October 1, 2012

In connection with 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 consideration 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 from October 1, 2012 to September 30, 2016, extended for two years until 2018.

For expenses incurred during the first insurance period, i.e. from October 1, 2012 to September 30, 2013, the Company received the sum of €910,000 on December 17, 2013.

During the period between October 1, 2013 and September 30, 2014, the Company did not incur any prospecting expenses in the target markets and the contract has been cancelled. Consequently the Company entered into the amortization period for the sums already received (€91,000) under the terms of the contract as described above.

As no revenue was generated in 2016, the balance of the advance received has not changed.

3.11 Income statement

The main source of the Company's revenue of nearly €12 million is the contract signed with Eli Lilly in 2014.

Operating expenses totaled €34 million, compared to €32.3 million in 2015, and include the following items (euro thousands):

	Fiscal year 2016	Fiscal year 2015
Purchases consumed	1 771	1 133
Payroll expense	11 056	9 434
External expenses	20 177	20 899
Taxes and contributions	222	255
Depreciation/amortization and provisions	709	491
Other operating income and expenses	68	42
Total operating expenses	**34 003**	**32 254**

Operating income was a negative amount of €21.9 million, compared to a negative amount of €4.9 million in the previous year.

Net financial income of €0.2 million in 2016, which fell by €1.9 million compared to the previous year, is comprised primarily of net currency fluctuations and interest received on placements of cash. In 2016, due to a significant drop in interest rates, interest payments received were well below amounts in previous years.

As a result, pre-tax income was negative at €21.7 million, compared to €2.7 million in the previous year.

Taking into account the Research Tax Credit of €7.8 million, in 2015 the net loss after tax is nearly €14 million, compared to a profit of €4.5 million the previous year.

3.12 Balance sheet

3.12.1 Assets

Non-current assets increased significantly, from €2.4 million as of December 31, 2015 to €8 million as of December 31, 2016. This increase is due to the purchase of the building that the Company has occupied since its creation and which houses its research center and principal office. The land and building have a value of €5.6 million. Improvements and laboratory equipment have also increased, reaching a value of €2 million compared to €1.5 million in the previous year.

Current assets total €70 million compared to €85 million in the previous year. They are comprised of the following items:

- The "Cash and cash equivalents" item increased from €71.9 million as of December 31, 2015 to €57.8 million as of December 31, 2016. Cash consumption of €14.1 million during the period reflects the significant level of expenses associated with project developments.
- The "other receivables" item, was €9.3 million as of December 31, 2016, compared to €7.8 million in the previous year. It includes receivables owed by the State, including the Research Tax Credit (CIR) of €7.9 million for the period, the carryback claim for €0.3 million, the VAT receivable and the Competitiveness and Employment Tax Credit (CICE). The increase of €1.5 million is primarily due to the increase in receivables owed by the State due to the increase in the Research Tax Credit Recherche generated on expenses during the year.
- The "trade receivables" item comprises primarily the receivable owed on fourth quarter activities during the previous period. The amount of this receivable is €2.5 million for 2016, compared to €5.1 million at year-end 2015. This decrease is due to the transfer of certain activities from Adocia to Eli Lilly in the third quarter, as provided in the project development plan.

Prepaid expenses totaled €0.6 million in 2016, compared to €0.3 million in 2015.

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3.12.2 Liabilities

The Company's **equity** totaled €63.5 million, compared to €77.5 million in the previous year. The capital totaled €685,976 as of December 31, 2016, compared to 684,636 at the end of the previous period. The issue premium of €79.6 million at year-end 2016 is unchanged from 2015.

Retained earnings are negative at €2.8 million, compared to a negative amount of €7.3 million in the previous year. The change is due to an appropriation of profits for 2015 in the amount of €4.5 million.

Conditional advances are stable at €0.9 million over the two periods (see note 3.1 on reimbursable advances).

3.12.3 The Company's debt position in light of the volume and complexity of its business

Financial liabilities totaled €5.5 million as of December 31, 2016, compared to €0.2 million in the previous year. The €5.3 million increase during the year is primarily due to the loans taken out to finance the purchase of the building and parking spaces.

The **"tax and social security liabilities"** item totaled €3.7 million, which is comparable to the amount in the previous year (€3.8 million).

"Trade payables" total €4.6 million, compared to €5.4 million as of December 31, 2015.

In accordance with Article L. 441-6-1 of the French Commercial Code, a breakdown of trade payables by due date, which totaled €4.6 million, compared to €5.4 million in the previous year, is shown below:

Supplier category (euro thousands)	Fiscal year 2016	Fiscal year 2015
Cash payment	618	1,126
Payment in 30 days	923	1,026
Payment in 45 days	195	271
Payment in 60 days	22	39
Litigation	208	93
Supplier invoices not yet received	2 833	3 158

4. Proposed appropriation of results for fiscal year 2016

It is proposed that the loss for the fiscal year ended December 31, 2016 in the amount of €13.993 million be appropriated to the retained earnings account, which has a positive balance.

The Company has not distributed any dividends over the last three years.

5. Non-tax deductible expenses

In accordance with Article 223 *quater* of the French General Tax Code, the amount of lavish and non-deductible expenses referred to in Article 39-4 of that code totaled €15,553 for the fiscal year ended December 31, 2016.

6. Off-balance sheet commitments

6.1 Retirement obligations

The Company has chosen not to recognize any provision for its retirement obligations.

However, it has quantified these obligations in the financial statements prepared under IFRS in the amount of €1.7 million as of December 31, 2016, compared to €1.1 million in the previous year. (See note 3.11 in the notes to the consolidated financial statements prepared under IFRS in section 20.1 of this reference document).

6.2 Signature of lease-purchase agreements

The Company owns several assets that are financed through lease-purchase agreements. As of December 31, 2016, it was a part to five such agreements. The first contract is for an asset with a purchase price of €0.01 million that is being financed over three years, and the four other contracts are for equipment with a total purchase price of €0.9 million that is being financed over four years.

6.3 Guarantees furnished

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.

7. Other information

Information related to bonus shares, BSA stock warrants and BSPCE founders' warrants are detailed in Chapter 21.A.5 of this reference document.

8. Post-year-end events

On 26 January 2017, Adocia announced that Eli Lilly had decided to terminate the licensing and collaboration agreement they had signed in December 2014 to develop BioChaperone Lispro. The agreement will end after a four-month period, during which data and manufactured material will be transferred to Adocia. As a result, the Company will recover its rights and will continue development of this product.

4. Statutory auditors' report on the individual financial statements prepared for the fiscal year ended December 31, 2016

ODICEO

ERNST & YOUNG et Autres

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Adocia

Year ended 31 December, 2016

Statutory auditors' report on the annual financial statements

ODICEO
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C.S. 52038
69616 Villeurbanne Cedex
S.A. au capital de € 275,000

Commissaire aux comptes
Membre de la compagnie
Régionale de Lyon

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S.A.S à capital variable

Commissaire aux comptes
Membre de la compagnie
Régionale de Lyon

Adocia

Year ended 31 December, 2016

Statutory auditors' report

on the annual financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting of Shareholders, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying financial statements of Adocia;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter(s):

Note “1.6 Revenues” to the consolidated financial statements sets out the accounting rules and methods relating to recognition of revenues. Within the framework of our assessment of the accounting rules and methods used by Adocia, we verified the appropriateness of the accounting methods and the information disclosed in the note to the consolidated financial statements, and we assured ourselves of its correct application.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Villeurbanne et Lyon, April 10, 2017

The Statutory Auditors

(French original signed by)

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

5. Income for the last five years (euro thousands)

In french gaap	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Capital during the fiscal year (in €)					
Share capital	685 976	684 636	621 608	621 188	619 788
Number of existing ordinary shares	6 859 763	6 846 363	6 216 076	6 211 876	6 197 876
Number of existing ordinary shares cum dividend	6 859 763	6 846 363	6 216 076	6 211 876	6 197 876
Maximum number of future shares to be created					
- by bond conversion					
- by exercise of subscription rights	105 755	61 750	2 800	7 000	23 100
Transactions and results for the fiscal year (in € thousands)					
Pre-tax revenue	11 976	26 189	41 043	(26)	2 013
Profit/loss before tax, employee profit-sharing, depreciation, amortization and provisions	(21 096)	(2 131)	24 994	(12 540)	(10 732)
Income tax	(7 812)	(7 101)	617	(3 218)	(3 069)
Employee profit-sharing owed for the year			421		
Profit/loss after tax, employee profit-sharing, depreciation, amortization and provisions	(13 993)	4 478	23 733	(9 689)	(8 029)
Distributed profit	0	0	0	0	0
Earnings per sahre (in € per share)					
Profit/loss after tax and employee profit-sharing, but before depreciation, amortization and provisions	(19,4)	0,7	3,9	(1,5)	(1,2)
Profit/loss after tax, employee profit-sharing, depreciation, amortization and provisions	(2,0)	0,7	3,8	(1,6)	(1,3)
Dividend per share					
Staff (in € thousands)					
Average number of employees during the year	120	95	77	72	64
Total payroll for the year	7 622	6 410	4 982	3 745	3 531
Total employee benefits paid for the year (social security, social agencies, etc.)	3 502	2 953	2 329	1 669	1 380

C. DIVIDEND DISTRIBUTION POLICY

1. Dividends paid over the last three years

None.

2. Dividend distribution policy

Given its positioning as a growth Company, as of the filing date of this reference document, the Company does not intend to implement a regular dividend payment policy.

D. LEGAL AND ARBITRATION PROCEEDINGS

During the 12 months preceding the filing date of this reference document, the Company was not involved in any administrative, criminal, legal or arbitration proceedings that could have a material adverse impact not reflected in its financial statements on the Company, its business, its financial position, its earnings or its development nor, to its knowledge, is the Company threatened with any such proceedings as of the filing date of this reference document.

E. MATERIAL CHANGES IN THE COMPANY'S FINANCIAL OR COMMERCIAL POSITION

None.

21. ADDITIONAL INFORMATION

A. CORPORATE CAPITAL

1. Amount of corporate capital

As of the filing date of this reference document, the Company's capital was €685,976.30 divided into 6,859,763 fully paid common shares, with a par value of €0.10 each.

2. Shares not representing capital

None.

3. Company shares pledged as collateral, guarantees or security

None.

4. Purchase by the Company of its own shares

The combined general meeting of the Company's shareholders held on June 21, 2016 authorized the board of directors, for an 18-month period from the date of the meeting, to implement a share buyback program under Article L. 225-209 of the French Commercial Code and in accordance with the General Regulation of the Autorité des marchés financiers (AMF), under the terms and conditions described below. This authorization supersedes the authorization granted on May 27, 2015 for the same purpose, under the same terms and conditions as those adopted on June 21, 2016.

Maximum number of shares that may be purchased: 10% of the share capital on the share buyback date. If the shares are acquired for the purpose of stimulating the market and liquidity of the shares, the number of shares included in the calculation of the 10% limit specified above corresponds to the number of shares purchased, less the number of shares resold over the duration of the authorization.

Objectives of the share buyback program:

- to ensure the liquidity of the Company's share under a liquidity agreement to be entered into with an investment services provider, in accordance with the code of conduct approved by the AMF;
- to honor obligations under stock option, bonus share or employee savings plans or other allocations of shares to employees and corporate officers of the Company or its affiliates;
- to deliver shares when the rights attached to marketable securities conferring equity rights are exercised;
- to purchase shares for the purpose of holding them for subsequent delivery as a means of exchange or payment for a potential acquisition; or
- to cancel all or some of the repurchased shares, in accordance with the provisions of the eighth resolution adopted by the general shareholders' meeting of June 21, 2016.

Maximum purchase price: €200 per share. This purchase price will be adjusted, if necessary, to reflect transactions involving the capital (including capitalization of reserves, grants of bonus shares, reverse stock splits or stock consolidations) that may have occurred during the authorization period;

The number of shares acquired by the Company for the purpose of holding them for subsequent delivery as a means of payment or exchange in a merger, demerger or contribution of assets may not exceed 5% of the Company's capital.

Maximum amount of funds that may be used for share buybacks: €5,000,000.

The repurchased shares may be canceled.

On May 5, 2014, the Company announced that it was ending, as of April 30, 2014, the liquidity agreement dated March 14, 2012 with DSF MARKETS (formerly BIL Finance). The resources allocated to the liquidity account on that date consisted of 15,026 Adocia treasury shares and €502,312.46 in cash.

On May 19, 2014, the Company signed a new liquidity agreement with Kepler Capital Markets and allocated the following resources: 15,026 Adocia shares and €0.3 million in cash.

As of December 31, 2014, 2,323 Adocia shares and €778,747.18 in cash were allocated to the agreement between the Company and Kepler Capital Markets.

In accordance with the terms of the liquidity agreement, on February 10, 2015, the Company recovered a portion of the resources allocated thereto, in the amount of €700,000. On September 10, 2015, the resources available under the liquidity agreement with Kepler Capital Markets S.A. were increased by €200,000. As of December 31, 2015, under this agreement, the Company held 4,185 shares and 132,740 euro in cash.

During fiscal year 2016, the share buyback program was used only in connection with the liquidity agreement to meet the objective of stimulating market for the Company's shares and increasing their liquidity. As of December 31, 2016, the Company held 760 shares under this agreement (representing 0.01% of the capital), with a par value of €0.10 each, with a total carrying amount of €39,592.40 measured at the purchase price of the shares. These shares were purchased at an average price of €52.10. Over the course of fiscal year 2016, 54,700 shares were purchased and 58,125 shares were sold under these agreements. The average purchase price was €54.98 and the average sale price was €55.23. Trading costs in 2016 were €22,500. The Company did not purchase any treasury shares other than in connection with the liquidity agreement.

As of December 31, 2016, under this agreement, the Company held 760 shares and €335,365.88 in cash.

5. Potential capital

As of the filing date of this reference document, there were three different types of shares conferring equity rights. Details are provided below:

5.1 BSA stock warrants plan

	BSA 06-2011	BSA 09-2011	BSA 12-2013
Date of shareholders' meeting	June 17, 2011	June 17, 2011	June 18, 2013
Date of chairman's/board of directors' decision	By the shareholders' meeting	Sept. 27, 2011	Dec. 31, 2013
Number of BSA stock warrants authorized	140	70	30,000
Number of BSA stock warrants issued	140	70	20,000
Total number of shares that may be subscribed (1)	1,400	700	20 000
Of which, number that may be subscribed by corporate officers	*0*	*0*	*20,000*
Name of corporate officer beneficiaries			D. Takizawa K. Smirnyagina
Earliest BSA stock warrant exercise date	June 17, 2011	Sept. 27, 2011	Dec. 13, 2013
BSA stock warrant expiration date	June 17, 2021	Sept. 27, 2021	Dec. 13, 2023
BSA stock warrant issue price	free	free	0.588
BSA stock warrant strike price	€85.71 (i.e., €8.571 per share) (1)	€85.71 (i.e., €8.571 per share) (1)	€5.88
Exercise conditions	(2)	(2)	(3)
Number of shares subscribed as of the filing date of this	0	700	0

reference document			
Total number of lapsed or canceled BSA stock warrants as of the filing date of this reference document	0	0	
BSA stock warrants remaining as of the filing date of this reference document	140	0	20,000
Total number of shares that may be subscribed as of the filing date of this reference document	1,400(1)	0(1)	20,000

(1) The exercise conditions for the BSA stock warrants have been adjusted to reflect the 10-for-1 stock split approved by the shareholders' meeting of October 24, 2011. The phrase "Total number of shares that could originally be subscribed" corresponds to figures after accounting for this split.

(2) In principle, the BSA stock warrants may be exercised at any time over a 10-year period from the date they are granted, provided the holder of the BSA stock warrants has served continuously, until the BSA stock warrants are exercised, as an external scientific advisor to the Company.

(3) The BSA12-2013 all stock warrants may be exercised as of the date of this reference document and for a period of 10 years. As of the filing date of this reference document, the exercise of all BSA stock warrants granted would lead to the creation of 21,400 shares with a par value of €0.10 each (after taking into account the 10-for-1 stock split approved by the shareholders' meeting of October 24, 2011).

5.2 Bonus shares

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	0	1 495	1 800	0	0	**5 395**
Acquired and available shares	39 900	5 600	5 600	4 200	4 200	0	0	0	0	**59 500**
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	0	0	**46 590**
Sahres acquired under conservation	0	0	0	1 400	1 400	0	12 700		0	**15 500**
Shares granted but not yet vested	0	0	0	0	0	37 655	8 100	20 000	40 000	**105 755**

In 2016, two bonus share plans were approved:

- The first plan, which was approved by the board on March 15, 2016 for a total of 20,000 shares, was set up for Olivier Soula, the deputy chief executive officer. Of the total number of shares granted, 12,000 shares are subject to performance conditions defined over two years and will vest, in whole or in part, on March 15, 2018. The balance of 8,000 shares will vest in blocks of one-quarter at the end of each annual period, with a first block of one-quarter vesting on March 15, 2017. Vesting of the shares is conditioned on the continued employment of Olivier Soula with the Adocia Group at the end of each relevant period. The retention period was set at one year, beginning at the end of each vesting period.
- A second plan approved by the board on December 13, 2016 for 40,000 shares, was set up for employees in any of the following categories: directors, department heads, senior and/or expert project managers, senior/expert researchers, senior/expert technicians and senior/expert administrative managers. A quarter of the shares granted will vest at the end of each previous year as of December 13, 2016, with a first quarter vesting on December 13, 2017. The vesting of shares is conditioned on the continued employment of the beneficiary with the Adocia group at the end of each relevant vesting period. The retention period was set at one year, beginning at the end of each vesting period.

5.3 BSPCE founders' warrants

Date of the Boards decided to award	12/13/2013 Plan 2013 n°1	12/13/2013 Plan 2013 n°2	09/25/2014 Plan 2014 n°1	09/25/2014 Plan 2014 n°2	09/25/2014 Plan 2014 Executives	12/16/2015 Plan 2015 Executives	03/15/2016 Plan 2016 Executives	TOTAL
Number of BSPCE issued (2)	28 000	22 400	14 000	5 600	100 000	40 000	40 000	250 000
Number of BSPCE canceled	-	-	2 800	5 600	-	-	16 000	24 400
Number of BSPCE subscribed remaining	28 000	22 400	11 200		100 000	40 000	24 000	225 600
Number of BSPCE excercised	4 900	700	-	-	-	-	-	5 600
Number of BSPCE remaing to exercise	23 100	21 700	11 200		100 000	40 000	24 000	220 000

(2) The schedule for exercising BSPCE founders' warrants is shown in section 9.2.

As of the filing date of this reference document, 220,000 BSPCE founder's warrants awarded under the 2013, 2014, 2015 and 2016 plans are exercisable and the exercise of all of these BSPCE founders' warrants would lead to the creation of 220,000 shares with a par value of €0.10 each.

5.4 Stock options

	Stock options	
Date of shareholders' meeting	June 18, 2013	November 12, 2015
Board of directors meeting that granted the options	March 31, 2015	December 16, 2015
Total number of options granted	20,000	4,000
Of which number that may be subscribed by certain employees (1)	*20,000*	*4,000*
Of which, number that may be subscribed by corporate officers	*0*	*0*
Earliest stock option exercise date	Jan. 1, 2016	Jan. 1, 2017
Option expiration date	March 31, 2025	Dec. 16, 2025
Strike price	€55.64	€71.12
Exercise conditions	¼ exercisable as of 1/1/2016, then an additional quarter at the end of each year as of 1/1/2016	¼ exercisable as of 1/1/2017, then an additional quarter at the end of each year as of 1/1/2017
Number of shares subscribed as of the filing date of this reference document	0	0
Total number of options outstanding as of the filing date of this reference document	20,000	4,000
Total number of shares that may be subscribed as of the filing date of this reference document	0	0

(1) The options were granted to two Adocia Inc. employees.

B. AUTHORIZED CAPITAL

1. Delegations of authority in effect and uses thereof

	Period of validity/Expiration	Ceiling (par value)	Procedures for setting the price	Date and conditions of use by the board of directors

General shareholders' meeting of June 21, 2016				
Authorization granted to the board of directors to issue and award, free of charge, BSPCE founders' warrants for to employees and officers of the Company	December 21, 2017 or (ii) the date on which the requirements of Article 163 *bis* G of the French General Tax Code cease to be met	150,000 shares	Refer to (1)	The board has not used this authorization
Authorization granted to the board of directors to carry out a capital increase by issuing ordinary shares or any securities convertible into shares, cancelling preemptive subscription rights for the benefit of a class of persons, in connection with an equity financing line	18 months / December 21, 2017	€65,000	Refer to (2)	The board did not use this authorization during the fiscal year
General shareholders' meeting of November 12, 2015				
Authorization to the board to grant options to subscribe or purchase shares of the Company	38 months/ January 12, 2019	200,000 shares (3)	Refer to (4)	The board used this authorization by awarding 4,000 stock options on December 16, 2015
Authorization granted to the Board to award bonus shares in existence or to be issued	38 months/ January 12, 2019	200,000 shares up to a maximum of 10% of the capital at the time of the grant (3)	N/A	The board used this authorization by awarding: - 39,150 shares on December 10, 2015, 22,600 shares on December 16, 2015, 20,000 shares on March 15, 2016 and 40,000 shares on December 13, 2016.
Authorization granted to the board of directors to issue BSA stock warrants to (i) the members of the Company's board of directors in office on the date the warrants are awarded and who are not employees or officers of the Company or any of its subsidiaries, (ii) persons who have entered into a services	18 months/ May 12, 2017	40,000 BSA stock warrants conferring the right to 40,000 shares (3)	Refer to (5)	The board did not use this authorization during the fiscal year

or consulting contract with the Company, or (iii) members of any committee the board of directors may set up, and who are not employees or officers of the Company or any of its subsidiaries				
General shareholders' meeting of May 27, 2015				
Authorization granted to the board of directors to issue, maintaining preemptive subscription rights, shares and/or securities conferring immediate and/or future equity rights in the Company	26 months/ July 27, 2017	€210,000 (6)		The board has not used this authorization
Authorization granted to the board of directors to issue, cancelling preemptive subscription rights, by a public offering, shares and/or securities conferring immediate and/or future equity rights in the Company, and the right to confer priority rights	26 months/ July 27, 2017	€135,000 (6)	Refer to (7)	The board has not used this authorization
Authorization granted to the board of directors to carry out a capital increase, immediately or in the future, by issuing ordinary shares or any securities conferring equity rights, up to a maximum of 20% of the capital per year, cancelling shareholder's preemptive subscription rights, by making an offer to qualified investors or a limited circle of investors within the meaning of Article L. 411-2, paragraph II, of the French monetary and financial code (private placement)	26 months/ July 27, 2017	€135,000 (3) and up to a maximum of 20% of the existing capital on the date of the transaction and per year	Refer to (7)	The board did not use this authorization during the fiscal year
Authorization granted to the board, in the event of an issue of shares or any securities conferring equity rights cancelling shareholders' preemptive subscription rights, to set the issue price, up to 10% of the capital and in accordance with the	26 months/ July 27, 2017	up to 10% of the capital per year	Refer to (8)	The board did not use this authorization during the fiscal year

limitations set by the general shareholders' meeting				
Delegation of authority to the board to increase the number of shares to be issued in the event of a capital increase with or without preemptive subscription rights	26 months/ July 27, 2017	15% of the original issue (6) (9)	Same price as the original issue price	The board did not use this authorization during the fiscal year
Delegation of authority to the board to issue ordinary shares or securities conferring equity rights to pay for contributions of securities pursuant to a public offer with an exchange component initiated by the Company.	26 months/ July 27, 2017	€68,000 (6)		The board did not use this authorization during the fiscal year
Delegation of authority to the board to increase capital up to 10% of the capital to pay for non-cash contributions of equity securities or securities conferring equity rights in third-party companies not in connection with an exchange offer	26 months/ July 27, 2017	€68,000 up to 10% of the capital per year (6)		The board has not used this authorization
Delegation of authority to the board to increase capital by capitalizing premiums, reserves, profits or other funds	26 months/ July 27, 2017	€100,000		The board has not used this authorization

(1) The subscription price will be determined by the board of directors when the BSPCE founders' warrants are awarded, which must be at least equal to the higher of following three values:

- the closing sale price of one share on the regulated market the day before the board's decision to award BSPCE founders' warrants;
- ninety-five percent (95%) of the average share price over the twenty trading days before the board's decision to award BSPCE founders' warrants;
- if one or more capital increases are carried out less than six months before the board's decision to award the relevant BSPCE founders' warrants, the subscription price for one common share of the Company applied to the most recent of such capital increases, as determined on the date each BSPCE founders' warrant is awarded.

(2) the issue price of shares will be determined by the board of directors and must be at least equal to the volume-weighted average price over the last three trading days before the issue price is set, with a possible maximum issue discount of 20%, taking into account, if applicable, their dividend entitlement date. However, (i) if securities that confer equity rights are issued, the issue price of the shares that may result from the exercise, conversion or exchange thereof may be set, at the board's discretion, by reference to a calculation formula it defines and applicable after such securities are issued (e.g., when they are exercised, converted or exchanged), in which case the aforementioned maximum issue discount may be determined, at the board's discretion, on the date the formula is applied (and not on the date the issue price is set), and (ii) the issue price of securities conferring equity rights that may be issued pursuant to this resolution shall be such that the amount, if any, received immediately by the Company, plus the amount likely to be received by it upon the exercise or conversion of such securities, is,

for each share issued as a result of the issue of these securities, at least equal to the aforementioned minimum amount.

3) The sum of (i) the shares that may be issued or acquired by exercising the options granted, (ii) the shares that will be awarded free of charge, (iii) the shares that may be issued upon the exercise of the BSPCE founders' warrants and (iv) the shares that may be issued upon exercise of the BSA stock warrants shall not exceed 250,000 shares. However, this cap will be increased by the additional number of shares to be issued, in accordance with contractual stipulations, to preserve the rights of holders of securities and other rights conferring access to shares.

(4) The purchase or subscription price per share will be set by the board of directors on the day the option is granted, within the limitations set by law and this resolution, but shall not be less than ninety-five percent (95%) of the average share price over the twenty trading days before the date of the board's decision to award the options, rounded to the next lower euro, nor, in the case of stock options, 80% of the average purchase price of treasury shares by the Company rounded to the next lower euro.

(5) The issue price of one BSA stock warrant shall be determined by the board of directors on the date said BSA stock warrants are issued based on their features, but shall be at least equal to 5% of the volume-weighted average price over the last five (5) trading days on the Euronext Paris regulated market prior to the date on which the board awards the BSA stock warrants. The subscription price of one ordinary share of the Company pursuant to the exercise of one BSA stock warrant shall be determined by the board of directors when the BSA stock warrants are awarded, and shall be at least equal to the higher of following two values:

- the closing sale price of one share on the regulated market the day before the board's decision to award BSA stock warrants; and
- the weighted average share price over the twenty trading days before the date of the board's decision to award the BSA stock warrants.

(6) These amounts cannot be combined. The maximum total amount authorized for capital increases in par value terms is set at €210,000. The total par value of issues of debt securities of the Company conferring equity rights to the Company may not exceed €30,000,000.

(7) The share issue price shall be at least equal to the weighted average trading price over the last three trading days before the price is set, discounted, if applicable, by maximum issue discount allowed by law (currently 5%), and adjusted by the difference in their dividend entitlement dates. However, the issue price of securities conferring equity rights shall be such that the amount, if any, received immediately by the Company or that it may receive subsequently, is, for each share issued as a result of the issue of these securities, at least equal to the minimum issue price defined above.

(8) Up to a maximum of 10% of the Company's capital (as of the transaction date) per 12-month period, the board may disregard the price-setting conditions specified in the above resolutions and set the issue price of ordinary shares and/or marketable securities conferring immediate or future access to capital as follows:

- the issue price of common shares shall be at least equal to the weighted average of the price over the last three trading days prior to the date on which it is set, less a possible maximum issue discount of 20%, which shall in no case be less than the par value of one share in the Company on the issue date of the relevant shares. However, in the event securities conferring equity rights are issued, the issue price of the shares that may result from the exercise, conversion or exchange thereof may, at the board's discretion, be set by reference to a calculation formula it defines and applicable after such securities are issued (e.g., when they are exercised, converted or exchanged), in which case the aforementioned maximum issue discount may be determined, at the board's discretion, on the date the formula is applied (and not the date the issue price is set); and
- the issue price of marketable securities conferring equity rights shall be such that the amount the Company receives immediately plus, if applicable, the amount it may subsequently receive is, for each share issued in consequence of the issue of these securities, at least equal to the issue price defined in the paragraph above.

(9) 15% or any other percentage that may be set by decree.

2. Information about the Company's capital which is under option or subject to a conditional or unconditional agreement to be placed under option

To Company's knowledge, there are no call or put options or other commitments to the Company shareholders, or granted by the Company's shareholders, concerning the Company's shares.

3. History of the corporate capital

3.1 Changes

The table below presents the changes in the Company's capital since its creation. This historical data does not reflect the 10-for-1 stock split decided by the shareholders' meeting from October 24, 2011 to November 15, 2011. After that date, the data reflects this 10-for-1 stock split.

Issue date	Type of transaction	Capital	Issue premium	Number of shares issued	Total number of shares comprising the capital	Par value	Corporate capital	Issue price per share before 10-for-1 stock split
12/30/2005	Incorporation (i)	€4,000,000	-	400,000	400.,00	10	€4,000,000	€10
5/5/2006	Capital reduction (ii)	- €3,000,000	-	- 300,000	100,000	10	€1,000,000	N/A
7/1/2006	Capital reduction (iii)	- €200,000	-	- 20,000	80,000	10	€800,000	N/A
7/31/2006	Issue of shares (iv)	€600,000	-	60,000	140,000	10	€1,400,000	€10
10/19/2007	Conversion of common shares into class B preferred shares	-	-	-	140,000	10	€1,400,000	N/A
10/19/2007	Issue for cash of Class A preferred shares with ratchet BSA stock warrants attached	€933,390	€7,066,695.69 €	93,339	233,339	10	€2,333,390	€85.71
12/20/2007	Issue for cash of Class A preferred shares with ratchet BSA stock warrants attached	€466,680	€3,533,234.28 €	46,668	280,007	10	€2,800,070	€85.71
10/22/2009	Capital reduction (v)	- €2,520,063	-	-	280,007	1	€280,007	N/A
10/22/2009	Issue for cash of Class A preferred shares to Tranche 2 BSA stock warrants and attached ratchet BSA stock warrants	€43,056	€3,647,273.76	43,056	323,063	1	€323,063	€85.71
11/2/2009	Exercise of Tranche 2 BSA stock warrants	€3,616	€306,311.36	3,616	326,679	1	€326,679	€85.71
12/1/2009	Issue for cash of Class A preferred shares to Tranche 4 BSA stock warrants and attached	€15,556	€1,317,748.76	15,556	342,235	1	€342,235	€85.71

Issue date	Type of transaction	Capital	Issue premium	Number of shares issued	Total number of shares comprising the capital	Par value	Corporate capital	Issue price per share before 10-for-1 stock split
	ratchet BSA stock warrants							
12/14/2009	Exercise of Tranche 2 BSA stock warrants	€2,333	€197,628.43	2,333	344,568	1	€344,568	€85.71
12/14/2009	Exercise of Tranche 4 BSA stock warrants	€7,778	€658,874.38	7,778	352,346	1	€352,346	€85.71
12/23/2009	Issue for cash of Class A preferred shares to Tranche 4 BSA stock warrants and attached ratchet BSA stock warrants	€46,668	€3,953,246.28 €	46,668	399,014	1	€399,014	€85.71
3/5/2010	Vesting of bonus shares	€1,050	-	1,050	400,064	1	€400,064	N/A
4/6/2010	Exercise of Oreo BSA stock warrants	€5,424	-	5,424	405,488	1	€405,488	€85.71
6/1/2010	Vesting of bonus shares	€140	-	140	405,628	1	€405,628	N/A
6/18/2010	Exercise of Tranche 2 BSA stock warrants	€852	€72,172.92	852	406,480	1	€406,480	€85.71
6/18/2010	Exercise of Tranche 2 BSA stock warrants	€431	€36,510.01	431	406,911	1	€406,911	€85.71
12/10/2010	Exercise of Tranche 2 BSA stock warrants	€14,296	€1,211,014.16	14,296	421,207	1	€421,207	€85.71
Idem	Exercise of Tranche 4 BSA stock warrants	€23,334	€1,976,623.14	23,334	444,541	1	€444,541	€85.71
3/4/2011	Vesting of bonus shares	€1,050	-	1,050	445,591	1	€445,591	N/A
6/20/2011	Vesting of bonus shares	€140	-	140	445,731	1	€445,731	N/A
12/15/2011	Vesting of bonus shares	€140	-	1,400	4,458,710	0.10	€445,871	N/A
2/14/2012	Share issue - public offering	€159,279.80	€25,134,352.44	1,592,798	6,051,508	0.10	€605,150.80	€15.88
3/7/2012	Vesting of bonus shares	€1,050	-	10.500	6,062,008	0.10	€606,200.80	N/A
3/14/2012	Share issue – public offering (overallotment clause)	€13,026.80	€2,055,629.04	130,268	6,192,276	0.10	€619,227.60	€15.88
6/15/2012	Vesting of bonus shares	€280		2,800	6,195,076	0.10	€619,507.60	N/A
12/19/2012	Vesting of bonus shares	€280	-	2,800	6,197,876	0.10	€619,787.60	N/A

Issue date	Type of transaction	Capital	Issue premium	Number of shares issued	Total number of shares comprising the capital	Par value	Corporate capital	Issue price per share before 10-for-1 stock split
3/26/2013	Vesting of bonus shares	€840	-	8,400	6,206,276	0.10	€620,627.60	N/A
6/18/2013	Vesting of bonus shares	€280		2,800	6,209,076	0.10	€620,907.60	N/A
12/13/2013	Vesting of bonus shares	€280	-	2,800	6,211,876	0.10	€621,187.60	N/A
4/2/2014	Vesting of bonus shares	€140	-	1,400	6,213,276	0.10	€621,327.60	N/A
12/16/2014	Vesting of bonus shares	€280	-	2,800	6,216,076	0.10	€621,607.60	N/A
3/26/2015	Exercise of BSA stock warrants and BSPCE founders' warrants	€280	11,815	2,800	6,218,876	0.10	€621,887.60	N/A
3/26/2015	Private placement	€62,188.70	€31,902,803.10	621,887	6,840,763	0.10	€684,076.30	N/A
3/31/2015	Vesting of bonus shares	€140		1,400	6,842,163	0.10	€684,216.30	N/A
7/28/2015	Exercise of BSPCE founders' warrants	€280	€15,848	2,800	6,844,963	0.10	€684,496.30	N/A
12/16/2015	Vesting of bonus shares	€140		1,400	6,846,363	0.10	€684,636.30	N/A
6/21/2016	Exercise of BSPCE founders' warrants	€70	3,962	700	6,847,063	0.10	€684,706.30	N/A
12/16/2016	Vesting of bonus shares	€1,270		12,700	6,859,763	0.10	€685,976.30	N/A

(i) One-fifth of the price of the 400,000 shares comprising the capital was paid on December 16, 2005, and the balance was paid on December 20, 2005.

(ii) Capital reduction by the outright cancellation of 300,000 shares.

(iii) Capital reduction by offsetting losses.

(iv) One-fourth of the par value of the 60,000 new shares was paid on subscription, and the balance was paid on November 15, 2006.

(v) Capital reduction due to losses.

3.2 Change in the Company's shareholder structure since December 31, 2014

	Situation at December 31, 2016			Situation at December 31, 2015			Situation at December 31, 2014		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Soula Family	**1 513 933**	**22,1%**	**31,4%**	**1 525 933**	**22,3%**	**31,8%**	**1 540 933**	**24,8%**	**32,0%**
Gérard Soula	898 463	13,1%	18,8%	898 463	13,1%	18,8%	898 463	14,5%	18,6%
Olivier Soula	297 490	4,34%	6,16%	307 490	4,49%	6,32%	317 490	5,11%	6,60%
Rémi Soula	300 490	4,38%	6,14%	302 490	4,42%	6,32%	307 490	4,95%	6,40%
Laure Soula	17 490	0,3%	0,4%	17 490	0,3%	0,4%	17 490	0,3%	0,4%
Financial investors	**1 168 209**	**17,0%**	**24,4%**	**1 166 639**	**17,0%**	**24,4%**	**1 831 650**	**29,5%**	**38,1%**
Innobio *(Bpifrance Investissement)*	625 923	9,1%	13,1%	625 923	9,1%	13,1%	700 020	11,3%	14,6%
Fonds BioAM *(Bpifrance Investissement)*	112 716	1,6%	2,4%	112 716	1,6%	2,4%	286 256	4,6%	6,0%
Subtotal BPIfrance investissement	*738 639*	*10,8%*	*15,4%*	*738 639*	*10,8%*	*15,4%*	*986 276*	*15,9%*	*20,5%*
Fonds IdInvest		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Fonds Amundi	1 570	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Fonds Viveris	67 439	1,0%	1,4%	67 439	1,0%	1,4%	364 754	5,9%	7,6%
Oréo Finance	40 561	0,6%	0,8%	40 561	0,6%	0,8%	81 561	1,3%	1,7%
Famille Deléage		0,0%	0,0%	0	0,0%	0,0%	17 090	0,3%	0,4%
SHAM (1)	320 000	4,7%	6,7%	320 000	4,7%	6,7%	381 969	6,1%	7,9%
Key employees	**43 870**	**0,64%**	**0,82%**	**40 270**	**0,65%**	**0,76%**	**50 090**	**0,8%**	**0,9%**
Scientific committees (stock warrants)	700	0,0%	0,0%	700	0,0%	0,0%	0	0,0%	0,0%
Administrator (stock warrants)	0	0,0%	0,0%	0	0,0%	0,0%	0	0,0%	0,0%
Treasury shares	**760**	**0,01%**	**0,0%**	**4 185**	**0,06%**	**0,0%**	**2 323**	**0,0%**	**0,0%**
other shareholders *	**4 132 291**	**60,2%**	**43,4%**	**4 108 636**	**60,0%**	**43,1%**	**2 791 080**	**44,9%**	**29,1%**
Total	**6 859 763**	**100,0%**	**100,0%**	**6 846 363**	**100,0%**	**100,0%**	**6 216 076**	**100,0%**	**100,0%**

(*) SHAM: Société Hospitalière d'Assurance Mutuelles

(1) On the date of this reference document, the dilutive instruments issued by the Company consist of (i) **105,755** shares (after accounting for the 10-for-1 stock split decided by the shareholders' meeting of October 24, 2011), which were issued as bonus shares by the Company to key employees and are in the vesting period, as more fully described in section 21.1.7 of this reference document; (ii) 1,400 BSA stock warrants conferring the right to subscribe for **1,400** shares (after accounting for the 10-for-1 stock split decided by the shareholders' meeting of October 24, 2011); (iii) 20,000 BSA stock warrants conferring the right to subscribe for **20,000** shares granted to independent directors; (iv) **220,000** BSPCE founders' warrants conferring the right to subscribe for 200,000 shares; and (v) **24,000** stock options conferring the right to subscribe for 24,000 shares.

(2) Including any shares held in bearer form by the Company's historical financial investors.

3.3 Changes in the share price – Risk of price changes

The Company's shares were listed on the Euronext Paris regulated market on February 14, 2012 at €15.88, the price at the time of its IPO.

In 2014, the share traded at a low of €5.93 on January 3, 2014 and a high of €48.25 on December 31, 2014.

In 2015, the share traded at a low of €51.01 on March 27, 2015 and a high of €93.65 on July 20, 2015. On December 31, 2015, the share price was €73.22, which yielded a market capitalization of €501 million.

In 2016, the share traded at a low of €44.43 on February 11, 2016 and a high of €71.76 on January 5, 2016. On December 31, 2016, the share price was €61, which yielded a market capitalization of €418 million.

In the early months of 2017, following the announcement of the end of the collaboration agreement with Eli Lilly, the share price fell from €61 on January 1, 2017 to €19.14 euros on April, 7 2017, yielding a market capitalization for the la Company of €131 million.

C. ARTICLES OF INCORPORATION AND BYLAWS

1. Corporate purposes

The Company's purposes, directly or indirectly, both in France and abroad, are:

- research and development of polymer materials to create controlled-release systems for peptides and proteins of pharmaceutical interest;

- the registration, study, acquisition and granting of all patents, licenses, processes, trademarks and protection of specialized knowledge in any way arising from or relating to the domains or technologies falling within the scope of the corporate purposes;
- the design, development, manufacture, distribution, import, export and use, by any means, of medicines, proprietary drugs and other healthcare goods;
- creating, buying, renting and taking all businesses pursuant to lease-management arrangements, and leasing, installing and operating all establishments, businesses, factories and workshops in relation with any of the activities specified above;
- the Company's direct or indirect participation in all financial, real estate or personal transactions and in any civil, commercial or industrial companies that may fall within the scope of the corporate purposes or any similar, related or complementary purpose.

2. Management and supervisory bodies

2.1 Board of directors

2.1.1 Composition of the board of directors (Articles 11.1 and 11.2 of the articles of incorporation)

The Company shall be administered by a board composed of natural persons or legal entities whose number shall be determined by the ordinary shareholders' meeting within the limits of the law.

At the time they are appointed, legal entities shall designate an individual as their permanent representative to the board of directors. The term of office of the permanent representative shall have the same duration as the term of office of the legal entity he represents. If the legal entity dismisses its permanent representative, it shall immediately appoint a replacement. The same provision shall also apply in the event of the death or resignation of the permanent representative.

Directors are appointed for a three-year term. Directors' terms of office shall expire at the conclusion of the ordinary general shareholders' meeting that votes on the financial statements for the past fiscal year held in the year during which said directors' terms of office expire.

Directors may be reappointed. They may be removed from office at any time by a decision of a general shareholders' meeting.

In the event of one or more vacancies on the board of directors due to death or resignation, the board may make temporary appointments between two general shareholders' meetings.

Appointments made by the board pursuant to the preceding paragraph shall be submitted for ratification by the next ordinary general shareholders' meeting.

The absence of such approval shall not affect the validity of the board's prior resolutions and acts.

If the number of directors falls below the statutory minimum, the remaining directors shall immediately convene an ordinary general shareholders' meeting for the purpose of completing the membership of the Board.

Company employees may be appointed as directors. However, their employment contract must correspond to actual employment. In such case, employees do not lose the benefit of their employment contracts.

The number of directors who have entered into an employment contract with the Company may not exceed one-third of directors in office.

The number of directors over the age of 70 may not exceed one-third of directors in office. If this limit is exceeded during the directors' terms of office, the oldest director shall automatically be deemed to have resigned at the conclusion of the next general shareholders' meeting.

2.1.2 Board observers (Article 15 of the articles of incorporation)

Pursuant to a proposal of the board of directors, an ordinary general shareholders' meeting may appoint board observers. The board of directors may also appoint them directly, subject to ratification by the next general shareholders' meeting.

The board observers, who may not number more than five, shall form a panel. They shall be selected, without restriction, based on their expertise.

They shall be appointed for a term of three years, which shall expire at the conclusion of the ordinary general shareholders' meeting that votes on the financial statements for the previous fiscal year.

The panel of board observers shall review matters that the board of directors or its chairman submit to it for its opinion. The board observers shall attend board of directors' meetings and shall take part in deliberations in a non-voting capacity. However, their absence shall not affect the validity of the board's deliberations.

They shall be given notice of board meetings in the same manner as the directors.

The board of directors may remunerate the Board observers by allocating an amount from the directors' fees granted annually by a general shareholders' meeting.

2.1.3 Meetings of the board of directors (Article 12 of the articles of incorporation)

The board of directors shall meet as often as required by the Company's interests.

The chairman shall give the directors notice of board meetings. Notice may be given by any means, whether written or oral.

The chief executive officer may also ask the chairman to call a meeting of the board of directors to consider a specific agenda.

Additionally, directors representing at least one-third of the members of the board may validly convene a board meeting. In such case, they shall state the agenda for the meeting.

If a works council has been created, the representatives of such council, appointed in accordance with the provisions of the Labor Code, shall be given notice of all board of directors' meetings.

Board meetings shall be held at the registered office or at any other place in France or abroad.

Decisions of the board shall be valid only if the number of members in attendance is at least equal to half the members.

Decisions of the board of directors shall be adopted by a majority of votes cast. In the event of a tie vote, the chairman shall have the power to break the tie.

The board of directors may adopt rules of procedure, which may provide *inter alia* that, for purposes of calculating the quorum and majority, directors who participate in board meetings via videoconference or other means of telecommunication in compliance with the laws and regulations in force will be deemed to be present. This provision shall not apply to the adoption of the decisions referred to in Articles L. 232-1 and L. 233-16 of the French Commercial Code.

Each director shall receive the information necessary to perform his duties and hold his corporate office, and may obtain copies of all documents he deems of use.

Any director may authorize, by letter, telegram, telex, fax, email or any other means of remote transmission, another director to represent him/her at a board meeting, but each director may only hold one proxy during a meeting.

Copies or extracts of the minutes of board of directors' meetings shall be validly certified by the chairman of the board of directors, the chief executive officer or a director temporarily appointed to act as chairman or an agent duly authorized for such purpose.

2.1.4 Powers of the board of directors (Article 13 of the articles of incorporation)

The board of directors shall establish the Company's business policies and ensure they are carried out. Subject to the powers expressly reserved by law to shareholders' meetings and within the limits of the corporate purposes, the board of directors may consider any issue relating to the proper operation of the Company and, by its decisions, shall resolve matters that concern the Company.

In its relations with third parties, the Company shall be bound by the acts of the board of directors that exceed the scope of the corporate purposes, unless the Company proves that the third party was aware, or that in light of the circumstances could not have been unaware, that the act was not within said corporate purposes. However, the mere publication of the articles of incorporations shall not constitute such proof.

The board of directors shall carry out all verifications and audits it deems necessary.

Furthermore, the board of directors shall exercise the special powers conferred on it by law.

2.2 Executive management (Article 14 of the articles of incorporation)

The Company's executive management functions shall be performed, under his responsibility, by the chairman of the board of directors or another individual appointed by the board of directors, who shall hold the title of chief executive officer.

The chief executive officer shall have the broadest possible powers to act in all circumstances in the name of the Company. The chief executive officer shall exercise his powers within the limits of the corporate purposes and subject to the powers expressly granted by law to shareholders' meetings and to the board of directors.

He shall represent the Company in its dealings with third parties. The Company shall be bound by acts of the chief executive officer that exceed the scope of the corporate purposes, unless the Company is able to prove that the third party was aware, or in light of the circumstances could not have been unaware, that the act was not within said corporate purposes. However, the mere publication of the articles of incorporation shall not be sufficient to constitute such proof.

The chief executive officer may not be more than 75 years old. If the chief executive officer reaches this age limit, he shall automatically be deemed to have resigned. The chief executive officer's term of office shall continue until the next board of directors' meeting, at which a new chief executive officer shall be appointed.

If the chief executive officer is a director, the term of his position shall not exceed his term of office as director.

The board of directors may dismiss the chief executive officer at any time. If the dismissal is decided without just cause, the dismissed chief executive officer may claim damages, unless he also holds the position of chairman of the board of directors.

By a decision adopted by a simple majority of the votes of directors present or represented, the board of directors shall choose between the two methods of executive management referred to in the first paragraph of section

Shareholders and third parties shall be informed of this decision in accordance with legal and regulatory conditions.

The choice made by the board of directors shall remain in effect until a contrary decision of the board or, at the board's discretion, for the duration of the chief executive officer's term of office.

If the Company's executive management functions are performed by the chairman of the board of directors, the provisions concerning the chief executive officer shall apply to him.

In accordance with the provisions of Article 706-43 of the French Code of Criminal Procedure, the chief executive officer may validly delegate to any person of his choice the authority to represent the Company in connection with criminal proceedings that may be initiated against the Company.

Pursuant to a proposal of the chief executive officer, the board of directors may authorize one or more individuals to assist the chief executive officer in the capacity of deputy chief executive officer.

In agreement with the chief executive officer, the board of directors shall determine the scope and duration of the powers granted to the deputy chief executive officers. The board of directors shall set their compensation. If a deputy chief executive officer is a director, the term of his position shall not exceed his term of office as director.

The deputy chief executive officers shall have the same powers with respect to third parties as the chief executive officer; in particular, the deputy chief executive officer may represent the Company before the courts.

No more than five deputy chief executive officers may be appointed.

Pursuant to a proposal of the chief executive officer, the deputy chief executive officer(s) may be removed from office by the board of directors at any time. If the removal from office is decided without just cause, a dismissed deputy chief executive officer may claim damages.

Deputy chief executive officers may not be more than 65 years old. If a deputy chief executive officer in office reaches this age limit, he shall automatically be deemed to have resigned. The deputy chief executive officer's term of office shall continue until the next board of directors' meeting, at which a new deputy chief executive officer may be appointed.

If the chief executive officer leaves office or is unable to perform his duties, unless otherwise decided by the board of directors, the deputy chief executive officer(s) shall remain in office and retain his (their) powers until the appointment of a new chief executive officer.

3. Rights, privileges and restrictions pertaining to the Company's shares

3.1 Forms of shares (Article 7 of the articles of incorporation)

Shareholders may choose to hold their fully paid-up shares in registered or bearer form, subject, however, to application of the legal provisions relating to the form of shares held by certain natural persons or legal entities. Shares that are not fully paid up must be held in registered form.

The shares shall be registered in an account under the terms and conditions specified in the applicable laws and regulations.

Ownership of shares delivered in registered form derives from their registration in a registered account.

3.2 Voting rights (excerpted from Article 9 of the articles of incorporation)

Unless the law provides otherwise, and except in the case of double voting rights as set forth below, each shareholder shall have as many voting rights and may cast as many votes in shareholders' meetings as he/she owns fully paid-up shares. Provided they have the same par value, each equity or dividend share is entitled to one vote, except in the case of double voting rights as set forth below.

A voting right equivalent to twice that attributed to other shares, based on the proportion of the share capital they represent, may be attributed to all fully paid-up shares (regardless of their class) that can be proved to have been registered in the name of the same shareholder for at least two years. The conversion of preferred shares into common shares shall have no impact on the calculation of the holding period. This right is also conferred at the time of issue, in the event of a capital increase carried out by capitalizing reserves, profits or issue premiums, to registered shares granted as bonus shares to a shareholder for existing shares that already entitled him to this right.

3.3 Rights to dividends and profits (excerpted from Articles 9, 21 and 22 of the articles of incorporation)

Each share shall entitle its holder to a share of ownership of the corporate assets, to a share of earnings and to the liquidation surplus in proportion to the number and par value of the existing shares.

Whenever it is necessary to hold more than one share, whether or not preferred shares, or securities to exercise any right, the shareholders or holders of securities shall be responsible for pool the number of shares or securities required.

An amount of at least five percent (5%) shall be deducted from the profits for the fiscal year, reduced by prior losses, if any, in order to constitute the reserve fund known as the "statutory reserve fund". Such deduction shall cease to be mandatory when the amount in the statutory reserve fund is equal to one-tenth of the capital.

Distributable earnings shall consist of earnings for the fiscal year, less prior losses and the deduction specified in the previous paragraph, plus earnings carried forward.

If the financial statements for the fiscal year, as approved by a general shareholders' meeting, show a distributable profit, the general shareholders' meeting shall post it to one or more reserve funds that they have the power to appropriate or use, carry it forward or distribute it in the form of dividends.

After having confirmed the existence of reserve funds available to it, a general shareholders' meeting may decide to distribute amounts deducted from such reserve funds. In such case, the decision shall expressly state the reserve items from which the deductions are made. However, dividends shall first be deducted from the distributable profits for the financial year.

The procedures for paying dividends shall be set by a general shareholders' meeting or, failing this, by the board of directors.

However, dividends shall be paid within a maximum period of nine months from the end of the fiscal year.

The shareholders' meeting called to vote on the financial statements for the fiscal year may give each shareholder, for all or part of the dividend paid, the choice between receiving the dividend in cash or in shares.

Similarly, an ordinary shareholders' meeting, acting in accordance with the conditions specified in Article L. 232-12 of the French Commercial Code, may grant each shareholder an interim dividend and, for all or part of said interim dividend, may give him/her the choice between receiving the interim dividend in cash or in shares. (...).

3.4 Preemptive rights

Shares in the Company carry a preemptive right to subscribe to capital increases under the conditions specified in the Commercial Code.

3.5 Restrictions on voting rights

No provision of the articles of incorporation restricts the voting rights attached to shares.

3.6 Identifiable bearer shares

The Company may, in accordance with applicable legal and regulatory requirements, at any time and at its own expense, ask any authorized body to provide it with the name or, in the case of a legal entity, the corporate name, nationality and address of holders of shares that grant an immediate or future voting right at its own shareholders' meetings, as well as the number of shares held by each of them and, if applicable, any restrictions on these shares.

3.7 Buyback by the Company of its own shares

See section 21.A.4 "Acquisition by the Company of its own shares."

4. Requirements for amending shareholders' rights

The rights of shareholders as stated in the Company's articles of incorporation may only be amended by an extraordinary meeting of the Company's shareholders.

5. General shareholders' meetings

5.1 Holding of shareholders' meetings (Article 19 of the articles of incorporation)

General shareholders' meetings shall be convened and shall meet in the manner prescribed by law.

If the Company wishes to give notice of meetings electronically, instead of by mail, it must first obtain the agreement of the shareholders concerned, who shall provide their email address.

Meetings shall be held at the registered office or at any other location specified in the notice of meeting.

The right to attend meetings shall be governed by applicable laws and regulations and shall require, in particular, registration of the shares in the name of the shareholder or of the intermediary registering on his/her behalf, by midnight, Paris time, on the second business day prior to the meeting, either in the registered securities accounts held by the Company or in bearer share accounts held by the authorized intermediary.

Shareholders who do not attend the general shareholders' meeting personally may choose one of three following options:

- appoint a proxy under the conditions permitted by the laws and regulations;
- voting by mail; or
- sending a proxy to the Company without naming an agent;
- in accordance with the requirements prescribed by the laws and regulations.

In accordance with the requirements prescribed by the laws and regulations in force, the board of directors may arrange for shareholders to participate and vote by videoconference or means of telecommunication that allow them to be identified. If the board of directors decides to exercise this right for a particular shareholders' meeting, such board decision shall be mentioned in the announcement and/or notice of the meeting. Shareholders who participate in shareholders' meetings be videoconference or any of the other means of telecommunication referred to above, as selected by the board of directors, shall be deemed present for the purposes of calculating the quorum and majority.

Shareholders' meetings shall be chaired by the chairman of the board of directors or, in the absence thereof, by the chief executive officer, by a deputy chief executive officer if he is a director, or by a director specifically appointed for such purpose by the board. Failing this, the shareholders' meeting shall elect its own chairman.

The duties of vote counter shall be performed by the two members of the shareholders' meeting who are present and hold the highest number of votes, and who agree to perform such duties. The officers shall appoint a secretary, who may but need not be a shareholder.

An attendance sheet shall be kept, in accordance with the requirements prescribed by law.

An ordinary general shareholders' meeting can be validly conducted pursuant to a first notice of meeting only if the shareholders present or represented hold at least one-fifth of the shares having the right to vote. An ordinary general shareholders' meeting convened pursuant to a second notice of meeting may deliberate validly regardless of the number of shareholders present or represented.

Decisions of ordinary general meetings shall be adopted by a simple majority of the votes cast by the shareholders present or represented.

An extraordinary general shareholders' meeting can be validly conducted pursuant to a first notice of meeting only if the shareholders present or represented hold at least one-fourth of the shares having the right to vote. An extraordinary general shareholders' meeting can be validly conducted pursuant to a second notice of meeting only if the shareholders present or represented hold at least one-fifth of the shares having the right to vote.

Decisions of extraordinary general meetings shall be adopted by a two-thirds majority of the votes cast by the shareholders present or represented.

Copies or extracts of shareholder meeting minutes may be validly certified by the chairman of the board of directors, a director who holds the position of chief executive officer or the secretary of the meeting.

5.2 Powers of shareholders' meetings (Article 19 of the articles of incorporation)

Ordinary and extraordinary general shareholders' meetings shall exercise their respective powers in accordance with the requirements prescribed by law.

6. Provisions that may have the effect of delaying, deferring or preventing a change of control

The Company's articles of incorporation contain no provisions that may have the effect of delaying, deferring or preventing a change of control.

7. Specific provisions governing changes in the capital

The Company's articles of incorporation contain no specific provisions governing changes in its capital.

22. MAJOR AGREEMENTS

With the exception of the agreements described below, the Company has not entered into any major agreements other than those signed in the normal course of business. However, the Company has signed several collaboration agreements with large pharmaceutical groups for the development of new innovative formulations. However, at this stage of the Company's development, none of these collaboration agreements is considered to be of major strategic importance given the insufficient technical progress made (see sections 6.1 and 11.3 of this reference document).

A. OSEO INNOVATION AGREEMENTS OF APRIL 25, 2012

In connection with the Insulin project, the Company signed an agreement with OSEO on April 25, 2012 under which the Company received a reimbursable advance totaling €800,000 for the development of a fast-acting "human" insulin formulation and the Phase 2a 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 the program's success, the Company agreed to repay OSEO the sum of €800,000 according to the following terms:

- The Company is obliged to repay OSEO the full amount lent in accordance with the following payment schedule:
    - €32,500 by March 31, 2017,
    - €32,500 by June 30, 2017,
    - €32,500 by September 30, 2017,
    - €32,500 by December 31, 2017,
    - €37,500 by March 31, 2018,
    - €37,500 by June 30, 2018,
    - €37,500 by September 30, 2018,
    - €37,500 by December 31, 2018,
    - €50,000 by March 31, 2019,
    - €50,000 by June 30, 2019,
    - €50,000 by September 30, 2019,
    - €50,000 by December 31, 2019,
    - €80,000 by March 31, 2020,
    - €80,000 by June 30, 2020,
    - €80,000 by September 30, 2020,
    - €80,000 by December 31, 2020.
- In the event it assigns licenses or begins marketing, the Company is obliged to pay OSEO, by March 31 of each year and starting on January 1, 2014:
    - 44.82% of the proceeds, excluding tax, from assignments or concessions of licenses, patents or know-how received during the previous calendar year, if such assignments or concessions concern all or part of the results of the financed program, and
    - 44.82% of the proceeds, excluding tax, generated by the marketing and, in particular, the sale to a third party, or the use by the Company for its own purposes, of the prototypes, pilot products and samples developed under the financed program.

In such case, the sums paid will first be deducted, in the same amount, from the last payment owed to OSEO Innovation, as specified in the above payment schedule, and, where applicable, from the next to last payment.

In the event of the program's technical or commercial failure, even if such failure is partial, given the nature of the work carried out under the fast-acting human Insulin project, the Company is obliged to repay OSEO a minimum sum of €280,000 according to the following terms:

- €32,500 by March 31, 2017,
- €32,500 by June 30, 2017,
- €32,500 by September 30, 2017,
- €32,500 by December 31, 2017,
- €37,500 by March 31, 2018,
- €37,500 by June 30, 2018,
- €37,500 by September 30, 2018,
- €37,500 by December 31, 2018.

If the Company fails to fulfill its obligations, OSEO is entitled to demand the repayment of the advance granted.

B. COFACE-INTERNATIONAL BUSINESS DEVELOPMENT INSURANCE AGREEMENT OF OCTOBER 1, 2012

As part of its business development in new markets (India and China), the Company signed a business development agreement with Coface on October 26, 2012, in consideration 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 general terms and conditions of the agreement during an "amortization" period that runs until September 30, 2021. The repayment terms are as follows:

- 14% of the amount invoiced for services provided
- 30% of the sums received from the assignment of intellectual property rights

The sums repaid will first be deducted, in the same amount, from the amount of the advance granted for the first guarantee period and then for the following periods. These 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 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.

During the period between October 1, 2013 and September 30, 2014, the Company has not incurred prospecting expenditures in target markets and the contract has been cancelled. Therefore, the Company entered into the amortization period for amounts received previously, i.e., 91,000 as provided in the contract and described above. In a letter received on November 27, 2014, Coface stated that the guarantee period was being extended for two years, i.e., form October 1, 2013 to October 1, 2018.

C. LICENSING AND COLLABORATION AGREEMENT WITH ELI LILLY

Refer to section 11.D.2 of this reference document.

D. ACQUISITION OF AN EXCLUSIVE LICENSE FOR A NANOTECHNOLOGY (DRIVEIN®)

Refer to section 11.D.3 of this reference document.

23. INFORMATION FROM THIRD PARTIES, EXPERTS' STATEMENTS AND DECLARATIONS OF INTERESTS

A. DESIGNATION OF EXPERTS

Not applicable.

B. DESIGNATION OF THIRD PARTIES

Not applicable.

24. DOCUMENTS AVAILABLE TO THE PUBLIC

Copies of this reference document are available free of charge at the Company's registered office at 115 Avenue Lacassagne, 69003 Lyon. In addition, an electronic version is available on the Company's website (www.adocia.com) and the AMF website (www.amf-france.org).

The articles of incorporation, minutes of shareholders' meetings and other corporate documents of the Company, as well as historical financial information and any assessment or statement made by an expert at the Company's request which must be made available to shareholders pursuant to the applicable legislation may be consulted free of charge at the Company's registered office.

Regulatory information within the meaning of the General Regulation of the AMF is also available on the Company's website (www.adocia.com).

25. INFORMATION ON EQUITY INTERESTS

As of the filing date of this reference document, the Company has a wholly-owned subsidiary called Adocia Inc., which is located in the United States (please refer to chapter 7 of this reference document).

26. GLOSSARY

AFSSAPS	Agence Française de Sécurité Sanitaire et Produits de Santé/*French Agency for the Safety of Health Products*. This authority evaluates the safety of use of health products, monitors them, controls their quality in the laboratory and inspects their sites of manufacturing, distribution and testing, and also circulates information for the correct use of health products.
Amphiphile	Chemical compound simultaneously possessing a hydrophilic group (soluble in water or a solvent) and a hydrophobic group (insoluble in water or a solvent). The hydrophilic or hydrophobic characters of the groups are related in particular to their capacity or lack thereof to form electrostatic interactions with water or a solvent.
Anionic group	Negatively charged group of ions (anions)
Ankylosis	Immobility of a joint caused by injury or disease.
Anticoagulation	Phenomenon reducing or preventing the transformation of liquid blood into a clot (a more viscous and more or less gelatinous form).
Arteriopathy	Any diseases of arteries.
Bedsore (eschar)	Skin lesion resulting from decreased blood flow following an ischemic process
Biosimilar	Generic form a drug whose patent has expired.
Chronic lesion	Significant loss of superficial skin tissues (dermis and epidermis), generally characterized by the absence of healing after 6 weeks of its occurrence and regardless of the conditions of patient management.
Coacervation	The separation of certain macromolecular solutions into two phases.
Complex	Structure formed from several independent chemical entities.
Compliance	The extent to which a patient follows the treatment prescribed.
Crohn's disease	Chronic inflammatory disease of the digestive tract.
Deamidation of asparagine	Non-enzymatic and spontaneous process that converts asparagine, an amino acid of proteins, into aspartic acid.
Dermatitis	A skin reaction caused by exposure to substances that are allergens or irritants.
EMA	European Medicines Agency. This authority evaluates and supervises the development of new drugs for human and veterinary use in the European Union.
Endothelial barrier	Selective permeability barrier enabling and regulating exchanges of molecules of varying sizes (water, salts, proteins, etc.) between the blood and tissues
Enzymatic breakdown	This process involves the destruction of intramolecular bonds of a protein and generally results in the production of smaller molecules. Enzymes, that are also proteins, accelerate the natural phenomenon of protein degradation in the body.

Epidermoid carcinoma	A form of skin cancer.
Erysipelas	Non-necrosing infection of the dermis or epidermis.
European Pharmacopoeia	Collection of quality control requirements of medicinal preparations drafted by the European Directorate for the Quality of Medicines and Healthcare, an organization of the European Council.
Excipient	Any substance in a drug product other than the drug substance(s).
FDA	Food and Drug Administration. American agency responsible for approving drugs and medical devices for marketing.
Glucose clamp technique	Reference method used in clinical research to measure sensitivity to insulin.
Glycoregulation	Regulation of the level of blood glucose, or glycemia, by the endocrine system.
Good Manufacturing Practices	Notion of quality assurance, established by the European Commission and applied to the manufacturing of drugs for human or veterinary use.
Graft	A chemical group bound to the molecule in question.
Granulation tissue	Temporary tissue covering a lesion during the healing process.
Growth factor	Protein required for the growth or regeneration of a tissue or organ.
Heparin	Anticoagulant substance present in the body.
ICH	International Conference of Harmonization. International body composed of American, European and Asian health authorities, as well as pharmaceutical companies.
Immunogenicity	Capacity of an antibody to cause an immune reaction.
Incidence	Number of new cases of a pathology found during a given period and for a given population.
Ischemia	Reduced blood flow to an extremity or an organ.
Islets of Langerhans	Located in the pancreas, they contain three types of cells, each secreting a different hormone: i) insulin that lowers blood glucose levels, ii) glucagon that raises blood glucose and iii) gastrin that controls the process of digestion.
IU	International Unit. In pharmacology it is the unit of measurement of the quantity of a substance, based on its biological activity. One IU of insulin is the biological equivalent of about 45.5 µg of pure crystallized insulin.
kDa (kiloDalton)	Unit used to measure the molecular weight of molecules and atoms. The value of one Dalton is the atomic weight of the hydrogen atom.
Leukemia	Bone marrow cancer with anarchic proliferation of white blood cells.
Ligand	In chemistry, this is an atom, ion or molecule having the capacity to bind to one or several central atoms or ions.
Lymphoma	Malignant tumor of the lymphatic system.

Marketing Authorization (MA)	Approval of a medicine by health authorities prior to its commercialization.
Multiple sclerosis	Disease of the central nervous system, in particular the brain, optic nerves and spinal cord.
Muscular dystrophy	A progressive degenerative disease of the body's muscles.
Muscular hypoxia	Insufficient oxygenation of muscle tissues.
National Consultative Ethics Committee	Independent French advisory body whose principal mission is to provide opinions and reports dealing with ethics as pertaining to scientific progress.
Necrotizing fasciitis	Infection caused by group A *Streptococcus*.
Nerve fiber (axon)	Single extension emerging from the cell body of neurons whose function is to transport nerve impulses.
Neuropathy	Any disease of the nervous system.
Osteoarticular lesion	A lesion involving both bones and joints.
Pancreas	Gland in proximity to the stomach.
Pharmacodynamics	Study of the effects of a drug on the body, in particular the interaction between its cell receptor and the therapeutic substance.
Pharmacokinetics	Study of the fate of a drug in the body and the body's effect on the drug as a function of time. The pharmacokinetics of a drug can be broken down into four phases: absorption, diffusion in the body, metabolism of the drug and its elimination by the body.
Polymer	Chemical compound formed by molecules whose feature is the repetition of one or several atoms or groups of atoms.
Polysaccharide	Complex sugar composed of several simple sugars of the same family of polymers.
Prevalence	A measure of the health status of a population at a given time, expressed as the ratio of the number of patients to the total population.
Primary dressing	Different types of dressings that are in direct contact with the lesion: sheets cut to size, paste, powder, that keep the lesion warm and moist and enable exudates to be absorbed.
Proof of concept	Demonstration of the feasibility and efficacy of a therapeutic product.
Protein	Macromolecule composed of amino acids linked by peptide bonds and that ensure myriad functions in the body.
Regenerative medicine	The use of human cells to repair or improve the functions of a damaged organ.
Rheumatoid arthritis	Chronic, inflammatory, degenerative disease characterized by the inflammation of several joints.
Sanies	Fetid purulent matter mixed with blood.

Somatic cells	All cells except germ, or sex cells.
SOP	Standard Operating Procedure. A written detailed procedure to ensure the comparability and uniformity of studies of the performance of a given pharmaceutical product.
Sorbitol	A sugar-alcohol.
Stasis	Reduction or cessation of the circulation of a fluid.
Streptococcus	A genus of bacteria, certain species of which are pathogens, i.e. sources of infections.
Transgenesis	The set of techniques used to introduce a foreign gene in the genome of an organism to obtain a genetically modified organism.
Tryptophan	An amino acid forming proteins. It is called essential because it cannot be synthesized by the body and must be provided by the diet.
UDRP procedure	Uniform Dispute Resolution Policy. Principles of the Internet Corporation for Assigned Names and Numbers (ICANN) to resolve disputes involving domain names.
United States Pharmacopeia – National Formulary	Collection of quality control requirements of medicinal preparations, excipients and medical devices drafted by the United States Pharmacopeial Convention. The FDA is responsible for ensuring compliance with these requirements in the United States. These standards have been developed and used in more than 130 counties in the world.

27. APPENDIX I - CHAIRMAN'S REPORT ON INTERNAL CONTROL

ADOCIA

Société anonyme (corporation) with capital of €685,976.30
Registered office: 115 Avenue Lacassagne, 69003 Lyon
Lyon Trade and Companies Register no. 487 647 737

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REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

To the shareholders:

In accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce)*, I am pleased to report to you, in my capacity as Chairman of the Board of Directors, on the composition and conditions for the preparation and organization of the work of the Board during fiscal year 2016 and on the internal control and risk management procedures implemented by Adocia (the 'Company').

This report, prepared by the Company's Administrative and Finance Department, was submitted to the Audit Committee and subsequently approved by the Board of Directors at its meeting of March 7, 2017.

A. CORPORATE GOVERNANCE

1.1 Methods of corporate governance

Until October 24, 2011, the Company was incorporated as a *société par actions simplifiée* (simplified joint stock company). At the time of its initial public offering, the Company was converted, on October 24, 2011, into a *société anonyme* (corporation) with a Board of Directors, and adopted new governance rules. Shareholders appointed a six-member Board of Directors, five of whom had been members of the Board of Directors of the Company in its previous form as a *société par actions simplifiée*.

The Board of Directors, at its meeting of October 24, 2011, adopted its own Rules of Procedure which specify, *inter alia,* the role and composition of the Board, the principles of conduct and the obligations of members of the Company's Board of Directors, and the operating procedures of the Board of Directors and its committees, as well as the rules for determining the compensation received by their members. The Board's Rules of Procedure can be accessed on the Company's website (www.adocia.fr).

To structure its governance, the Company has chosen to refer to the corporate governance code for small and midcaps as published in December 2009 by MiddleNext and amended in September 2016, which has been approved as a reference code by the French financial regulator, the Autorité des marchés financiers (the "MiddleNext Code").

At its meeting of March 7, 2017, the Board of Directors familiarized itself with the Code's keys points to be monitored and undertook to review them on a regular basis, in line with recommendation no. 19.

The Board has put in place a program to achieve gradual compliance with the MiddleNext Code recommendations, as contained in the revised September 2016 version, and to that effect amended the Board's Rules of Procedure at its meeting of March 7, 2017.

On October 24, 2011, the Board of Directors decided to appoint Mr. Gérard Soula as Chairman of the Board of Directors and Chief Executive Officer. As Chairman, he is responsible for organizing and directing the work of the Board of Directors, reporting on this to the Shareholders' Meeting, and for ensuring the proper functioning of the Company's bodies. As Chief Executive Officer, he is responsible for the executive management of the Company, represents the Company in its relations with third parties, and has the powers granted to him by law to act in all circumstances on the Company's behalf.

On December 19, 2012, the Board of Directors decided to appoint Mr. Olivier Soula as Deputy General Manager. The Deputy General Manager has the same powers as the Chief Executive Officer with regard to third parties.

1.2 Members of the Board of Directors

As of December 31, 2016, the Company's Board comprised six directors, two of whom are independent:

Name	Office	Independent director	Year of first appointment	Expiration date	Committees
Mr. Gérard Soula	Chairman of the Board of Directors	No	Shareholders' meeting of 10/24/2011	Shareholders' meeting held to approve the financial statements for the fiscal year ended 12/31/2016	-
Mr. Olivier Soula	Deputy General Manager, Director	No	Shareholders' meeting of 10/24/2011	Shareholders' meeting held to approve the financial statements for the fiscal year ended 12/31/2016	-
Mr. Olivier Martinez	Director	No	Shareholders' meeting of 10/24/2011	Shareholders' meeting held to approve the financial statements for the fiscal year ended 12/31/2016	Member of the Audit Committee
Bpifrance Investissement, represented by Mr. Laurent Arthaud	Director	No	Shareholders' meeting of 10/24/2011	Shareholders' meeting held to approve the financial statements for the fiscal year ended 12/31/2016	Chairman of the Compensation Committee
Ms. Dominique Takizawa	Director	Yes	Shareholders' meeting of 10/24/2011	Shareholders' meeting held to approve the financial statements for the fiscal year ended 12/31/2016	Member of the Audit Committee

Ms Ekaterina Smirnyagina	Director	Yes	Shareholders' meeting of 6/18/2013	Shareholders' meeting held to approve the financial statements for the fiscal year ended 12/31/2018	Member of the Compensation Committee

In line with recommendation no. 1 of the MiddleNext Code, executive directors do not hold more than two other offices.

1.2.1 Gender balance

Two of the Board's six members are women, which is consistent with the Law of January 27, 2011 on the gender balance on boards, as the difference in terms of the number of male and female board members is not greater than two.

1.2.2 Independent directors

In accordance with its Rules of Procedure, the Board of Directors has decided to apply the definition of independence proposed in the MiddleNext Code's recommendation no. 3 "Composition of the Board", which requires satisfaction of the following five criteria:

- the director is not an employee or corporate officer of the Company, nor an employee or corporate officer of a company in its group, and must not have held such a position within the last five years;
- the director is not, and must not have been within the last two years, in a significant business relationship with the Company or its group (client, supplier, competitor, service provider, creditor, banker, etc.);
- the director is not a reference shareholder of the Company and does not hold a significant percentage of the voting rights;
- the director does not have any close family ties with a corporate officer or major shareholder of the Company; and
- the director has not been an auditor of the Company within the last six years.

At its meeting of March 7, 2017, the Board of Directors confirmed that two of its members met all the above criteria, namely Ms Dominique Takizawa and Ms Ekaterina Smirnyagina. Every year, the Board of Directors reviews the position of each of its members in light of the above criteria.

1.2.3 Term of office

Members of the Board of Directors are appointed by an Ordinary General Shareholders' Meeting for a three-year term of office. The terms of office of Directors are not staggered, as recommended by the MiddleNext Code. The terms of office of five of the six members expire on the same date.

The Company is considering how best to amend its Articles of Incorporation and Bylaws and organize the Board so that one third of the seats on the Board are renewed every year, in line with recommendation no. 9.

1.2.4 Rules of Conduct

The Rules of Procedure, the Code of Conduct and the Financial Reporting Charter have been approved by the Board of Directors. These documents set out the rules to be followed by Board members, in line with recommendation no. 1 of the MiddleNext Code.

1.2.5 Choice of Directors

When a Director is appointed or reappointed, information on his or her experience, skills and offices held is published in the reference document and presented to the Shareholders' Meeting. This information is also published on the Company website, in line with recommendation no. 8 of the MiddleNext Code. A separate resolution is put to the shareholders for the appointment or reappointment of each individual Director.

1.3 Conditions for the preparation and organization of the work of the Board

The Company's Board of Directors has **Rules of Procedure**, in line with recommendation no. 7 of the MiddleNext Code. This document was approved by the Board of Directors at its meeting of October 24, 2011, and amended by the Board of Directors at its meeting of March 7, 2017. It is available on the Company's website.

In line with recommendation no. 2, the article of the Rules of Procedure on the prevention of conflicts of interest entitled "Disclosure Obligation" requires Directors to inform the other members of the Board whenever they are in a conflict-of-interest situation, so that it can be ascertained whether the Director should refrain from voting and/or may take part in deliberations.

Prior to each meeting of the Board of Directors, and in accordance with the Rules of Procedure, **the agenda for the meeting and the preparatory documents** are sent to the members of the Board in a timely manner, informing them of the agenda and the matters which the Board will be asked to consider. In line with recommendation no. 4 of the MiddleNext Code, Directors will regularly receive key information concerning the Company that may have an impact on its commitments and financial situation, outside of scheduled Board meetings and whenever justified by events affecting the Company. They may request explanations or additional information and, more generally, request access to any information they consider relevant.

1.4 Organization of committees

In line with recommendation no. 6 of the MiddleNext Code, the Board of Directors decided to set up two specialized committees: the Audit Committee and the Compensation Committee.

1.4.1 Audit Committee

The Board of Directors of the Company, in its previous form as a *société par actions*, set up an Audit Committee. The Board of Directors of the Company, in its new form as a *société anonyme*, decided at its meeting of October 24, 2011 to maintain the existing Audit Committee.

The Audit Committee, which is independent from the Company's executive management team, is responsible for assisting the Board of Directors and verifying the fairness of the financial statements, the quality of internal control, the relevance of the information provided and the proper performance by the auditors of their duties.

The Audit Committee is composed of at least two members appointed by the Board of Directors. The term of office of the Audit Committee members is concurrent with their term of office as members of the Board of Directors. Members of the Audit Committee are chosen from among the members of the Board of Directors and, to the extent possible, two-thirds are independent members, including one with specific financial or accounting expertise; all members have a minimum level of expertise in finance and accounting.

As of the date of this report, the members of the Audit Committee are:

- Ms. Dominique Takizawa, independent member with financial and accounting expertise, and
- Mr. Olivier Martinez, Director.

Ms. Dominique Takizawa chairs this committee. Ms. Takizawa is the member of the Board with "specific financial or accounting expertise," due to her nearly 25 years of experience in the pharmaceutical industry and the positions she held at Sanofi Pasteur, Biomérieux and Institut Mérieux as financial director and company secretary.

The Audit Committee met four times in 2016, on January 12, March 11, July 18 and December 20, 2016.

1.4.2 Compensation Committee

The Board of Directors of the Company, in its previous form as a *société par actions simplifiée*, set up a Compensation Committee. The Board of Directors of the Company, in its new form as a *société anonyme*, decided at its meeting of October 24, 2011 to maintain this committee.

The Compensation Committee is responsible *inter alia* for examining the compensation policy proposed by Executive Management for the Company's executive corporate officers and employees. It presents its recommendations and proposals concerning said (fixed, variable, and exceptional) compensation to the Board of Directors. It validates the targets set for the award of long-term incentives (bonus shares, BSPCE founders' warrants, stock options, and BSA stock warrants) assesses performance at year-end.

The Compensation Committee is composed of at least two members appointed by the Board of Directors; no member of the Board of Directors serving in a management capacity within the Company may be a member of this committee. The term of office of each Compensation Committee member is concurrent with his/her term of office as a member of the Board of Directors.

As of the date of this report, the members of the Compensation Committee are:

- Ms. Ekaterina Smirnyagina, independent member and Director, and
- Mr. Laurent Arthaud, Director.

Mr. Laurent Arthaud chairs this committee.

The Committee met three times in 2016: on February 23, November 14 and December 2, 2016.

1.5 Board meetings

The Board of Directors operates (notices of meetings, meetings, quorum, information for Directors) in compliance with the applicable laws and the Company's Articles of Incorporation and Bylaws, as set out in its Rules of Procedure.

The Board of Directors is responsible for determining the Company's business strategy and overseeing its implementation. Subject to the powers expressly granted to Shareholders' Meetings and within the limit of the corporate purpose, it considers all issues relating to the Company's operations and makes decisions on matters affecting the Company. It also appoints the Chairman of the Board, the Chief Executive Officer and the Deputy General Managers, and determines their compensation. Its duties also include closing of the financial statements and consolidated financial statements, convening Shareholders' Meetings, and determining the agenda of any meeting and the wording of the resolutions. Lastly, it carries out those checks and controls it considers appropriate and authorizes agreements falling within the scope of Articles L. 225-38 *et seq.* of the French Commercial Code.

During the past five fiscal years, the Company's Board of Directors held six meetings (in line with recommendation no. 5 of the MiddleNext Code), on March 15, April 28, June 21, July 20, September 22, November 10 and December 13, 2016. The Chairman of the Board chaired all six meetings, and the attendance rate was 92%.

The following main points were addressed at the meetings:

- Updates on Company financing;
- Advisability of raising capital;
- Current negotiations with potential partners;
- Progress reports on capital expenditure projects and one project developed in partnership;
- Renovation of the building and acquisition of additional real estate;
- Financial matters: quarterly reviews, 2017-2019 three-year plan, examination and closure of 2015 corporate financial statements and consolidated financial statements, presentation and approval of 2017 budget ;
- Matters relating to compensation: Approval of compensation for the fiscal year, award of BSPCE founders' warrants, award of bonus shares, award of stock options, record of acquisition of vested bonus shares, determination of directors' fees;
- Convocation of the General Shareholders' Meeting: agenda and wording of resolutions.

In line with recommendation no. 14 of the MiddleNext Code, most of these matters are dealt with at Board meetings. However, the possibility of the company director suffering an accident or his sudden unavailability and the related issues were not discussed during fiscal year 2016, and will be put on the agenda of a forthcoming Board meeting.

Documents were sent to the directors prior to each meeting, to enable them to prepare for the meeting. Minutes are drawn up summarizing the deliberations at each Board meeting.

In line with recommendation no. 11 of the MiddleNext Code, in fiscal year 2016 the Board carried out a **self-assessment** of its composition, organization and operating procedures. A questionnaire was sent to the Board members, and the Chairman will present the results at a forthcoming meeting.

Lastly, recommendation no. 12 advises managers to give minority shareholders an opportunity to meet with them and discuss the Company's affairs. They were given this opportunity on two separate occasions in 2016: at the General Shareholders' Meeting held in Paris on June 24, 2016, and at the Actionaria exhibition in November 2016.

1.6 Principles and rules that determine compensation paid to corporate officers

In line with recommendation no. 15 of the MiddleNext Code, the Board of Directors has considered the advisability of authorizing Mr Olivier Soula to **hold a contract of employment alongside his position** as Deputy General Manager. The decision was based on his length of service with the Company and the desire to encourage a stable senior management team, by allowing him to continue to benefit from social security and related cover. The Company would like to emphasize that his contract of employment is no different from the contracts held by other members of management (protection and benefits, pension, medical cover, etc.).

Non-executive independent Directors receive directors' fees. These are awarded by the General Shareholders' Meeting and allocated by the Board on a flat fee basis, in line with recommendation no. 10 of the MiddleNext Code. The fee differs depending on whether the Director attends meetings in person or via a telephone conferencing system.

The policy on compensation and benefits awarded to the Company's executive corporate officers is in line with recommendation no. 13 of the MiddleNext Code. The rules applied to determine compensation satisfy the criteria covering comprehensiveness, balance, benchmarking, consistency, legibility, measurement, and transparency.

The two executive corporate officers receive compensation comprising:

- A fixed part, which is the executive's reference compensation. It compensates his responsibilities, level of experience and technical and managerial skills.
- A variable part, which is based on performance. It is calculated on the basis of the fixed salary, and can be as high as 100% when all the predetermined qualitative objectives have been achieved, which may cover signature of a license agreement, the development of partnerships, the launch of clinical trials, the signature of feasibility contracts, the level of available funds, and more generally, the development and the growth of the Company.
- An exceptional part, which awards exceptional achievements that have a major positive impact on the development of the Company.

The executive corporate officers do not receive directors' fees for their corporate office in the Company. The corporate officers do not receive any deferred compensation, severance pay or retirement package, in line with recommendations no. 16 and 17 of the MiddleNext Code.

Contrary to recommendation no. 18 of the MiddleNext Code, the Company has a policy to award BSPCE founders' warrants and bonus shares to its two executive corporate officers. Note that the bonus share plans that award shares to the executives also award bonus shares to all Group employees.

B. RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

When preparing this part of the report, the Company followed the guide on implementation of the reference framework on internal control adapted for midcaps and small-caps published by the AMF on July 22, 2010.

1. General risk management principles

1.1 Definition

Adocia continues to formalize its risk management system. The Company's work initially focused on management of the financial risks, with the creation of a number of official written procedures and the introduction of key control points.

The Company aims to extend this process to all risks and risk factors that may impact on the Company's activities and processes, via a documented risk mapping process, and to subsequently formalize its risk control procedures.

1.2 Goals of risk management

Adocia has adopted the definition of risk management proposed by the French financial regulator, the Autorité des marchés financiers[71], which states that risk management is a management tool of the Company that helps:

- create and protect the Company's value, assets and reputation;
- secure decision-making and the Company's processes to attain its objectives;
- achieve consistency between the Company's actions and its values; and
- ensure that the Company's employees have a shared vision of the main risks.

1.3 Components of the risk management system

The risk factors the Company has identified to date are detailed in chapter 4 of the 2016 reference document.

2. Coordination of risk management with internal control

Risk management aims to identify and analyze the main risks and risk factors that could affect the Company's activities, processes and objectives and define the resources to be used to keep these risks at an acceptable level, in particular by implementing the preventive measures and controls that are part of the internal control system.

At the same time, the internal control system relies on risk management to identify the main risks that need to be controlled. The Company has always had an internal control system, which it has continued to develop, while the formalization of the risk management system is more recent. The Company is now committed to an initiative to coordinate the two systems, which aims to identify the control procedures to be addressed in the key processes of the Company that are likely to be affected by risks qualified as "major".

3. General principles of internal control

3.1 Definition

Adocia has adopted the definition of internal control proposed by the AMF[72], which states that internal control is a system that the Company implements in order to ensure:

- compliance with laws and regulations;
- implementation of the instructions and directions given by Executive Management;
- proper functioning of the Company's internal processes;
- reliability of financial information; and
- in general that helps it to control its activities, improve the efficiency of its operations and use its resources efficiently.

The internal control system helps to prevent and control risks that the objectives set by the Company are not achieved, and therefore plays a key role in the conduct and management of its business activities.

Over the course of the fiscal year, Adocia continued to implement an internal control process aimed at "internally ensuring the relevance and reliability of the information used in and disseminated in the course of the Company's activities".

3.2 Components of internal control and stakeholders

Organization

The internal control system is based on a clear organization of responsibilities, standards, resources, and procedures implemented. In addition, the Company has always had a quality assurance system. The processes for all business segments are described in procedures (*Standard Operating Procedures, or SOPs)*, operating methods, notices and forms. These written documents describe the conduct of business, define the resources and

[71] Implementation guide for the reference framework on internal control adapted for midcaps and small-caps and updated on July 22, 2010

[72] Implementation guide for the reference framework on internal control adapted for midcaps and small-caps and updated on July 22, 2010

responsibilities of the stakeholders, specify the Company's know-how and provide specific instructions on how to carry out a particular operation.

All of the Company's stakeholders are involved in the internal control system.

Project management and business monitoring procedures.

The Company has set up a specific organization to monitor projects and ensure that the objectives set by Executive Management are met within the specified time frames and budgets. For each project it develops, the Company names a project leader who reports to the R&D director and who may seek out the expertise of the different departments within the Company, in order to complete the work defined by Executive Management. He or she is responsible for defining the research programs, validating the objectives with Executive Management, ensuring they are achieved on schedule and coordinating with any partners.

Operational process procedures

All documentation relating to the quality system is saved to a dedicated intranet in order to maximize access to the documents and their ongoing adaptation to changes in the business (document lifecycle management). The objective is the continual improvement in the quality of the Company's or the group's business processes, for operational, management, and support processes alike.

The quality assurance system covers the following areas:

- quality assurance, health and safety, operational risk management;
- administrative, legal, social, and financial matters, including internal control. The intention is to also include communications and rules relating to the Company's listing on Euronext;
- pharmaceutical, pre-clinical and clinical research and development.

With respect to information systems, procedures that have been incorporated into the quality system define the rules relating to access to and the protection and storage of information. An IT Charter has also been put in place.

3.3 Financial reporting procedures

The Company has set up the following organization to limit its financial management risks:

- The Company's Executive Management and, more specifically, the employees of the Finance Department are tasked with improving internal control and incorporating the recommendations of the external auditors and the Audit Committee;
- The Company maintains an internal separation between the production and oversight of the financial statements and brings in independent experts to value complex accounting items;
- If necessary, a chartered accountant is asked to verify the half-yearly and annual work for the corporate financial statements and the financial statements presented under IFRS;
- Payroll management is outsourced to an independent specialized firm.

Oversight of internal control, regular reviews

The Company's Executive Management has put in place specific internal control procedures that consist of regular reviews of key information for each activity. For each of the areas listed below, information deemed material for the corresponding activities has been identified and selected. It must reflect the reality of the activity and be used to track this activity both quantitatively and qualitatively, including compliance with the standards that govern it. This key information must be verifiable and documented. It should be updated every month by the people who conduct the work. This system covers the following areas:

- information about Research and Development projects (pre-clinical, clinical, pharmaceutical);
- financial reporting and transactions involving the capital;
- the Company's legal aspects, regulatory aspects and intellectual property;
- communication of accounting and financial information, as well as scientific and corporate information;
- quality and information systems;
- human resources and payroll.

These reviews are first conducted by the Company's Management Committee, which is composed of the Chairman and Chief Executive Officer, the R&D director, the Chief Financial Officer, and the Business Development director. This committee meets at least once a week. It reviews data using the "Weekly Flash" report. The purpose of these reviews is to ensure that information on each of the separate areas truly and fairly reflects the Group's activities and situation.

The Operations Committee also reviews the key information for each activity. It meets every month and is made up of the members of the Management Committee and all of the Company's department heads.

In general, all of the Company's accounting options are defined by the Chief Financial Officer, discussed with Executive Management and the Statutory Auditors and then presented to the Audit Committee and discussed. This ensures that the Company's practices are fully compliant with French and international (IFRS) standards and that the financial statements are presented in a consistent manner.

At the end of each year, the chief financial officer prepares a detailed budget for the following fiscal year, which is then approved by Executive Management. This budget is presented to the Board of Directors. At the end of each quarter, the accounting teams prepare the closing of the Group companies' individual financial statements.

The budget reviews conducted with all operational managers ensure an analytical validation of the entries and a review of all expenditures, and the Chief Financial Officer prepares a report for Executive Management and the directors. This report is presented and discussed periodically at the meetings of the Board of Directors.

However, it should be noted that the internal control system implemented by the Company cannot provide an absolute guarantee that its objectives will be met.

Internal control stakeholders

All of the Company's stakeholders, governance bodies and employees are involved in the internal control system.

Since the Company's creation, Executive Management has played a leading role in defining and implementing the internal control system and subsequently in risk management.

4. Limitations on risk management and internal control and areas of improvement

In 2017, the Company will continue to move forward with its risk management system and to improve its monitoring of the identified action plans. At the same time, the Company will work to update its internal control system in order to reflect changes in its internal organization and its business, and the closer coordination with the risk management process.

The Board of Directors has approved this report, which will be presented to the Shareholders' Meeting called to approve the financial statements for fiscal year 2016.

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Chairman of the Board of Directors

ODICEO ERNST & YOUNG et Autres

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with and construed in accordance with, French law and professional standards applicable in France.

Adocia

Year ended 31 December, 2016

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), on the report prepared by the Chairman of the Board of Directors of Adocia

ODICEO

115, boulevard de Stalingrad

C.S. 52038

69616 Villeurbanne Cedex

S.A. au capital de € 275.000

Commissaire aux Comptes

Membre de la compagnie

régionale de Lyon

ERNST & YOUNG et Autres

Tour Oxygène

10-12 boulevard Marius Vivier Merle

69393 Lyon cedex 03

S.A.S. à capital variable

Commissaire aux Comptes

Membre de la compagnie

régionale de Versailles

Adocia

Year ended 31 December, 2016

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), on the report prepared by the Chairman of the Board of Directors of Adocia

To the Shareholders,

In our capacity as statutory auditors of Adocia and in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended 31 December 2016.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French Commercial Code *(Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and

- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;

- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*).

Villeurbanne and Lyon, 10 April, 2017

The statutory auditors

(*French original signed by*)

ODICEO	ERNST &YOUNG et Autres
Sylvain Bocon-Gibbod	Sylvain Lauria

29. APPENDIX III – INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT.

ODICEO S.A.

115, Boulevard Stalingrad – C.S. 52038

69616 VILLEURBANNE CEDEX

Adocia

For the year ended December 31st, 2016

Independent verifier's report on social, environmental and societal information presented in the management report

ODICEO

Independent verifier's report on consolidated social, environmental and societal information included in the management report

This is a free English translation of the independent verifier report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our quality as an independent verifier accredited by COFRAC[27] under number 3-1079, we present our report on the consolidated social, environmental and societal information for the year ended December 31st, 2016 presented in parties 8.C, 8.D and 17.G of the Registration Document, hereafter named "CSR Information"), pursuant to the provisions of article L. 225-102-1 of the French Commercial Code (Code de commerce).

Company's responsibility

It's the responsibility of the executive board to establish a Management Report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), available at the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of Ethics (Code de déontologie) of our profession and the requirements of article L. 822-11 of the French Commercial Code.

In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Independent verifier's responsibility:

On the basis of our work, our responsibility is to:

attest that the required CSR Information is included in the Management Report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);

27 Whose scope is available at www.cofrac.fr

express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved three persons and was conducted between February 2016 and March 2017 during a 5 days period. We interviewed six peoples in charge of the process.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission.

1. Attestation of presence of CSR information

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding Human Resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the Management Report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiary as defined by article L. 233-1 and the controlled entity as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the CSR section of the Management Report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the Management Report.

2. Limited Assurance on the fairness of CSR Information

Nature and scope of our work

We conducted interviews with the Chief Financial Officer, the Human Resources Manager, the Human Resources Director, the Social and Financial Assistant, the Safety and Purchase Manager and the Pharmaceutical Development Manager, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;

- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the Internal Control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the Human Resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[28]:

- We referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the Management Report;

- We conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 100% of the business (in term of turnover) 100% of salaries and 100% of quantitative environmental data.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and Internal Control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Villeurbanne, April 10th, 2017

French original signed by:

Independent Verifier
ODICEO,
Sylvain BOCCON-GIBOD Partner

28 Societal and environmental informations: water and energy consumption, waste management, Territorial and social impacts of the purchase policy' company and its relationship with suppliers.

Social informations: Workforce (total staff, breakdown per gender and age, seniority), total number of training hours.