REFERENCE DOCUMENT

2017

ADOCIA

ADOCIA

innovative medicine
for everyone, everywhere

A French société anonyme (corporation) with €691,675.30 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 registration document was filed with the Autorité des Marchés Financiers (the "AMF") on April 19th, 2018 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 registration 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).

NOTICE

In this registration 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 2090 Dipinto Avenue, Henderson, NV 89052, U.S.A. United States of America.

The consolidated financial statements prepared under IFRS for the fiscal year ended December 31, 2017 are presented on pages 118 to 148 of this registration document. The statutory auditors' report on the consolidated financial statements prepared under IFRS for the fiscal year ended December 31, 2017 is presented on pages 149 to 152 of this registration document.

The corporate financial statements prepared under French GAAP for the fiscal year ended December 31, 2017 are presented on pages 153 to 165 of this registration document. The statutory auditor's report on the corporate financial statements prepared under French GAAP for the fiscal year ended December 31, 2017 is presented on pages 166 to 170.

This registration document presents or incorporates by reference the Company's audited annual financial statements for the fiscal years ended December 31, 2015, December 31, 2016 and December 31, 2017.

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004 of April 29, 2004, the 2015 and 2016 annual and consolidated financial statements, prepared under French GAAP and IFRS, respectively, are incorporated by reference into this registration document.

A glossary containing the definitions of certain technical terms used in this registration document, as well as an index of abbreviations used, can be found in paragraph 6.6. Terms indicated by an asterisk (*) are defined in the glossary.

DISCLAIMER

Market and competition information

This registration document contains, in particular in section 1.3 "*Description of Activities*", 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 registration 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 registration 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 registration document is provided only as of the filing date of this registration 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 paragraph 1.5 "*Risk Factors*" of this registration 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 registration document may also have a material adverse impact.

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Chapter 1

1 PRESENTATION OF ADOCIA AND ITS ACTIVITIES

1.1 Selected financial information

Condensed income statement

In (€) thousands, Consolidated financial statements, IAS/IFRS	FY 2017 (12 months)	FY 2016 (12 months)
Operating revenue	27 177	30 454
Of which revenue	19 469	22 488
PROFIT (LOSS) FROM ORDINARY OPERATING ACTIVITIES	**(8 180)**	**(8 001)**
Cost of net financial debt	(335,4)	181,0
Profit (loss) before tax	(8 516)	(72)
Net profit (loss)	(8 550)	(7 892)
NET PROFIT (LOSS)	**(8 741)**	**(8 324)**

Condensed balance sheet

In (€) thousands, Consolidated financial statements, IAS/IFRS	FY 2017 (12 months)	FY 2016 (12 months)
Non-current assests	**9 069**	**8 790**
of which: laboratory equipment	1 253	1 521
of which: other property, plant and equipment	1 582	1 388
Current assets	**44 692**	**70 008**
of which: cash and cash equivalents	34 778	58 037
TOTAL ASSETS	**53 761**	**78 798**
Equity	**36 857**	**42 762**
Non current liabilities	**8 022**	**8 019**
of which: long-term financial debts	5 781	6 281
Current liabilities	**8 882**	**28 017**
TOTAL LIABILITIES	**53 761**	**78 798**

Condensed cash flow statement

In (€) thousands, Consolidated financial statements, IAS/IFRS	FY 2017 (12 months)	FY 2016 (12 months)
Net cash flow generated by operating activities	(22 227)	(13 138)
Net cash flow in connection with investment transactions	(1 685)	(7 189)
Net cash flow in connection with financing transactions	653	6 301
Changes in net cash	**(23 259)**	**(14 026)**
Cash and cash equivalents at the start of the year	58 037	72 062
Cash and cash equivalents at year-end	34 778	58 037

1.2 About Adocia and its evolution

1.2.1 Legal presentation of the company

The company's legal name is Adocia.

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

It 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.

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:

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

Fax: +33 (0) 4 72 36 39 67

Email: contactinvestisseurs@adocia.com

1.2.2 General presentation of the company

1.2.2.1 Mission

Adocia's goal is to deliver "Innovative medicines for everyone, everywhere."

Adocia is a clinical biotechnology company specializing in the development of innovative formulations of pre-approved therapeutic proteins and peptides. Adocia's portfolio of injectable products for treatment of diabetes, which includes five products in the clinical stage and two in the preclinical stage, is one of the largest and most differentiated in the industry. Adocia has also expanded its portfolio to the development of treatments for obesity and short bowel syndrome.

The BioChaperone® patented technological platform aims to improve the efficacy and/or safety of therapeutic proteins, while also making them easier for patients to use. Adocia personalizes BioChaperone for each protein for a given application, in order to meet the specific needs of patients.

Adocia's clinical pipeline contains four innovative insulin formulations for the treatment of diabetes: two ultra-rapid insulin lispro 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) and a prandial combination of human insulin with amylin pramlintide (BioChaperone® Pramlintide Insulin). An aqueous formulation of human glucagon (BioChaperone® Human Glucagon) has also obtained positive results in a phase 1 study. Adocia is also developing, two combinations of insulin glargine with GLP-1 (BioChaperone® Glargine Dulaglutide and BioChaperone® Glargine Liraglutide), a ready-to-use aqueous formulation of teduglutide (BioChaperone® Teduglutide) and a ready-to-use combination of glucagon and exenatide (BioChaperone® Glucagon Exenatide), all in preclinical development.

1.2.2.2 Significant events in the development of the company's business

As the results of these research efforts and their commercial development take many years, for the first ten years 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 on December 16, 2005, and before its IPO, the company raised over €27 million through capital increases subscribed, in particular, by the its 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-rapid 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-rapid 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 DriveIn programs and launching new BioChaperone Combo projects, combinations of long-acting insulin glargine with GLP-1 and, recently, combinations of prandial insulins.

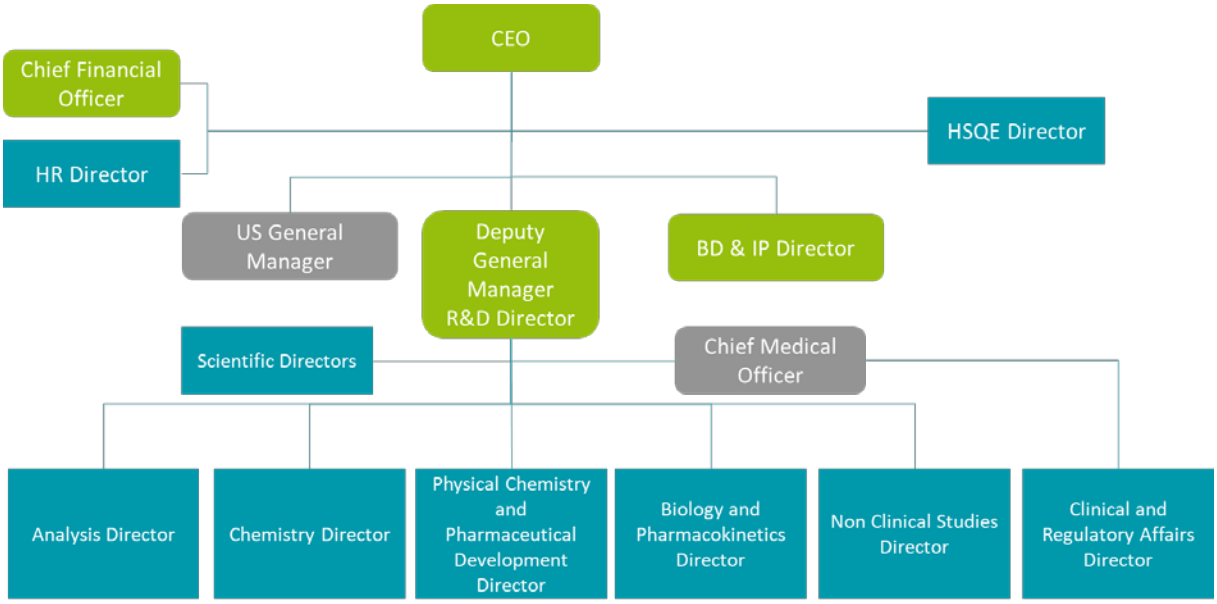
On January 26, 2017, the Company announced that Eli Lilly was ending the collaboration on BioChaperone Lispro. Adocia has recovered all its rights to this product and is looking for a new partner to continue phase 3 development.

In 2017 Adocia achieved key milestones in the development of its products, by demonstrating a better fast-off profile for BioChaperone Lispro than for the Novo Nordisk ultra-rapid insulin Fiasp®, successfully completing the first clinical trial for the BioChaperone Glucagon project and demonstrating the dose linearity of BioChaperone Combo. The company also announced the expansion of its portfolio to new therapeutic fields other than diabetes, with the launch of two new projects for the treatment of obesity and short bowel system.

1.2.3 Organizational chart

1.2.3.1 Organization of the Company

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



1.2.3.2 Subsidiaries, branches and secondary establishments

In February 2015, the company founded Adocia Inc., a subsidiary in the United States, a company incorporated in the state of Delaware, whose head office is located at 2090 Dipinto Avenue, Henderson, NV 89052, U.S.A. Adocia wholly owns its subsidiary Adocia Inc., which at the date of the present registration document had two employees: a medical director and a marketing director. The objective is for the subsidiary to facilitate interaction with the US market and to locate the Company's advocacy activities in the United States.

1.2.3.3 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 presented in section 3.1.4 of this reference document:

Dr. Rémi Soula: Director of Business Development and Intellectual Property 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 and an MBA at HEC in France. 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: Administrative and Financial Director

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 Development Director

Géraldine Favre Soula holds a Master 2 in human resources management (Université de Droit et de Sciences Politiques, Dijon) after having obtained a graduate degree in human resources from Institut de Gestion Sociale. She started her career at Bouygues as vocational training manager, before joining Pasteur Mérieux (Sanofi Pasteur) and Alptis Gestion where she worked as HR generalist. She served as human resources development manager at Flamel Technologies for nine years, where she developed a department and an HR team of five people at two sites (Lyon and Bordeaux). She has been working at Adocia since its creation.

Dr. Martin Gaudier: Scientific Director (bio, preclinical and clinical activities)

Martin Gaudier holds an engineering degree from Ecole Polytechnique and a doctorate in structural biology and protein biochemistry. He did his dissertation in the field of structural virology, and then a four-year post-doctorate at Cancer Research UK in London on protein-DNA interactions. He is a co-holder of two patents and has co-authored eight scientific publications.

Dr. José Correia: Director of the Clinical Department and HSQE Director

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 did his dissertation at the CNRS polyphenols laboratory at 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. Thereafter, he 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 the formulation thereof with polymers. He is a co-holder of three patents and has co-authored four scientific publications.

Dr. David Duracher: Head of the Pharmaceutical Development and Physical Chemistry Departments and Project Manager

David Duracher holds a doctorate in polymer physical chemistry. His dissertation, 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 six patents and has co-authored 18 scientific publications.

Dr. Grégory Meiffren: Head of the Biology Department and Project Manager

Grégory Meiffren is a graduate of the Ecole Normale Supérieure, Lyon and Doctor of Cellular Biology. He carried out 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 a co-holder of one patent and has co-authored six scientific publications.

Dr. Richard Charvet: Head of the Chemistry Department and Project Manager

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 21 patents and has co-authored 18 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 more than 20 years, at Astrazeneca, Sanofi Pasteur. She has also served as a toxicology and pharmacology consultant for Merck, Pfizer, and GSK, where she managed regulatory applications in liaison with the relevant authorities (FDA, EMA and PMDA). She is co-author of 20 scientific publications.

Dr. You Ping Chan: Scientific Director (CMC activities)

You-Ping Chan holds a doctorate in chemistry from the University of Strasbourg. He completed a post-doctorate at MIT and an MBA at EMLyon. He worked at Flamel Technologies for twenty years, holding several management positions in research, in the development of biodegradable polymers and protein formulations. He has co-authored ten scientific publications and is a co-holder of 40 patents. He is in charge of CMC scientific activities.

Dr. Stan Glezer: Medical Director

Stan Glezer is a medical doctor with a degree from the the Moscow State University of Medicine and Stomatology. He has also earned a clinical research degree from McGill University, and an MBA from California Coast University. Before joining Adocia he served as Vice President, Medical Affairs for Novo Nordisk. He previously held management positions at Sanofi, including Global Leader of the Toujeo® project, Vice President Evidence Value and Access and Vice President Medical Affairs.

1.2.4 Investments and real estate

The company outsources a significant portion of its research and development activities. Its investments in fixed assets are therefore relatively low in value compared with its research and development expenditures, with the exception of the real estate investments presented in the section below.

In thousands of euros	Year 2017 (12 month)	Year 2016 (12 month)
Intangible assets	77	0
Land and buildings	861	5 551
Other property, plant and equipment	709	2 504
Non current financial assets	0	204
TOTAL	**1 648**	**8 259**

1.2.4.1 Major investments

▪ 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 (Métropole de Lyon), and then as owner. 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 parking spaces. The acquisition of this property for a total of €5.5 million was financed by a bank loan. In 2017, the company added to its installation on the site by acquiring a hangar adjacent to the main building for €0.5 million and developing a green space in the interior courtyard for €0.3 million.

▪ Other property, plant and equipment

The principal property, plant and equipment that the company holds is described in note 2 to the notes to the corporate financial statements prepared in accordance with IFRS, in chapter 4 of this reference document.

1.2.4.2 Major current and future investments

Over the course of 2018, in a context of cash flow management, the company is prioritizing the acquisition of scientific equipment necessary to its research activities and to the development of its current and future projects. The construction of laboratories and renovation of recently acquired premises will require new financial income.

1.3. Description of activities

Adocia is a French biotechnology company founded in December 2005 by Gérard, Olivier and Remi Soula. It focuses on the treatment of diabetes and other metabolic diseases with innovative formulations of approved proteins and peptides, using its BioChaperone® technology. Adocia's portfolio of injectable treatments for diabetes, featuring five clinical-stage products and two preclinical products, is among the largest and most differentiated of the industry. Adocia expanded its portfolio to develop treatments for obesity and short bowel syndrome.

Adocia's mission is to 'Deliver more physiologic treatments to people with diabetes and other metabolic diseases in a simple and affordable way to help them avoid the long-term consequences of their disease.'

Diabetes is a global pandemic, affecting in 2017 more than 425 million people worldwide[1]. Despite significant progress 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 compliance, as well as a deterioration in the long term in quality of care (for example, linked to treatment abandonment).

For the same reasons, the capacity of healthcare systems to cope with the enormous costs of this disease is in question, 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]. In its annual results presentation for 2017, Novo Nordisk estimated that medicine and devices global costs for the treatment of diabetes were above $80 billion.

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 and peptides 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 protein. It also takes advantage of the track record of already-used therapeutic proteins in terms of safety, efficacy and production infrastructure. Thus, it enables Adocia to develop innovations by decreasing risk margins, 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 are some of the most differentiated on the market. Each product is designed to meet the specific needs of people living with diabetes.

Additionnally, based on the accumulated expertise in programs targeting diabetes, Adocia announced in January 2018 its intention to expand its portfolio to new indications. The Company announced two new projects, one focused on

[1] International Diabetes Federation, 2017

[2] American Diabetes Association, 'Economic Costs of Diabetes in the US in 2012,' 2013.

short bowel syndrome with a ready-to-use liquid formulation of a GLP-2 analog and the other being a fixed-ratio combination of a GLP-1 analogue with glucagon to treat obesity.

Its relatively economic business model enables Adocia to develop innovative treatments with improved performance whilst offering attractive price points in an extremely competitive environment. Adocia's goal is to develop its products until their entry into phase III clinical studies in order to maximize the value of its projects prior to licensing out to potential partners in the field of diabetes and other metabolic diseases, whether this be one of the established leaders of the field, or new entrants wishing to immediately take position in the market with differentiated bio-betters rather than standard biosimilars.

1.3.1. The BioChaperone® technological platform

Adocia has designed and developed a technological platform based on novel 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.

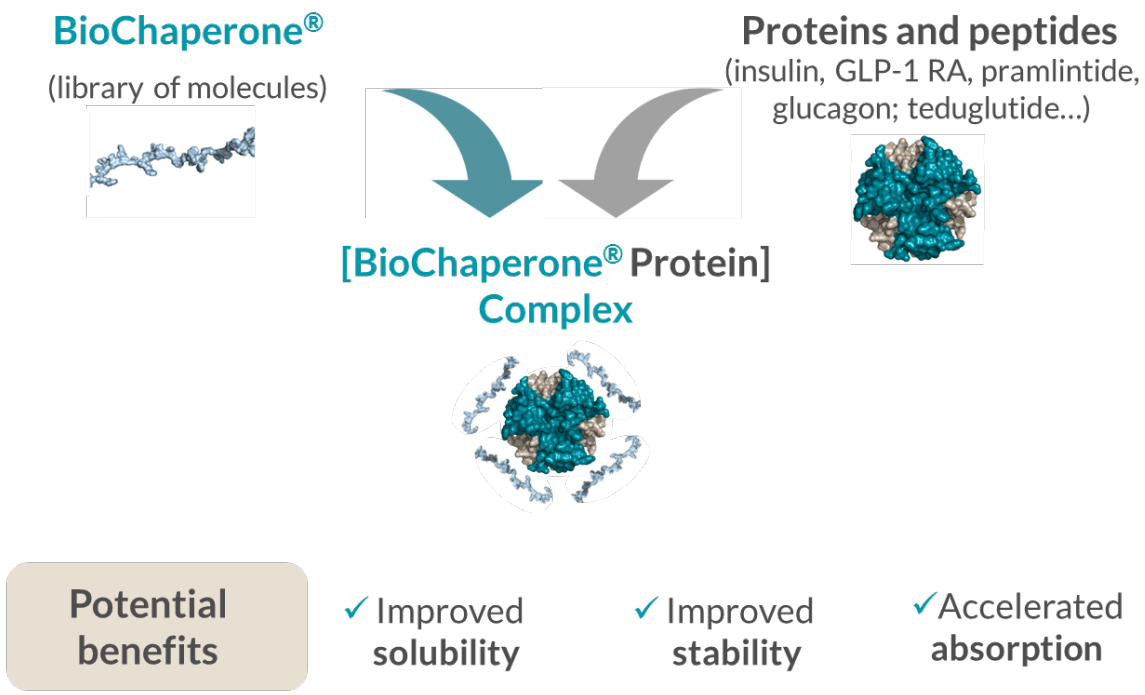
BioChaperone technology is derived from the functional mechanism of heparin. This natural polysaccharide forms molecular complexes with growth factors, increasing their solubility, protecting them from enzymatic breakdown and thereby extending their time of action.

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. Its was also aimed at increasing reaction versatility in order to diversify the proteins with which BioChaperone could 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 easily industrializable 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 tools. Furthermore, the BioChaperone chemical synthesis processes are simple and low in cost 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.



Four key properties of the BioChaperone technology, via the formation of the complex with the protein or peptide, have been demonstrated:

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

Pharmaceutical products developed using BioChaperone technology are therefore 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 than500 BioChaperone compounds, an impressive collection that grows in size over time. The main distinctions among these compounds are their size, nature, and the number of anionic and hydrophobic grafts. This collection of molecules was 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 39 patent families for BioChaperone molecules and formulations. The first of the patents protecting formulations tested in clinical studies will expire in 2033.

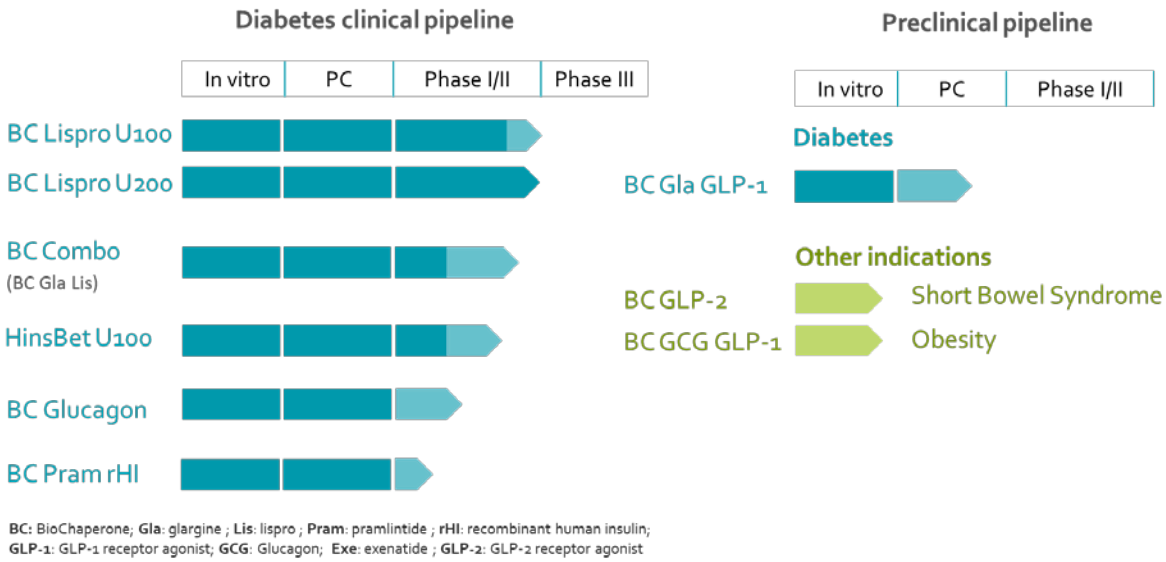
1.3.2. Pipeline presentation

Since its creation, Adocia has developed a broad portfolio of injectable treatments for type 1 and 2 diabetes patients based on its BioChaperone technology. In January 2018, Adocia sought to extend its portfolio to include new therapeutic indications that could benefit from BioChaperone technology and the knowledge accumulated by the Company over the previous twelve years.

At present, Adocia's **clinical portfolio** 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), a combination of long-acting insulin glargine and rapid-acting insulin lispro (BioChaperone Combo), a combination of human insulin with pramlintide, an amylin analog, amylin being a synergetic hormone to prandial insulin (BioChaperone Pramlintide Insulin) and an aqueous formulation of human glucagon (BioChaperone Human Glucagon).

Adocia also has in **preclinical development** two combinations of insulin glargine with GLP-1s (BioChaperone Glargine Dulaglutide and BioChaperone Glargine Liraglutide). Preclinical projects for new indications comprise an aqueous

formulation of teduglutide, a GLP-2 analog for the treatment of short bowel syndrome (BioChaperone Teduglutide), and a combination of glucagon and a GLP-1 receptor agonist for the treatment of obesity (BioChaperone Glucagon GLP-1).



1.3.3. BioChaperone portfolio for the treatment of diabetes

1.3.3.1. 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 425 million people worldwide had diabetes in 2017. It is expected that this prevalence will grow to 629 million individuals in 2045[3], i.e., a mean increase of 48% worldwide.

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

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, 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 of cells to insulin, i.e., 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

[3] Diabetes International Foundation – Diabetes Atlas Eighth Edition 2017

[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

leads firstly to excess 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 half 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-induced diabetes, etc. Pregnancy can also cause diabetes which, even if it disappears after childbirth, can nonetheless be a precursor to type 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 glycemia 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 'basal' rate between meals, and at a higher level each time food is consumed, the so-called 'prandial' rate. Insulin acts on the liver, the muscles and the adipose tissues to promote uptake by these organs of sugar in the blood stream. Amylin 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 intestines 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 and induces 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 glycemia 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:

- 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)[7].
- Human glucagon (Glucagon®, Eli Lilly, and Glucagen®, Novo Nordisk)

In people with type 1 diabetes, this precise hormonal regulation is severely impaired: 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, 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 post-prandial hyperglycemia in a person with diabetes.

[7] Among the GLP-1 receptor analogs, there are also long-acting products, whose action is pharmacologic but not physiological, in particular Ozempic® (Semaglutide, Novo Nordisk, weekly injection) Victoza® (liraglutide, Novo Nordisk, daily injection), Trulicity® (dulaglutide, Eli Lilly, weekly injection), Bydureon® (long-acting exenatide formulation, AstraZeneca, weekly injection), and Tanzeum® (abliglutide, GlaxoSmithKline, weekly injection).

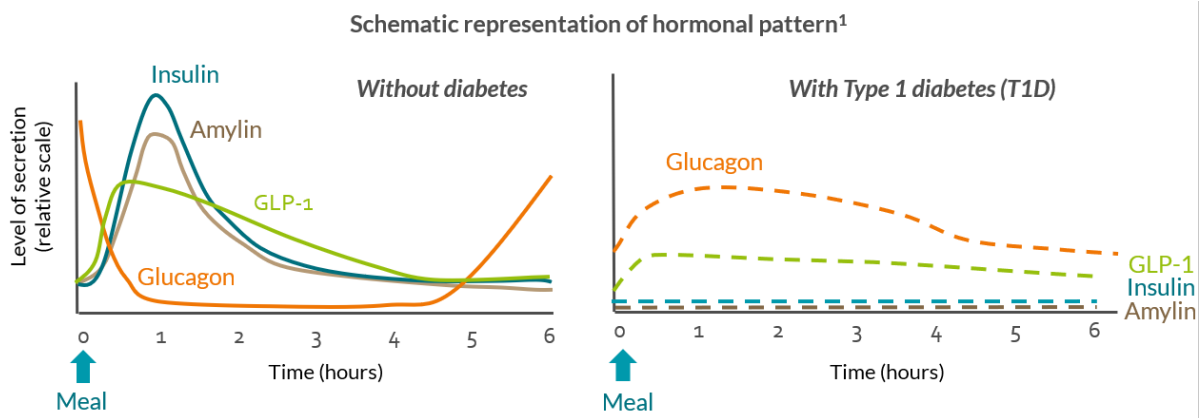


Figure 1: Schematic representation of the metabolic hormonal pathway during mealtimes for insulin, amylin, GLP-1 and glucagon. Source: Adocia, adapted from Toff-Neilsen et al., J. Clin Endocrinol Metab 2001;86:3717-3723; Cummings DE et al., Diabetes 2001;50:1714-1719; Aronoff SL et al., Diabetes Spectrum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

Complications of diabetes

Cardiovascular complications are the main cause of mortality in patients with type 2 diabetes: cardiovascular morbidity and mortality are multiplied 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[8,9]:

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

▪ Epidemiology

Diabetes is a chronic disease on the global scale. Its rate of expansion remains very high, particularly in emergent countries. The International Diabetes Federation[10] has estimated that between 2017 and 2045, the number of patients with diabetes in the world will increase by almost 48% (in the 20 to 79-year-old population), from 425 million people today to 629 million. Europe (+15%) and North America (+36%) will experience growth rates which, whilst high, are lower than the global average; however, emerging countries will without doubt face an acute increase in the number of people with diabetes.

This phenomenon increases the proportion of people with diabetes in the population. By 2045, this incidence is expected to exceed 8% in all regions worldwide, with the exception of Africa.

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

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

[10] Diabetes Atlas 8th edition (2017), International Diabetes Federation

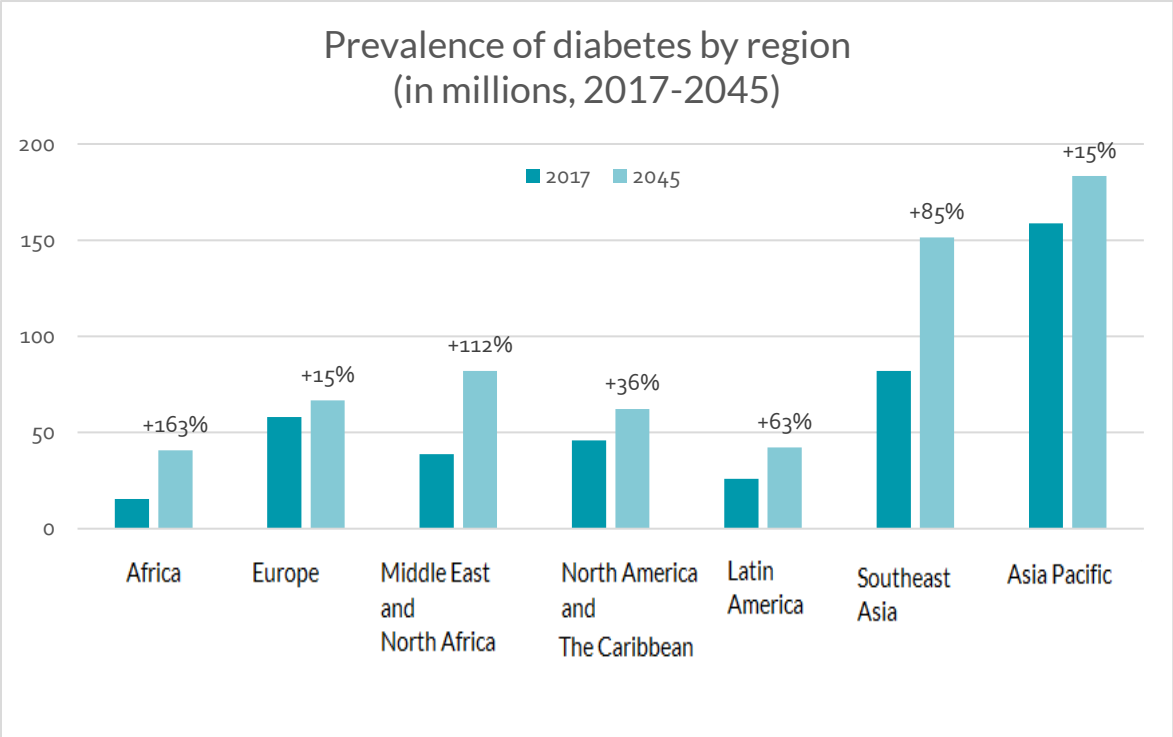


Figure 2: Estimate for the worldwide increase in the number of people with diabetes (in millions) in the 20–79-year-old age group in 2017, and forecasts for 2045. The percentages indicate the per-region growth rate between 2017 and 2045. Source: International Diabetes Federation, 2017

The 2007–2010 ENTRED[11] 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 long term, the average time the patient had had the pathology being 11 years. This duration of treatment is even longer for patients with type 1 diabetes: 17 years. Type 2 diabetes is 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%).

1.3.3.2. Treatments for diabetes

According to Novo Nordisk, the global market for diabetes treatment with injectable products (insulins, GLP-1 analogs, glucagon) grew by 19.1% per year between 2007 and 2017, accounting for $28 billion[12], 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 glycemia in patients with type 1 diabetes, and that the use of insulin is also ultimately unavoidable for patients with type 2 diabetes.

[11] *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.*

[12] Estimations from annual reports. On the diagram below, this market is valued at $48 billion dollars according to IMS data, reported by Novo Nordisk, a figure that does not take into account discounts granted to payers.

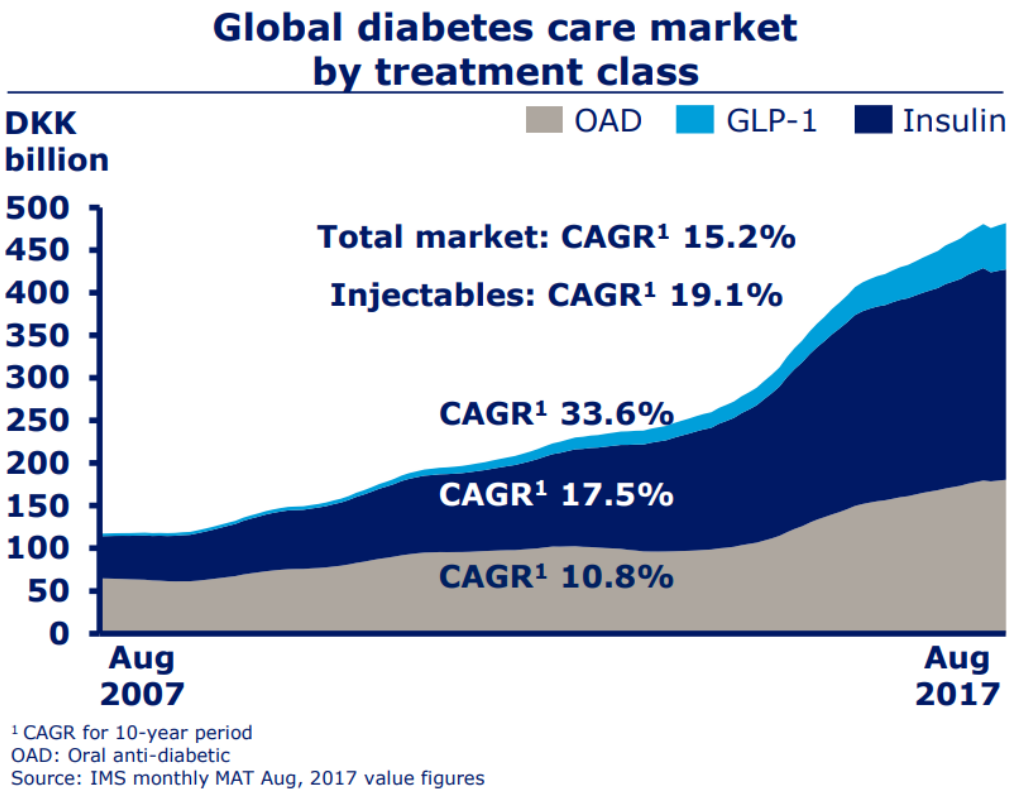


Figure 3: Global diabetes market per therapeutic class and changes between 2007 and 2017. OADs: Oral antidiabetic drugs; GLP-1: GLP-1 receptor agonists; insulin: insulin; CAGR: compound annual growth rate, over 10 years. The DKK-USD exchange rate on August 31, 2007, was DKK1 to $0.18301. On August 31, 2017, the exchange rate was DKK1 to $0.158861. (Source: Novo Nordisk, Investors Presentation First Nine Months of 2017, October 2017).

In people without diabetes, a sudden increase in glycemia 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 is maintained between these two limits.

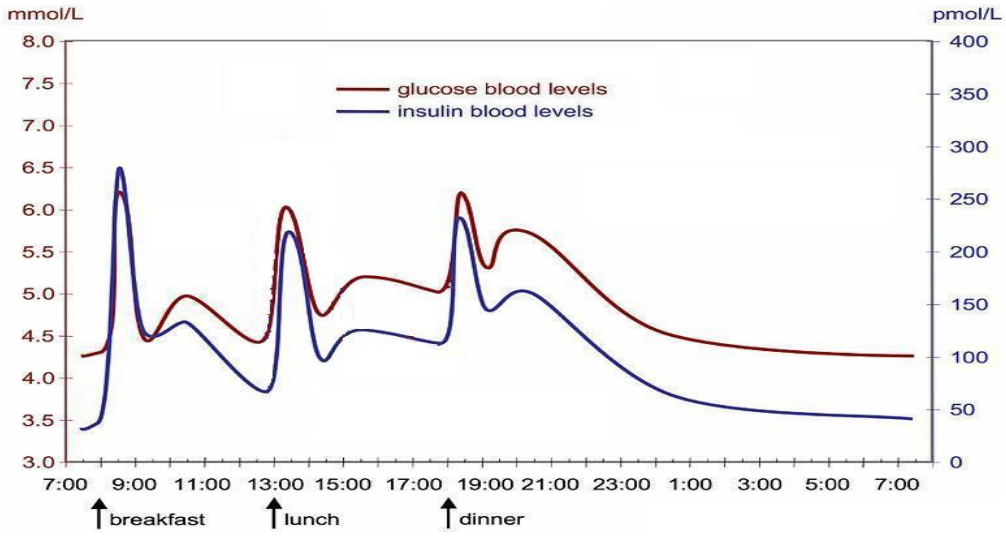


Figure 4: Glycemia and insulin in healthy patients. Source: Adocia

However, if glucose concentration falls 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 patient 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 means recurrent recourse to hyperglycemic diets.

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 glycemia due to hepatic glycogenesis between meals (basal glucose) and the regulation of post-prandial glycemia. This is achieved by two types of products: the so-called 'basal' or 'long-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 per day, 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, 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 basal and prandial or premix).

1.3.3.3. 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-1s. 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-term consequences. More recently, it was also shown that certain treatments (for instance, SGLT-2s and GLP-1s) may have positive side effects, particularly in cardiovascular terms. In a general sense, 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 ADA consensus studies. In particular, it has been proposed to not only study more closely the time spent within normal glycemic 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 changes have, amongst other things, been made possible by an extremely rapid change in technology: the development of increasingly accurate continuous glucose monitors (CGM), the ability to use 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. Recently, pharma or device companies (such as Eli Lilly or Bigfoot, respectively) have partners with other companies (such as CGM company Dexcom) to develop complete solutions including a continuous glucose monitoring system, an insulin pump and an algorithm to automatically deliver the right dose of insulin based on blood glucose measurement and other inputs. Such systems are called “artificial pancreas” or “closed loop” systems. Alternative solutions using “smart insulin pens” instead of pumps are also in development. More widely, major players in the diabetes field have recently partnered with Big Data companies to develop new solutions to monitor and manage diabetes (such as Sanofi/Google; Medtronic/IBM Watson; Novo Nordisk/Glooko...)

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 glargine, a basal insulin (Basaglar®, Eli Lilly) has recently been introduced to the European (2015) and American (2016) markets, a few years after similar products were introduced to the Chinese (Basalin®,

Gan & Lee) and Indian (Basalog®, Biocon) markets. As of the third quarter of 2017, Basaglar had a 6% market share of the global basal insulin market. That market actually lost 4% of its global value over a year following the introduction of Basaglar in the US and EU.

Several new entrants and historical players in insulin are positioning themselves globally in the biosimilars field, such as Merck and Samsung Bioepsis (Lusduna®/Nexvue®, insulin glargine, approved in 2017 by the FDA but not yet launched due to ongoing litigation with Sanofi relative to alleged patent breach), Mylan and Biocon (Semglee®, insulin glargine, approved in Europe early in 2018, in registration in the US), or Sanofi (Admelog® insulin lispro, approved in the US and Europe), as well as Gan & Lee, TUL, Fosun WangBang or Tonghua Dongbao in China, or Biocon and Wockhardt in India. In the GLP-1 field, Teva announced in January 2017 its intention to marker 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 offering better treatments to patients while making them affordable for as many people as possible.

1.3.3.4. BioChaperone Lispro U100 and U200

▪ Ultra-rapid insulins for a more physiologic action

Ultra-rapid insulin is an insulin that has a more rapid absorption profile than rapid-acting 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 have 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 also to 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 IU/mL) and BioChaperone Lispro U200 (twice as concentrated solution, i.e., 200 IU/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 refills.
- **People with type 2 diabetes**: BC Lispro U200, an ultra-rapid insulin concentrate, may also improve glycemic control for these people whilst also limiting the volume required for each injection.

▪ Results obtained with BC Lispro U100 & U200

At this time, BioChaperone Lispro has been successfully tested in nine clinical studies.

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

Based on promising Phase 1 results obtained during its 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 the BioChaperone Lispro U100 complex to those of Humalog® U100. In April 2014, Adocia announced the results of this study, which showed the 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 for various doses in a range covering the needs of the majority of patients (0.1, 0.2 and 0.4 IU/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 present in the pharmacodynamic profiles, whatever the dose tested.

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. The results of this study were jointly announced by both companies 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.

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).

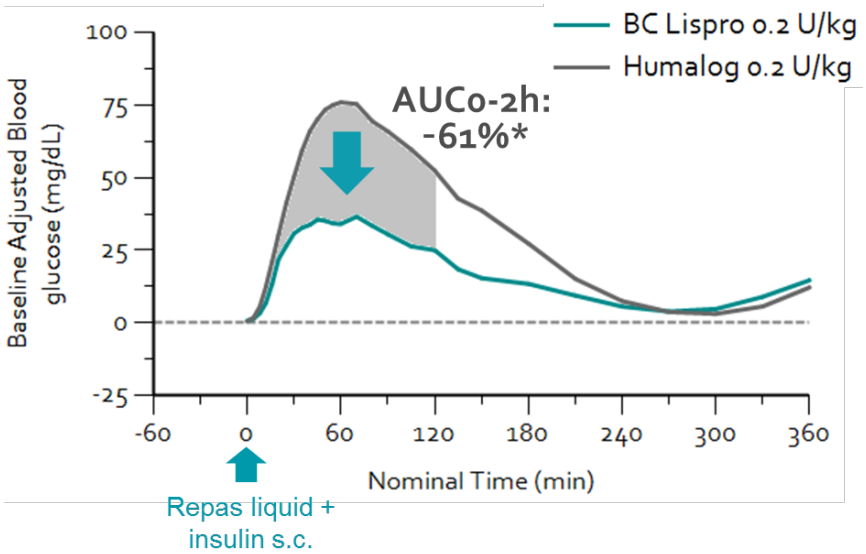


Figure 5: Comparison of the effect on postprandial glycemia of BioChaperone Lispro U100 vs. Humalog U100 in 38 people with type 1 diabetes. Glycemia is measured for six hours after injecting the treatment at the time of consuming a standardized liquid meal.

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 at 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 $AUCLispro_{(0\text{-infinity})}$, and two parameters characterizing the ultra-rapid action ($AUCLispro_{(0–1\,h)}$ and early $t50\%_{Cmax\ Lispro}$). These positive feasibility results 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.

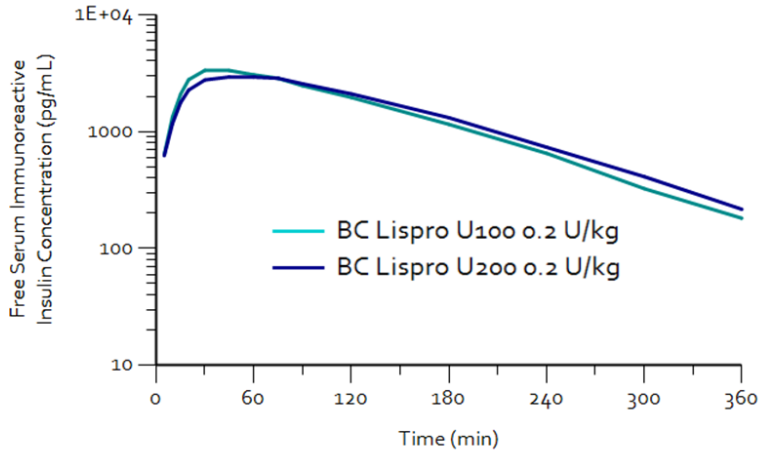


Figure 6: Mean pharmacokinetic profiles (variation in insulin level in the blood) of BioChaperone Lispro U100 (light blue curve) and BioChaperone Lispro U200 (dark blue curve) obtained from 26 healthy volunteers.

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 during the first two hours compared to Humalog, when the treatments were injected at the mealtimes.

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 diabetes patients into the Phase 3 program in compliance with the global registration plan planned for this product.

Positive topline results for Phase 1b clinical study: evaluation of BioChaperone Lispro U100 in people with type 1 diabetes using an insulin pump vs. Humalog®

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).

Positive topline results for the Phase 1b clinical study: evaluation of BioChaperone Lispro U100 in people with type 1 diabetes using an insulin pump vs. Fiasp® and Novolog®

In December 2017, Adocia announced the success of a Phase 1b clinical study comparing BioChaperone Lispro both to the rapid-acting insulin Novolog® (Novo Nordisk) and to the recently approved ultra-rapid insulin aspart formulation Fiasp® (Novo Nordisk) in patients with type 1 diabetes. This study was the first direct comparison of two ultra-rapid insulin formulations. Forty-two participants received, under euglycemic clamp conditions, single doses of these three products via an insulin pump during three separate visits. The objectives of the study included comparing the glucodynamic effects and pharmacokinetic profiles obtained with the three treatments.

BioChaperone Lispro satisfied the primary endpoint, showing a statistically significant increase of 63% in metabolic effect during the first hour compared to Novolog®. This result confirms the ultra-rapid profile observed in previous studies when compared to Humalog®. Furthermore, BioChaperone Lispro showed a statistically significant 'faster-off' metabolic profile compared to the other two products, reaching the late half-Tmax 18 minutes before Fiasp® and 22 minutes before Novolog®. BioChaperone Lispro also showed an early metabolic effect similar to that of Fiasp® during the first hour.

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

▪ Next steps

Based on BioChaperone Lispro's strong clinical dossier, Adocia is seeking a new partner for entry into phase 3 and commercialization of the product.

▪ 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, where 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. 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 (Afrezza is not recommended for smokers and patients with ketoacidosis) able to use Afrezza and 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: due to

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

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.

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. 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. Sales for Afrezza in 2016–2017 remained weak, albeit rising slightly in 2017.

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 resubmitted its dossier in early 2017 and Fiasp was approved by the FDA in September 2017. Fiasp has been available in the United States since January 2018 at a similar price to Novolog.

A phase 1b study of Fiasp in 52 patients with type 1 diabetes showed that the product has early pharmacokinetic and pharmacodynamic profiles significantly faster 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 several phase 1b studies. 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, simultaneously with discontinuing its collaboration with Adocia, **Eli Lilly** announced it had developed internally a competing ultra-rapid insulin project, LY90014 (insulin lispro formulated with treprostinil and citrate, among other excipients). The initial results were presented at the ADA Annual Conference in June 2017. LY900014 has faster pharmacokinetic and pharmacodynamic profiles than Humalog (insulin lispro) in the first few minutes after injection. Nevertheless, Lilly did not demonstrate more significant 'fast-out/fast-off' effect than insulin lispro, unlike BioChaperone Lispro. Lilly initiated two Phase III clinical studies in July 2017 in patients with type 1 and 2 diabetes.

Other competing projects have recently been abandoned, in particular the human insulin-hyaluronidase combination developed by Halozyme (who decided upon a strategic refocusing of its activity onto oncology late 2014) and the ultra-rapid formulations BIOD-250 and BIOD-238 developed by Biodel (which in 2016 was the subject of a reverse merger by Albireo, resulting in it deprioritizing its usual Biodel activities).

▪ Partnerships with Eli Lilly

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 of BioChaperone polymers for the development, manufacturing 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, with Adocia and Eli Lilly managing the collaboration through a joint management committee.

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

Second partnership (2014–2017):

In December 2014, Adocia and Eli Lilly signed a licensing agreement for the BiChaperone Lispro program. This agreement came after obtaining positive clinical results in two studies conducted 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.

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 bioequivalence pilot study between BioChaperone Lispro U200 and

BioChaperone Lispro U100 was successfully completed, triggering a milestone payment of $10 million by Lilly in December 2015, bringing the total amount received to date by Adocia from this contract to $60million.

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

As a result of this decision, and according to the terms of this agreement, Adocia reacquired without costs full ownership of the rights it had licensed and continued the development of its product. Two arbitrating procedures have been launched by the company and are ongoing (cf. section 1.5.8 of the present reference document).

Aribtration proceedings

In October 2017, Adocia announced that it had commenced an arbitration proceeding against Eli Lilly and company ("Lilly") arising out of the collaborative research and license agreement signed in 2014, seeking an award of approximately USD 11 million, and other specific relief, relating to Lilly's change of the product development plan. Adocia expects a decision on this claim in the second quarter of 2018.

In February 2018, the Company announced through a press release that it had filed new applications for arbitration against Eli Lilly & Company for Lilly's misuse of confidential information and discoveries belonging to Adocia and for its breach of several collaboration and confidentiality agreements. Adocia is claiming more than $200 million in damages as well as other specific compensation. Adocia expects a decision on these new applications for arbitration in the second half of 2018.

1.3.3.5. 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[13].

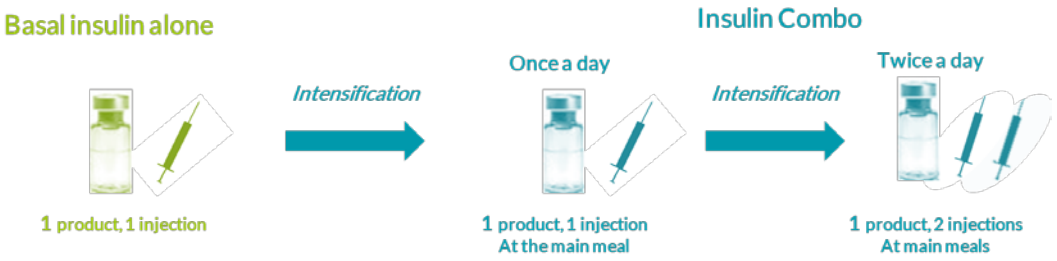
To improve glycemic control, the patient may be recommended to add a prandial component to his/her treatment regimen. This can be achieved via the addition of prandial insulin to the basal insulin, or by replacing basal insulin with premixed insulin. Premixed insulin is a fixed combination of a soluble 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 per day at a fixed ratio (rather than two products, four times per 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-injection 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 gold-standard basal acting insulin, insulin glargine, and a rapid acting 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 truly 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).

[13] Sanofi communicaion – Q3 2015 presentation



▪ Clinical results obtained with BioChaperone Combo

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

Phase 1b clinical results – 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 18 hours with HumalogMix; and BioChaperone Combo was 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 patients with type 1 diabetes. This randomized double-blind crossover study compared the effect on postprandial glycemia of individualized doses of BioChaperone Combo and HumalogMix™75/25 (Eli Lilly), injected at the start of a standardized meal. The study fulfilled its primary endpoint, demonstrating that BioChaperone Combo decreased postprandial glycemia 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™.

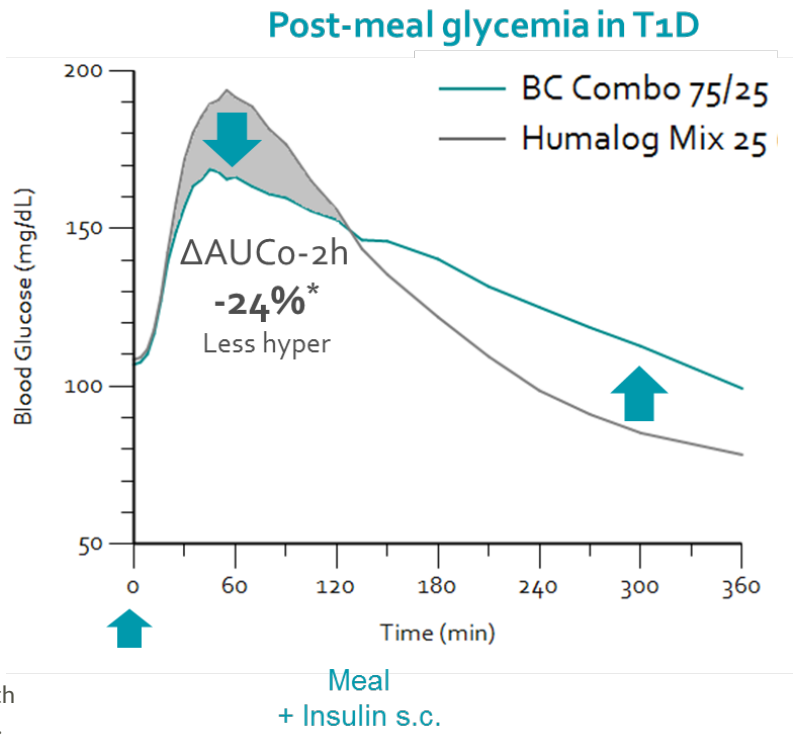


Figure 7: Pharmacodynamic profiles for BioChaperone Combo 75/25 and HumalogMix 25 after a liquid meal obtained from 28 people with type 1 diabetes (NCT#02514954). 1 p=3.10-3.2 p=8.10-3.

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 positive topline 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 clinical 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.

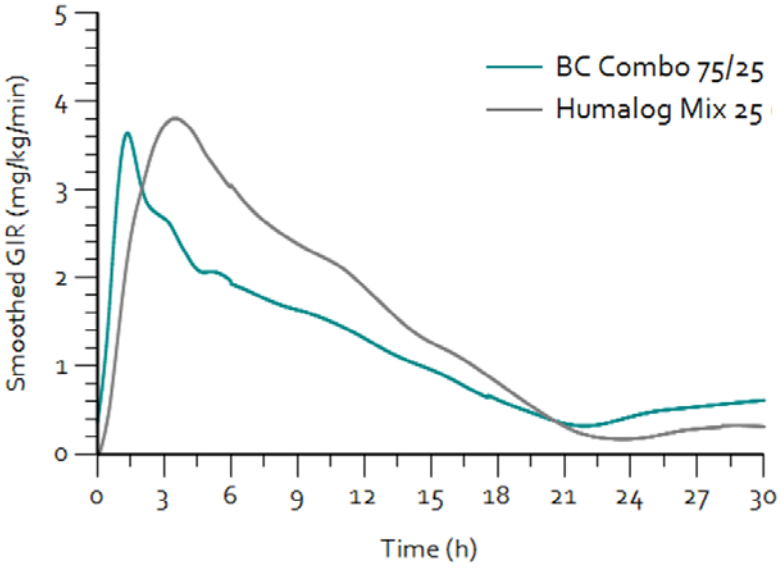


Figure 8: Pharmacodynamic profile (glucose infusion rate) of BioChaperone Combo 75/25 and Humalog Mix 25 for 30 h after injection in 24 subjects with type 2 diabetes under euglycemic clamp conditions (NCT#02514850).

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).

Phase 1b clinical results – Evaluation of the effects of BioChaperone Combo on postprandial glycemic control in people with type 2 diabetes.

In June 2017, Adocia announced the positive topline results for a study intended to measure the effect of BioChaperone Combo injected at mealtimes on postprandial glycemic control in patients presenting type 2 diabetes compared to that obtained with Humalog Mix25™ premixed insulin (Eli Lilly), and with separate injections of Lantus (Sanofi) and Humalog (Eli Lilly).

Firstly, BioChaperone Combo showed a statistically significant decrease of 18% in glycemic excursions for the first two hours after the meal compared to Humalog Mix25™. The number of hypoglycemic episodes per patient was also significantly lower with BioChaperone Combo than with Humalog Mix25™. Moreover, BioChaperone Combo led to

at least as good postprandial glycemic control as that achieved with simultaneous and separate injections of Lantus and Humalog, and a similar number of hypoglycemic episodes per patient.

Phase 1b clinical results – BioChaperone Combo dose-proportionality study in people with type 2 diabetes.

In January 2018, Adocia announced positive topline results for a Phase 1b study evaluating the relationship between insulin exposure and hypoglycemic response to the BioChaperone Combo 75/25 dose for three different doses in people with type 2 diabetes. During his study, 32 participants were randomly allocated a sequence of four treatments: one of the three doses of BioChaperone Combo 75/25 (0.6 IU/kg; 0.8 IU/kg or 1.0 IU/kg) or a single dose of Humalog Mix25™ at 0.8 IU/kg. BioChaperone Combo exhibited dose-proportional exposure and a linear relationship of hypoglycemic response to the dose when tested at 0.6; 0.8 and 1.0 IU/kg in people with type 2 diabetes. These results are essential to complete the regulatory dossier. The study also confirmed previous results showing that BioChaperone Combo acts significantly faster (prandial effect) and lasts significantly longer (basal effect) than HumalogMix.

▪ Next steps

Adocia is actively seeking a partner to further develop and market BioChaperone Combo, particularly in South-East Asia and in other markets where insulin premix is the first injectable treatment for diabetes.

▪ Competition

Novo Nordisk has developed Ryzodeg®, a combo of a rapid-acting insulin, insulin aspart, and a slow-acting insulin, 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 against a premixed insulin aspart, Novomix, or against Lantus, or against the combination off 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 Nordisk published positive interim results from the additional cardiovascular safety studies of Tresiba which the FDA had requested during the first submission of the regulatory dossier.

Conversely, BioChaperone Combo, the formulation developed by Adocia combining insulin glargine and lispro, 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 Eli Lilly : Abasaghlar®/Basaglar®, commercialized in the US and Europe; by Merck-Samsung : Lusduna®/Nexuve®, approved in the US and Europe ; by Mylan-Biocon : Semglee®, approved in India and in registration the US ; by Gan & Lee : Basalin®, commercialized in China, Phase 1 completed in the US ; by Tonghua DongBao: in registration in China…), and insulin lispro (biosimilars developed by Sanofi: Admelog®, approved in the US and Europe ; by Gan & Lee : Prandilin®, approved in China ; by Tonhua DongBao, in clinical development in China ; by Biocon: in preclinical development). On the opposite, Ryzodeg is based on the novel basal insulin degludec (Tresiba) and on insulin aspart. Novo Nordisk's 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[14] and $1.9 billion for human insulin premixes[15]. 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.

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**, always less than 24h, 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, particularly in emergent countries wherein these products remain dominant.

1.3.3.6. HinsBet®

▪ 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.

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[16].

▪ 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).

[14] Overall turnover estimates for 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).

[15] For premixed human insulin, we used the ratio between human prandial insulin and premixed human insulin reported in the same presentation by Novo Nordisk, i.e., 40% prandial and 60% premix. By applying this ratio to the total sales of Novo Nordisk's human insulin (Novolin DKK11 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 emergent 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.)

[16] RED BOOK 2013 - Truven Health Analytics - Thomson Reuters

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 patients with type 1 diabetes received a single 0.2-U/kg dose of HinsBet, Humulin and Humulin 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.

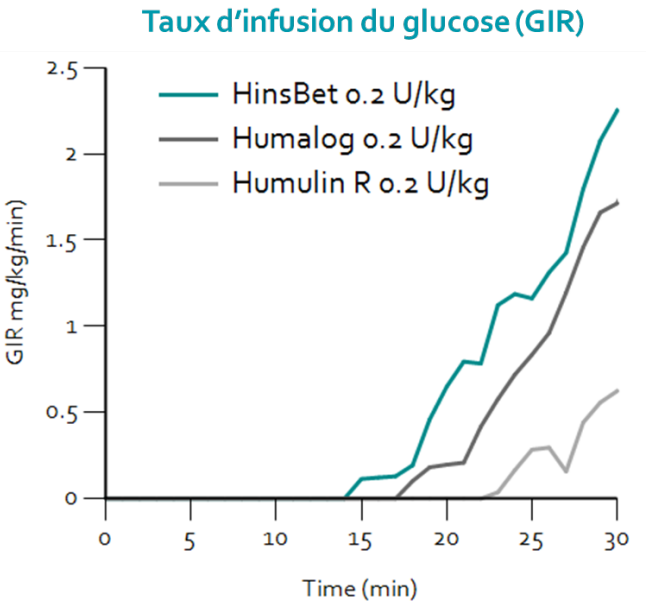


Figure 9: Pharmacodynamic profile (glucose infusion rate) of HinsBet U100 (0.2 U/kg), Humalog U100 and Humulin U100 for the first 30 minutes after injection in 36 subjects with type 1 diabetes under euglycemic clamp conditions (NCT#02213146).

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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 principle objective of demonstrating the superiority of HinsBet over Humulin in terms of postprandial glycemic control one hour after the meal (glycemia level one hour after the meal: BG_{1h}=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 Humalogin 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 ($AUC_{BG0\text{-}1\,h}$=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 last parameter ($AUC_{BG0\text{-}1h}$=174 h*mg/dL with HinsBet *vs.* 172 h*mg/dL with Humalog, LSM ratio 1.0, 90% CI, p=0.5373).

▪ Next steps

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

▪ 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[17]. 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 (Admelog®) is approved in Europe and the United States, and some rapid-action insulin analog biosimilars have been approved (for instance a biosimilar of insulin lispro in China developed by Gan & Lee) or are in development (insulin lispro for Biocon in the preclinical stage in India) in emergent 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.

[17] *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.*

1.3.3.7. BioChaperone Glucagon

- ## 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 person without diabetes, 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 (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[18].

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 device) 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 the targeted glycemic range. Additionnally, 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[19], particularly with regards 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. Adocia is also seeking to develop BioChaperone Glucagon for other indications, including congenital hyperinsulinism and chronic hypoglycemia following bariatric surgery.

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 to take advantage of the track record of this approved peptide compared to glucagon analogs developed by some competitors (e.g. Eli Lilly, Zealand Pharma).

- ## Clinical results obtained with BioChaperone Glucagon

Phase 1 clinical results – Evaluation of the safety, pharmacokinetics, and pharmacodynamics of BioChaperone Glucagon in patients with type 1 diabetes.

In November 2017, Adocia announced positive topline results for this first study of BioChaperone Glucagon in human participants, A subcutaneous injection of 1 mg BioChaperone Glucagon showed acceptable safety and tolerability profiles, validating the primary objective of the study. In all groups, the most common adverse event was nausea, with eight events observed in 25 patients with BioChaperone Glucagon vs. five events in 24 patients with Glucagen® HypoKit®. The median time to reach a clinically risk-free level of glucose of 70 mg/dL was 11 min for BioChaperone Glucagon and almost 7 min for the reconstituted commercial product Glucagen®. All patients achieved hypoglycemic resolution within 35 minutes of injection.

- ## Next steps

Adocia plans to rapidly advance BioChaperone Glucagon towards advanced phase studies. In parallel, Adocia is selecting a high quality and easy-to-use injection device for BioChaperone Glucagon.

- ## Competition

Two major applications are envisaged for the BioChaperone Glucagon formulation.

Severe hypoglycemia is defined as a blood sugar level of less than 50–54 mg/dL. Severe hypoglycemia may result from overdose of a hypoglycemic drug, including insulin. It is the short-term adverse reaction most feared by patients receiving insulin therapy and may manifest as malaise, cognitive impairment, convulsions, and even coma and death in the most severe cases. Treatment of severe hypoglycemia may require the intervention of a third party. The only

[18] Locemia, 2015

[19] For example, c.f. El Khatib et al., 77-OR, ADA 76th Scientific Sessions June 10–14th, 2016, USA. et Russell et al, The Lancet (2016) 4(3):233-2

treatment approved is an injection of glucagon, a hormone that can quickly raise blood glucose. There are currently two products on the market: Glucagon® (Eli Lilly) and GlucaGen® Hypokit® (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 they have not been trained in their use. In a study[20] of 130 parents of people with type 1 diabetes in a simulated hypoglycemic emergency, 69%of them had difficulty handling the emergency kit (Glucagen®, Novo Nordisk). Due to the difficulty using these products, they remain underprescribed and underused, leading to frequent interventions by emergency teams. The response time can be fatal. Severe hypoglycemia results in more than 300,000 hospitalizations in the United States each year[21]. Several companies, including Adocia, are developing ready-to-use alternatives for emergency treatment.

Locemia has developed a single-use nasal spray presentation 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 and could be marketed in 2019.

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, a mini-pen for moderate hypoglycemic episodes, and a cartridge for use in pumps (artificial pancreas or other chronic uses of glucagon). At this stage, two Phase 3 studies have been successfully completed and a Phase 3b study was initiated in February 2018. Furthermore, the company completed a Phase 2 study using glucagon pumps to treat post-bariatric hypoglycemia and initiated in April 2018 a Phase 2 study using glucagon pumps in people with type 1 diabetes with hypoglycemia unawareness. Xeris has also obtained the 'orphan medicinal product' indication from the FDA for use in the treatment of congenital hyperinsulinemia.

Zealand Pharma is developing a glucagon analog, dasiglucagon, for three main indications: for the treatment of severe hypoglycemia; for use in a DHAP; and for the chronic treatment of congenital hyperinsulinism (in a glucagon pump). At the end of 2017, it started Phase 3 studies on HypoPal®, a prefilled ready-to-use pen for the emergency treatment of severe hypoglycemia. Preliminary positive results for this study were announced in February 2018. Zealand plans to market HypoPal® in Europe and the United States in 2020/2021. Furthermore, it recently announced the preparation of a Phase 2b study using the Beta-Bionics artificial pancreas, iLet™. Finally, it has obtained an 'orphan drug' indication by the FDA for the use of dasiglucagon to treat congenital hyperinsulinism, a project nearing entry into Phase 3.

Lastly, Eli Lilly is developing a soluble glucagon analog; this product is currently in Phase 1 testing.

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.

1.3.3.8. BioChaperone Pramlintide Insulin: multi-hormonal prandial combinations for the treatment of type 1 diabetes

- **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 achieve 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 glycemia. In type 1 diabetes, ultimately, neither insulin nor amylin are secreted,

[20] Harris, G et al., Practical Diabetes Int. 2001: 18;22–25.

[21] Report from the CDC, 2014

and GLP-1 secretion is deficient. 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, was approved in 2005 for the treatment of diabetes (type 1 and 2) as a supplement to intensive insulin therapy. In phase 3 clinical studies, this molecule has been shown, when used as a supplement to insulin therapy, to improve HbA1c and reduce prandial insulin use and weight gain compared to insulin alone.

Unfortunately, to the extent that insulin therapy for type 1 diabetes requires high patient compliance, 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 this molecule 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 a combination is Adocia's objective for the BioChaperone Pramlintide Insulin program.

Currently, the prandial insulin and pramlintide formulations are not compatible. Adocia has therefore used its expertise to develop BioChaperone so pramlintide can be solubilized and stabilized in neutral pH solution, enabling it to be combined with prandial insulin. Adocia is currently developing a combination of pramlintide with human prandial insulin and a combination of pramlintide with a prandial insulin analog.

Our BioChaperone formulation strategy, based on actual clinical results, showing a clear medical benefit when hormones are administered separately, could reduce development time. The BioChaperone Pramlintide Insulin project could also support a competitive pricing strategy, taking advantage proteins already approved and in the public domain.

- ### Next steps

Adocia initiated the first clinical study of BioChaperone Pramlintide Insulin (with recombinant human insulin) in people with type 1 diabetes in April 2018. Results for this study are expected during Q3 2018.

- ### Competition

To date and to our knowledge, only Biozeus, a Brazilian biotechnology company, is developing at the preclinical level a combination of insulin and amylin.

AstraZeneca, which owns the commercial product Symlin (pramlintide), has successfully conducted Phase 1 clinical trials on the joint administration, with two independent pumps, of prandial insulin and pramlintide. These studies were partially funded by the Juvenile Diabetes Research Foundation (JDRF). These results support Adocia's approach of combining the two products in a single formulation for better results.

1.3.3.9. BioChaperone Glargine GLP-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[22].

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 one product, once-daily treatment intensification options for these patients. In 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 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).

[22] Sanofi, JP Morgan Healthcare Conference Presentation , San Francisco, January 12, 2015.

In September 2016, Adocia announced the launch of a new BioChaperone program to combine basal insulin and GLP-1. This program benefits 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:

- BioChaperone® Glargine Liraglutide, with a strong potential price advantage, as it is based on two proteins in, or about to enter, the public domain.
- BioChaperone® Glargine Dulaglutide, with a strong potential for best-in-class performance, based on the excellent pharmacologic profile of 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.

Preclinical results and next steps

Adocia has generated positive stability and preclinical results for the BioChaperone Glargine GLP-1 program. 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 2018.

Competition

Two combinations of basal insulin and a GLP-1 agonist were recently approved for the treatment of type 2 diabetes. Xultophy® (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 launched their products on the US market in early 2017. While Novo Nordisk fixed a price for Xultophy corresponding to the sum of the Victoza and Tresiba prices, less a reduction of about 20%, Sanofi was more aggressive, fixing 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), it 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 could be positioned at potentially similar performance levels. 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, currently in the phase 1) 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 its was relinquishing the rights to LAPS-insulin and concentrating on the development of efpeglenatide (the weekly injectable version entered phase 3 in 2017). This announcement resulted in Hanmi refunding Sanofi $250 million (€196 million) and a reduction of the total potential amount of the agreement to €2.72 billion. 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.

1.3.4. BioChaperone Glucagon GLP-1 for the treatment of obesity

▪ Providing a powerful and easy-to-use multi-hormonal treatment to optimize lasting weight loss in obese people

Obesity is defined as an excessive accumulation of fat in adipose tissue negatively impacting the well-being and health of the person. A person is diagnosed as obese when his or her body mass index (BMI) is more than 30 kg/m². The increase in weight is the consequence of an imbalance between energy intake and expenditure. This imbalance results from a complex combination of environmental, behavioral and genetic factors.

The World Health Organization (WHO) estimates that there were 650 million obese adults in the world in 2016, or 13% of the world's population. This number has nearly tripled since 1975 and continues to grow[23]. The obesity rate varies from one country to the next with, for example, 39.2% of adults obese (and 65% overweight) in the United States[24].

Obesity increases the risk of developing many other diseases, including type 2 diabetes, non-alcoholic steatohepatitis (NASH), dyslipidemia, sleep apnea, cardiovascular disease and several types of cancer. These risks increase for overweight people (BMI > 25 kg/m²) and increase with weight gain. The World Obesity Federation estimates that obesity and its complications led to nearly $800 billion in healthcare expenditure worldwide in 2017. This expenditure could reach $1,200 billion by 2025[25].

It is generally accepted that a 10–15% loss of body mass significantly reduces the comorbidities associated with obesity.[26] To lose weight, the first recommendation is to have enough regular physical activity and to follow a special diet. However, weight loss is often difficult to maintain, both because it requires often significant behavioral changes, and because the body tends to return to the original weight, for various physiological reasons, which results in discouragement in obese people. Medical treatment is prescribed to patients with BMI greater than 30 kg/m² or, if there are two cardiovascular risk factors, a BMI > 27 kg/m². In the event of morbid obesity, bariatric surgery may be prescribed. This consists of reducing the volume of the stomach.

Today, only 2% of obese patients use medication. This low percentage is due to the limited efficacy of the medicinal products available and the lack of persistence of their effects over time. These treatments, oral or injected subcutaneously, can lead to a rapid loss of 3 to 10% of body weight, but this loss is rarely stabilized in the long term. Some of these treatments are also associated with adverse reactions (nausea, cardiac risk, diarrhea, etc.). Mechanisms of action include a decrease in the food bolus, a limitation of nutrient absorption, or an increase in energy expenditure.

Among the available treatments, one of the most effective is Saxenda® (liraglutide, GLP-1 receptor agonist, Novo Nordisk)[27]. Saxenda® is currently the only GLP-1 treatment for obesity and has met with significant commercial success.

Recent studies have shown that a multi-hormonal approach targeting both GLP-1 receptors and other metabolic hormone receptors, such as glucagon or GIP, could increase energy expenditure, promote significant weight loss and improve blood glucose control in obese people[28]. Based on these results, several companies have initiated the development of co-agonists or combinations allowing this multi-hormonal approach.

Based on this promising research and its BioChaperone Glucagon formulation, Adocia has developed BioChaperone Glucagon GLP-1, a two-in-one combination of human glucagon and exenatide (Byetta®, AstraZeneca), a GLP-1 receptor agonist. It has been previously shown that the combination of glucagon and GLP-1 RA works by increasing satiety, slowing gastric emptying and increasing energy expenditure (Figure 10). In contrast to the multi-agonist approaches, Adocia's formulation approach makes it possible to rely on the efficacy and safety profiles of two

[23] Key facts about being obese and overweight, WHO, October 2017

[24] NCHS Data Brief, Prevalence of obesity among adults and youth: United States, 2015–2016

[25] World Obesity Federation, 2017

[26] Glandt & Raz, J. Obes, 2011;2011:636181

[27] Liraglutide is also the active ingredient, used at a lower dose, in the hypoglycemic treatment Victoza® (Novo Nordisk) for the treatment of type 2 diabetes.

[28] Cegla G. et al, Diabetes 2014;63:3711–3720 ; Henderson SJ. et al , Diabetes, Obesity and Metabolism 2016; 18: 1176–1190; Evers A. et al, J Med Chem. 2017 May 25;60(10):4293-4303.

approved molecules, while favoring the choice of the best ratio between these two molecules to optimize the product profile.

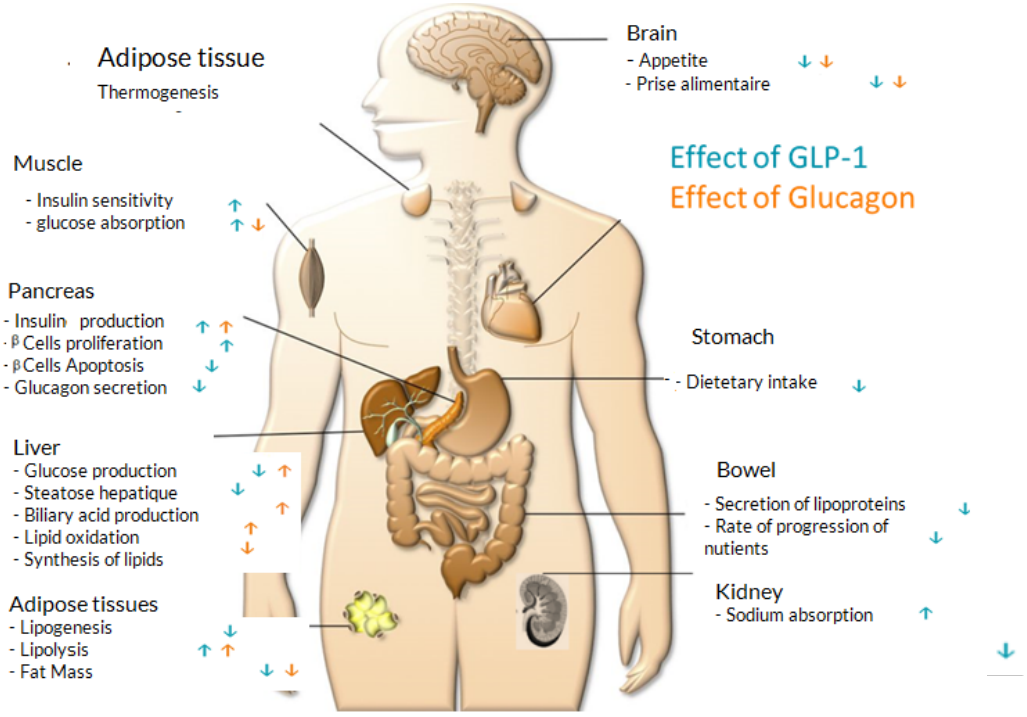

Figure 10: Combined effects of glucagon and GLP-1 on the human body

In vitro results and next steps

On the basis of promising in vitro stability results, BioChaperone Glucagon GLP-1 is currently in preclinical development, with the goal of starting the first human clinical trial in the last quarter of 2018.

Competition

The competition includes both products already approved for the treatment of obesity, and multi-hormonal treatments currently under development.

This market of the treatment of obesity is growing strongly (+120% per year since the end of 2015), due to the rapid increase of the obese population, the emergence of more effective products like Saxenda® (liraglutide, Novo Nordisk) and growing awareness of the value of drug approaches. Five products are currently approved for the treatment of obesity, for a global market still relatively limited, $500 million in 2017.

- Saxenda® (liraglutide, Novo Nordisk), the only injectable treatment approved in the US since 2015, currently accounts for 75% of the value of the US market[29]. In clinical trials, Saxenda showed a decrease in body weight of 5-7.5% over 12 months.
- BelviQ® (API, Arena/Eisai) is an oral appetite suppressant enabling limited weight loss (around 3%). This treatment is only available in the United States.
- Qsymia® (phentermine and topiramate, Vivus) is an oral combination showing the best weight loss efficacy among oral treatments, but the effect disappears on average less than one year after the start of treatment.
- Xenical® (API, Roche) blocks the absorption of triglycerides.
- Contrave® (bupropion and naltrexone, Orexigen) is an oral combination that reduces appetite and increases energy expenditure. In March 2018, Orexigen filed for bankruptcy.

There are currently 33 products in clinical development to treat obesity, with various approaches in terms of mechanism of action and expected efficacy.

[29] Analysis of sales in the third quarter of 2017. $101 million in sales for Saxenda in a $139 million market (BelviQ + Saxenda + Qsymia + Contrave).

Among the products in development, semaglutide from Novo Nordisk, a new GLP-1 agonist already approved for the treatment of diabetes, has shown positive weight loss results in Phase 2 studies.

1.3.5. BioChaperone Teduglutide for the treatment of short bowel syndrome

▪ Simplifying chronic treatment injections for people with severe short bowel syndrome

Short bowel syndrome (SBS) is a serious disease caused by either a congenital defect, intestinal obstruction or extensive surgical resection of the intestinal tract, resulting in a functional small intestine less than 200 cm in length (the average length of the small intestine is 6.1 m in a healthy person). Sufferers have an intestine which is too short to absorb enough ingested food, leading to not only malnutrition and weight loss but also dehydration, severe diarrhea, abdominal pain, and fatigue. In the long term, various complications may occur including anemia or hyperkeratosis. Short bowel syndrome is most often the result of resection of the small intestine, which is itself a result of inflammatory diseases or intestinal tumors. More rarely, there are cases of congenital short bowel syndrome (birth with a small intestine less than 75cm long).

In its most severe forms (intestine less than 1 m), SBS requires supplementary parenteral or enteral nutrition to compensate for the effects of diarrhea, malabsorption of nutrients, intestinal dilatation and intestinal dysmotility. This supplementary nutrition can also sometimes lead to severe complications, particularly involving the liver. Approximately 20,000 people with SBS in the United States and Europe need parenteral nutrition. In these individuals, Gattex®/Revestive® (teduglutide, GLP-2 analog, Shire) can be prescribed to improve intestinal absorption and reduce the need for parenteral nutrition, which seriously disrupts patients' lives. Indeed, GLP-2 promotes the growth of intestinal villi, reduces intestinal flow and reduces acid secretions in the stomach. However, teduglutide is unstable in aqueous solution and is only available in the form of a lyophilized powder to be reconstituted before each daily injection. Reconstituting the product before injection involves 22 steps and the use of 6 different objects (syringes, needle, vial, Figure 13). This complicated procedure takes time and can result in mishandling, misinjection, or even injury. A ready-to-use solution could therefore have significant benefits for people with short bowel syndrome.

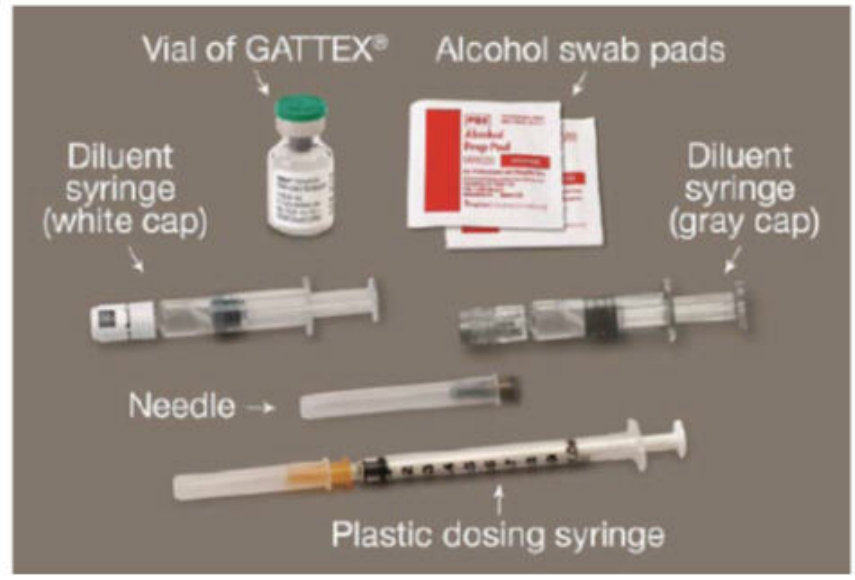

Figure 13: Detail of the material necessary for the reconstituting of Gattex®/Revestive®before injection. (Excerpt from the instruction leaflet).

▪ In vitro results and next steps

On the basis of promising in vitro results, BioChaperone Teduglutide is currently in preclinical development, with the goal of starting the first human clinical trial in the last quarter of 2018.

▪ Competition

Today, the only competitor product on the market is Gattex® (teduglutide) itself, which has recently addressed a significant medical need. Sales reached $219.4 million in 2016, and $335 million in 2017. The market has been growing strongly since the launch of Gattex and is expected to reach in excess of $500 million at its peak. The annual cost for medication with Gattex® is approximately $350,000 per year in the United States and €240,000 in France.

Two GLP-2 analog projects are currently in clinical development for the treatment of short bowel syndrome. Zealand Pharma is developing glepaglutide, a stable analog of GLP-2 in liquid form. Gelpaglutide is expected to enter Phase 3

by mid-2018. In addition, Glypharma is also developing a long-acting GLP-2 analog with the potential to reduce injections to once or twice a week. This compound has the same disadvantage as teduglutide i.e., instability in liquid form, and is being developed as a powder for reconstitution. Glypharma has announced positive toxicity and safety results in Phase 1 clinical study in healthy subjects.

1.3.6. Intellectual property

1.3.6.1. 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 fields, in particular chemistry, physical chemistry, analytics and biology. 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 more than 15 years of experience in R&D management, first with Flamel Technologies and then with Adocia.

1.3.6.2. Procedures for the protection of intellectual property

▪ IP department and external Industrial Property consultancy

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

The Intellectual Property department, in collaboration with an intellectual 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. Patent applications and examination procedures are conducted in collaboration with this consulting firm.

This intellectual property firm, Cabinet Tripoz, manages the Company's portfolio of patents.

▪ Designation of inventor and remuneration

An invention declaration form has been created to describe the invention and designate its inventor(s), 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 registration 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.

▪ Communication and confidentiality

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

Technical communication is therefore approved by the Intellectual Property department and, if applicable, subject to contracts suitable to the situation (see chapter 1.2.6 Contracts).

1.3.6.3. Patents and patent applications

▪ 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 in this country. 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.

▪ 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.

▪ 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.

▪ 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. 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.

▪ 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.

Portfolio

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.

Portfolio

Currently, inventions are protected by patent application filings comprising 39 distinct families. Adocia's portfolio contains more than 180 patents and patent applications belonging to the Company, of which 99 are 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, 2017:

Territoiries	Patents	Ongoing patent application
France	13	22
USA	16	16
European patent	7	13
Australia	4	2
Brazil	0	8
Canada	3	3
China	6	3
Eurasian patent	0	2
Hong Kong	0	3
Israel	4	2
India	1	7
Japan	5	2
South Korea	3	3
Mexico	4	2
Russia	6	0
Saudi Arabia	1	2
Singapore	5	1
South Africa	4	2
PCT	NA	6
TOTAL	**82**	**99**

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. In 2017 the WO2014076423 application led to the issuance of patent US9700599 in the United States and CN104902922 in China.

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, comprises 11 families of patents.

We can cite among these 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 issued in the United States, Europe, China, Israel, Japan, Mexico, Russia and Singapore. Subject to payment of annuities, these patents will provide protection until 2032.

In this same field, we can cite the WO2017211903 and WO2017211916 applications submitted in 2017, involving new composites and compositions combining a basal insulin, such as insulin glargine, and a prandial insulin.

Patent applications were submitted in 2017 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 including in particular the WO2017211917 and WO WO2017211917 applications submitted in 2017;
- combinations of prandial insulin with GLP-1 RA; and
- 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 USPair (USPTO).

▪ 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.

▪ Litigation

In October 2017, Adocia announced in a press release its filing of an arbitration claim against Eli Lilly & Co related to a research and licensing agreement signed in 2014. This proceeding concerns some $11 million and other specific compensation for changes made to the development plan during the collaboration. A decision in this case is expected in Q2 2018.

In February 2018 the company announced additional arbitration claims against Eli Lilly & Company arising out of Lilly's misappropriation and improper use of Adocia's confidential information and discoveries as well as Lilly's breaches of several collaboration and confidentiality agreements. Adocia is seeking monetary damages in excess of $200 million, as well as other specific relief. Adocia expects a decision on these new arbitration proceedings in Q3 2018.

1.3.7. Major contracts

1.3.7.1. 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.

1.3.7.2. 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 partners' 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.

1.3.7.3. Licenses

▪ 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 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).

▪ 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.

1.3.7.4. OSEO Innovation agreements of April 25, 2012

As part of 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 agreed to repay OSEO the full amount lent based on the following payment schedule:

- €130,000 for the year 2017 (€32,500 per quarter),
- €150,000 for the year 2018 (€37,500 per quarter),
- €200,000 for the year 2019,
- €320,000 for the year 2020.

In the event of assignments of licenses or marketing, the company agreed to pay OSEO, by March 31 of each year and starting on January 1, 2014:

44.82% of income, excluding tax, from assignments or concessions of licenses, patents or know-how received during the previous calendar year, when such assignments or concessions concern all or part of the results of the financed program, and

44.82% of income, excluding tax, generated by the marketing and particularly 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 this case, the sums paid will first be deducted, by 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 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 agreed to repay OSEO a minimum sum of €280,000 corresponding to the amounts due for 2017 and 2018 as described above. In 2017, the Company reimbursed accordingly to the plan.

If the company fails to fulfill its obligations, OSEO would have a right to demand the repayment of the advance granted.

1.3.7.5. 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 (French insurance company for foreign trade) on October 26, 2012 in return for the payment of a premium equivalent to 2% of the annual budget.

Under the terms of the agreement, Coface guarantees the reimbursement of 75% of the expenses incurred during the four-year guarantee period, which runs from October 1, 2012 to September 30, 2016.

The company agreed to repay the sums received from Coface according to the Terms and Conditions set out in the agreement during an amortization period that runs until September 30, 2021. The repayment terms are as follows:

- 14% of the billing amount of services provided
- 30% of the sums received from the assignment of intellectual property rights

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

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

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

During the period between October 1, 2013 and September 30, 2014, the Company has not committed exploration expenditures on target markets and the contract has been canceled. Therefore, the Company entered into the amortization period on amounts received previously, meaning €91 thousand and as provided in the contract and listed above. By letter received on November 27, 2014, Coface declared the guarantee period extended by two years, i.e. from October 1, 2013 to October 1, 2018.

1.4. Analysis and comments on activities during the year

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, 2016 and December 31, 2017, as well as the notes to the consolidated financial statements prepared under IFRS and presented in section 4.1 of this registration document and all other financial information included herein. Readers may also review the description of the Company in section 1.2 "Presentation of Adocia and its activities."

The consolidated financial statements prepared under IFRS are presented in section 4.1 of this registration document. Only the corporate financial statements prepared under French GAAP have legal force and are reproduced in the notes to this registration document along with the statutory auditors' reports.

1.4.1. Main activities during the year

The beginning of 2017 was marked by Eli Lilly's decision to terminate the licensing and cooperation agreement signed in December 2014 for development of an ultra-rapid BioChaperone Lispro insulin analog.

After reacquiring all the results and equipment produced, Adocia continued to develop this product alone by launching a clinical study to compare the pharmacokinetic and pharmacodynamic profiles of BioChaperone Lispro to those of Fiasp® (accelerated insulin, Novo Nordisk) and Novolog® (insulin aspart, Novo Nordisk) administered using an insulin pump in patients with type 1 diabetes. The results of the study, announced in December 2017, demonstrate better performance of BioChaperone Lispro compared to Novolog (faster-on and faster-off metabolic effects) and Fiasp (significantly faster-off metabolic effect). Adocia's priority now is to find a new partner to continue phase 3 clinical development and market the product.

Concerning BioChaperone Combo, an important regulatory step was taken in 2017 with the launch of a phase 1b clinical study documenting the dose-proportionality of BioChaperone Combo in patients with type 2 diabetes. The results announced in late January 2018 demonstrate that BioChaperone Combo shows a proportional dose exposure and a linear dose-response relationship when tested with three different doses in patients with type 2 diabetes. BioChaperone Combo therefore offers better performance than pre-mix insulins and is competitive with the only next-generation combo approved to date (Novo Nordisk Ryzodeg®). Adocia's strategy is to continue to develop the product with a pharmaceutical partner and offer a more high-performance product in emerging countries with fast-growing diabetes markets.

For HinsBet®, Adocia's strategy is to license this product to one of the regional players in the diabetes field in order to pursue its development and allow its marketing in emerging countries.

Concerning the glucagon project, the topline results of the first clinical study launched in July 2017 were published at the end of November. The objective was to compare the product's safety and tolerance to those of a human glucagon available on the market (Glugagen® Hypokit™, Novo Nordisk), as well as their pharmacokinetic and pharmacodynamic profiles, in patients with type 1 diabetes. The results of the study showed that BioChaperone Glucagon, a ready-to-inject stable aqueous formulation of human glucagon, proved safe and well tolerated by patients with type 1 diabetes. Together with positive stability results, this initial clinical data justifies further development of this product as a ready-to-inject treatment for severe hypoglycemia.

The development carried out on the various products in the portfolio highlighted the unique properties of BioChaperone technology. It is designed to deliver meaningful enhancement of single therapeutic agents and enable the combination of multiple therapeutic proteins.

A number of BioChaperone compounds initially developed for the BioChaperone Combo project are particularly effective in multi-hormonal combinations. In early 2017, Adocia announced the launch of a new preclinical program

that entails developing multi-hormonal combinations for the prandial treatment of type 1 diabetes (BioChaperone Combinaisons Prandiales). The first application concerns the BioChaperone insulin Pramlintide combination (Symlin®, AstraZeneca), the goal of which is to offer patients with type 1 diabetes a more effective treatment without increasing the number of injections. A clinical study on this combination is scheduled to begin in the first half of 2018.

Along these same lines, following its successful application to various diabetes treatments, in early 2018 Adocia announced that BioChaperone technology would also be applied to a select range of injectable therapies in several therapeutic areas. The first programs added to the portfolio include a ready-to-inject version of teduglutide for the treatment of short bowel syndrome and a fixed-dose combination of glucagon and exenatide for the treatment of obesity.

At the organizational level, in early July 2017 the Company announced that it was enhancing its organization with the hiring of Dr. Stanislav Glezer as Chief Medical Officer. His experience at large pharmaceutical groups in clinical development and medical affairs, particularly in diabetes treatments, gives Adocia a real advantage.

In terms of legal matters, in early October 2017 Adocia announced that it had initiated an arbitration procedure against Eli Lilly & Co. related to the research and licensing agreement signed in 2014. This arbitration procedure concerns approximately USD 11 million and other specific compensation related to the changes made to the development plan during the collaboration. The content of this procedure is confidential and Adocia has indicated that it would disclose information only at the end of the procedure, which is scheduled for the second quarter of 2018.

In February 2018, the Company announced through a press release that it had filed new applications for arbitration against Eli Lilly & Company for Lilly's misuse of confidential information and discoveries belonging to Adocia and for its breach of several collaboration and confidentiality agreements. Adocia is claiming more than $200 million in damages as well as other specific compensation. Adocia expects a decision on these new applications for arbitration in the second half of 2018.

1.4.2. Presentation of the financial statements

1.4.2.1. General information

The Company's principal activity is research and 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.

1.4.2.2. Main accounting principles

- **Revenue recognition**

Adocia generates revenue from collaboration and licensing agreements signed with other companies operating in its sector and from public funding of research costs (grants and research tax credit).

- **Research and development costs**

Research and development costs are recognized as expenses on the income statement in the year in which they are incurred. Development costs are capitalized only when the conditions required by IAS 38 are met. As of the date of this registration document, these conditions had not been met and the Company therefore did not capitalize its development costs.

1.4.3. Financial position and appropriation of profit

1.4.3.1. Components of income

The table below summarizes the Company's income statement under IFRS for the fiscal year ended December 31, 2017 and provides a comparison with fiscal year 2016.

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Revenue (a)	**19 469**	**22 488**
Research and collaborative agreements	650	11 739
Licencing revenues	18 819	10 749
Other revenue (b)	**7 708**	**7 966**
Research tax credit	7 535	7 812
Grants, public financing, others	173	154
Operating revenue (a) + (b)	**27 177**	**30 454**
Research and development expenses	(27 074)	(30 971)
General and administrative expenses	(8 284)	(7 484)
Operating expenses	**(35 358)**	**(38 455)**
OPERATING INCOME (LOSS)	**(8 180)**	**(8 001)**
FINANCIAL INCOME (LOSS)	**(335)**	**181**
Tax	(35)	(72)
NET INCOME (LOSS)	**(8 550)**	**(7 892)**
Base earning per share (€)	(1.2)	(1.2)
Diluted earning per share (€)	(1.2)	(1.2)
GROUP NET PROFIT (LOSS)	**(8 550)**	**(7 892)**

Operating income

The Company's operating income resulted from collaboration and licensing agreements and public funding of research costs. In 2017, operating income amounted to €27.2 million compared to €30.5 million in 2016 based on the following breakdown:

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Revenue (a)	**19 469**	**22 488**
Research and collaborative agreements	650	11 739
Licencing revenues	18 819	10 749
Grants, public financing, others (b)	**7 708**	**7 966**
OPERATING REVENUE (a) + (b)	**27 177**	**30 454**

Revenue of €19.5 million at December 31, 2017 resulted primarily from the collaboration and licensing agreement signed with Eli Lilly at the end of 2014, which ended on May 31, 2017.

Eli Lilly's decision to terminate the BioChaperone Lispro collaboration had a significant impact on 2017 revenue. In fact, under IFRS rules, the initial payment of €40.8 million ($50 million) made by Lilly in December 2014 was amortized on a straight-line basis over the development period initially specified in the agreement. The end of the agreement led the Company to recognize the unamortized balance, i.e. €18.8 million, as revenue. This licensing revenue had no impact on the Company's cash position, since the payment was made when the agreement was signed in December 2014.

Throughout this collaboration, which ended in late May 2017, Lilly assumed all internal and external expenses incurred by Adocia related to the development of BioChaperone Lispro. This revenue totaled €0.7 million in 2017 compared to €11.8 million in 2016.

Other operating income includes the Research Tax Credit in the amount of €7.5 million at December 31, 2017 compared to €7.8 million at December 31, 2016. This slight decrease is in line with the smaller amount of research and development costs recorded this year.

▪ Operating expenses

The table below shows a breakdown of operating expenses by function for the fiscal years ended December 31, 2016 and December 31, 2017:

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Research and development expenses	(27 074)	(30 971)
General and administrative expenses	(8 284)	(7 484)
OPERATING EXPENSES	**(35 358)**	**(38 455)**

Research and development costs mainly include payroll costs of research and development employees, subcontracting costs (including preclinical studies and clinical trials), intellectual property costs and purchases of materials (reagents and other consumables), pharmaceutical products and other raw materials. In 2017, these costs amounted to €27.1 million compared to €31 million in 2016. They accounted for nearly 77% of operating expenses in 2017.

General and administrative expenses mainly include payroll costs of non-research and development employees, as well as the cost of services related to the management and business development of the Company and its subsidiary in the United States. They amounted to €8.3 million in 2017 compared to €7.5 million in 2016. In 2017, this item also included attorneys' fees incurred as a result of the arbitration procedures initiated against Eli Lilly.

The table below shows a breakdown of operating expenses by type of expense for the fiscal years ended December 31, 2016 and December 31, 2017:

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Purchases used in operations	(1 740)	(1 781)
Payroll expense	(10 843)	(12 051)
Share-based payments	(2 525)	(4 568)
External expenses	(19 019)	(19 070)
Taxes and contributions	(217)	(222)
Depreciation, amortization & provisions	(1 013)	(763)
OPERATING EXPENSES	**(35 358)**	**(38 455)**

The cost of materials, products and supplies consumed remained stable between 2016 and 2017 at more than €1.7 million.

Payroll expenses totaled €10.8 million in 2017 compared to €12.1 million in 2016. Given the recruitments in 2016, the average workforce rose from 115.9 full-time equivalents (FTE) in 2016 to 126.1 FTE in 2017, an increase of nearly 9%. The €1.2 million decrease in personnel expenses therefore mainly reflects the conservative wage policy following the announcement of the end of the partnership with Lilly, which in 2017 resulted in a freeze on wages and bonuses.

The €2.5 million share-based payments item in 2017 mainly includes the impact of the plan introduced in previous years, as the awards during the year were limited. In accordance with IFRS 2, these expenses correspond to the fair value of the equity instruments granted to managers and employees. These elements had no impact on the Company's corporate financial statements or cash position.

External charges mainly included the costs of preclinical studies, clinical trials, subcontracting expenses, intellectual property costs, professional fees and administrative expenses. These expenses amounted to €19 million and remained stable between 2016 and 2017, given that the decrease in research and development costs, particularly those of a clinical nature, were partly offset by the increase in attorneys' fees incurred for the procedures against Eli Lilly.

Taxes totaled €0.2 million in both years.

Depreciation and amortization for 2017 totaled €1 million compared to €0.8 million a year earlier. The €0.2 million increase resulted mainly from the depreciation related to the building purchased in April 2016, which had partly impacted the previous year's financial statements.

▪ Net financial income/expense

A net financial expense of €0.3 million was recorded in 2017, compared to €0.2 million in income the previous year. This was due to the decrease in the Company's cash position associated with a decrease in investment income in an environment of lower interest rates.

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

▪ Corporation tax

The €35,000 in tax for 2017 shown on the consolidated income statement refers only to the US-based subsidiary, as the parent company reported a €32.7 million tax loss for the year.

The amount of carryforward tax losses, after allocation for 2017, was €95.7 million. This carryforward loss is not limited in time. Since the company cannot determine with sufficient reliability when it will be able to absorb its accumulated tax loss, it did not recognize a deferred tax asset for this loss.

▪ Net profit/loss

The net loss for 2017 was €8.6 million compared to a net loss of €7.9 million in 2016. The net loss per share was therefore €1.2 and remained stable compared to 2016.

1.4.3.2. Balance sheet analysis

▪ Non-current assets

Non-current assets increased by €0.3 million between 2016 and 2017, due mainly to the purchase of a warehouse and improvements to the inner courtyard (+€0.8 million), which were offset by the decrease in the deposit related to the liquidity agreement (-€0.3 million). The remaining difference of €0.2 million corresponds to depreciation over the 12 months less the investments in scientific equipment and improvements to the building during the year.

Non-current assets therefore rose from €8.8 million at end-December 2016 to €9.1 million at end-December 2017.

▪ Current assets

Current assets amounted to €44.7 million at December 31, 2017 compared to €70 million at December 31, 2016. They consisted of the following items:

"Cash and cash equivalents" fell from €58 million at December 31, 2016 to €34.8 million at December 31, 2017. The €23.3 million in cash consumption during the year reflects the same level of expenses as the previous year; in contrast to 2016, these expenses were financed entirely by the Company given the end of the partnership with Lilly early in the year.

The "trade receivables" item totaled €2.5 million at December 31, 2016 and consisted mainly of the receivable related to the activities billed to Lilly under the agreement in place at the time. At the end of 2017, only the receivables related to the billing of rent for a portion of the premises belonging to Adocia were shown on the balance sheet in an immaterial amount.

Other current assets rose from €9.5 million at December 31, 2016 to €9.8 million at December 31, 2017.

▪ 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 €4.9 million compared to €4.6 million at end-December 2016.

- "Financial debt" totaling €7.3 million at end-December 2017, an increase of €0.3 million compared to the previous year. This increase related mainly to the lines of credit obtained in the amount of €0.8 million ($1 million) to finance the attorneys' fees incurred as a result of the legal proceedings against Eli Lilly. This increase was partly offset by the repayment of the loans taken out to finance the building. The short-term portion, shown under "Current financial liabilities", totaled €1.6 million at end-December 2017 compared to €0.7 million a year earlier.
- "Long-term provisions" mainly comprise provisions for retirement benefits, which totaled €2.2 million for fiscal year 2017 versus €1.7 million for fiscal year 2016.
- The "other liabilities" item for 2017 mainly includes tax and social security liabilities which amounted to €2.1 million, down by €1.7 million from the previous year given that no provision for bonuses was recognized for 2017. In 2016, other liabilities also included €18.8 million in deferred revenue related to the agreement signed with Eli Lilly at the end of 2014 for development of the ultra-rapid insulin BioChaperone® Lispro. Given the discontinuation by Lilly of the collaboration agreement in January 2017, the entire unamortized balance was recognized as revenue under IFRS.

1.4.4. Cash, financing and equity

Readers are invited to review notes 9 and 10 to the consolidated financial statements prepared under IFRS for the fiscal years ended December 31, 2016 and December 31, 2017, which are presented in section 4.1 and section 5 of this registration document.

1.4.4.1. Debt financing

As of the filing date of this registration document, the Company received non-interest-bearing repayable aid for its research from Bpifrance and COFACE, for a total amount of €4.1 million. At December 31, 2017, the amount still owed on these advances was €0.7 million. The details of each of the repayable advances received and the repayment terms are provided in section 1.3.7 of this registration document.

The Company also uses other types of financing to finance the purchase of laboratory equipment and a company car. As of December 31, 2017, short-term future obligations under these finance leases totaled €0.7 million.

In 2016, the Company took out a loan to finance the purchase of the building that it has occupied since its creation as well as adjoining parking. At the end of 2017, the principal balance was €5.3 million.

In 2017, the Company also financed the legal costs incurred in connection with the arbitration proceedings against Eli Lilly. This financing, obtained from two banks, took the form of two lines of credit, each in an amount of up to $1.5 million. At December 31, 2017, Adocia's financial debt increased by €0.8 million ($1 million).

At end-December 2017, debt totaled €7.6 million, with a portion due in less than one year of €1.8 million.

1.4.4.2. Cash flows

In (€) thousands, Consolidated financial statements, IAS/IFRS	FY 2017 (12 months)	FY 2016 (12 months)
Net cash flow generated by operating activities	(22 227)	(13 138)
Net cash flow in connection with investment transactions	(1 685)	(7 189)
Net cash flow in connection with financing transactions	653	6 301
Changes in net cash	**(23 259)**	**(14 026)**
Cash and cash equivalents at the start of the year	58 037	72 062
Cash and cash equivalents at year-end	34 778	58 037

▪ Net cash flow from operations

For fiscal year 2017, net cash outflows related to operations amounted to €22.2 million compared to €13.1 million a year earlier.

Net cash flow includes reimbursements by Eli Lilly of internal and external expenses incurred by Adocia for the BioChaperone Lispro project until the end of the collaboration agreement. A year earlier, the Company had received €14.3 million under the licensing agreement compared to €3.1 million in 2017.

- **Net cash flow from investments**

Cash consumption related to investment activities was €1.7 million, a significant decrease compared to the previous year (€7.2 million in 2016).

In 2016, the Company purchased the building that it has occupied since its creation as well as adjoining parking for a total of €5.6 million, financed through bank loans (positive cash flow related to the financing of this transaction).

As a follow-up to this transaction, in 2017 the Company purchased a warehouse and the inner courtyard of this same real estate complex for €0.8 million.

It then continued to invest €0.8 million in equipment and improvements, €0.1 million of which was financed through leasing.

- **Net cash flow from financing transactions**

In 2017, net cash flow from financing transactions resulted primarily from two lines of credit obtained to finance the legal costs incurred for the applications for arbitration against Eli Lilly. At December 31, 2017, Adocia's cash flow was impacted in the amount of €0.8 million ($1 million).

1.4.4.3. Funding sources needed in the future

With nearly €35 million in cash and cash equivalents at December 31, 2017, the Company believes that it has the necessary resources to finance its operating expenses for at least the next 12 months from the filing date of this registration document.

Including financial debt, net cash at the end of 2017 was €27.3 million. This level of cash enables the Company to fund its planned clinical development (see section 1.3.2 of this registration document) and the development of its new programs.

The Company believes that it is able to make its next repayments of the loans and the Bpifrance repayable advances, which are estimated at €1.8 million for 2018 (see note 10 to the Company's consolidated financial statements prepared under IFRS in section 4.1 of this registration document).

1.4.5. Growth prospects, outlook and significant events after the close of the fiscal year

1.4.5.1. Trend information

See section 1.3 of this registration document which describes the epidemiological data for the pathologies targeted by the BioChaperone® technology platform, and, for certain pathologies, market trends and size.

1.4.5.2. Profit forecasts and estimates

The Company does not plan to make profit forecasts or estimates.

1.4.5.3. Significant change in the financial or trading position

None.

1.5. 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.

1.5.1. Risks associated with implementation of the Company's strategy

1.5.1.1. The Company is dependent on its BioChaperone® 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.

1.5.1.2. 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.

1.5.1.3. 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 an ultra-rapid insulin lispro analog, BC Lispro. 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 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 an 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.

1.5.2. Risks associated with the Company's business

1.5.2.1. 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 result in 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.

1.5.2.2. 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 pre-approval 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.

1.5.2.3. 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.

1.5.2.4. There is significant competition in the Biotechnology, pharmaceutical and medical devices industries.

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 non-economical.

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.

1.5.3. Risks associated with the Company's organization

1.5.3.1. 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 1.5.7 of this registration 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 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.

1.5.3.2. Company's inability to manage internal growth

In connection with its development, the Company is in the process of recruiting additional staff and expanding its operating capacity significantly, which could make high demands on its internal resources.

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.

1.5.3.3. As part of its growth and development, the Company and its partners will need to find new supply sources for certain of the proteins it uses in its product candidates.

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.

1.5.3.4. The Company relies on third parties to conduct clinical trials on its product candidates.

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.

1.5.4. Regulatory and legal risks

1.5.4.1. Risks associated with obtaining 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.

1.5.4.2. 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, with the assistance of its partners, in developing 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.

1.5.4.3. 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 such 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 and/or incorrect documentation or disclosure, 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.

1.5.4.4. 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;
- its competitors have not already developed a technology or products similar to its own;
- the scope of the protection afforded by patents and trademarks is sufficient to protect it 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 in force 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.

1.5.4.5. Risks associated with license holders that may affect the Company's relations with its 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 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 the grounds for a misuse action against the Company.

1.5.4.6. Risks associated with liability arising from products

The Company's business exposes it 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, even when 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 healthcare 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 registration 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.

1.5.4.7. 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.

1.5.4.8. 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.

1.5.4.9. 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.

1.5.5. Financial risks

1.5.5.1. 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, 2017, its cumulative net losses presented under IFRS rules (including losses carried forward) were €45.5 million, including a net loss of €8.6 million for the fiscal year ended December 31, 2017.

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 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.

1.5.5.2. 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.

1.5.5.3. 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, 2017 is 7.92% 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.

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

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, 2017, and since its creation in 2005, the Company has received the following financial assistance:

In (€) thousands	Amount granted and cashed in	Amount reimbursed	Amount granted as a subvention
OSEO repayable advances	3 470	1 750	1 050
OSEO FEDER subvention	605		605
COFACE repayable advances	91		
TOTAL ADVANCES	**4 166**	**1 620**	**1 655**

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.

1.5.5.5. 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 2017 the Company received a total reimbursement of €7.8 million under the research tax credit for expenditures generated in fiscal year 2016.

For fiscal year 2017, the Company recorded an amount of €7.5 million under the research tax credit that appears in its receivables, for which it will seek reimbursement in 2018.

With respect to 2017 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.

1.5.6. Market risks

1.5.6.1. 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 €58 million as of December 31, 2016 and almost €35 million as of December 31, 2017.

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. With integration of its financial debt and loans in the amount of €7.5 million at end-December 2017, net cash flow for this period was €27.3 million. This level of cash enables the Company to fund its planned clinical development (see section 6.1.3 of this registration document) and the development of its new programs.

In particular, the Company believes that it is able to make its next repayments of its loans and Bpifrance repayable advances, which are estimated at €1.8 million for 2017 (see note 10 to the Company's consolidated financial statements prepared under IFRS in chapter 4.1 of this registration document).

The Company is continuing to finance its research and development activities at a rapid pace, while still focusing its expenditures on priority projects and activities. Together with the possibility of advance payment of the research tax credit, this operations plan gives the company the financial capacity to meet its financial obligations for at least the next 12 months. Therefore, the going concern assumption has been retained.

1.5.6.2. 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.

1.5.6.3. 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 €58 million as of December 31, 2016 and almost €35 million as of December 31, 2017. 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.

1.5.6.4. Equity risk

None.

1.5.6.5. 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, 2016 the Company's share price traded at €61, compared with €14.35 on December 31, 2017. The average daily trading volume of 24,563 shares traded per day in 2016 rose to 36,265 shares traded per day in 2017. The public float remained steady in 2017 and was around 60% at the end of December 2017.

As of April 6th,2018, shares traded at €14.54 with an average volume of 17 690 shares traded.

In addition to the occurrence of the risks described herein, the market price of the Company's shares 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;

1.5.7. Insurance and risk coverage

The company has adopted a policy to cover the main risks to which it is exposed, when possible, 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 remained stable at €107 thousand in the fiscal years ended on December 31, 2016 and 2017.

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;
- a "business liability" policy, which covers risks in connection with business operations for all damage, including bodily injury;
- 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.

For all the policies, the Company and the insurer determine together the maximum coverage in adequacy with the specificities of the Company and in line with the practices of companies in a similar field of activity.

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.

1.5.8. Extraordinary events and disputes

During the 12-month period preceding the filing date of this registration 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 registration 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.

However, it must be noted that in October 2017, Adocia announced in a press release its filing of an arbitration claim against Eli Lilly & Co related to a research and licensing agreement signed in 2014 and terminated in January 2017 at the initiative of Eli Lilly & Company. This proceeding concerns some $11 million and other specific compensation for changes made to the development plan during the collaboration. A decision in this case is expected in the first half of 2018.

In February 2018 the company announced additional arbitration claims against Eli Lilly & Company arising out of Lilly's misappropriation and improper use of Adocia's confidential information and discoveries as well as Lilly's breaches of several collaboration and confidentiality agreements. Adocia is seeking monetary damages in excess of $200 million, as well as other specific relief. Adocia expects a decision on these new arbitration proceedings in Q3 2018.

1

Chapter 2

2 SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

2.1 Methodology note

This report uses indicators selected to represent the main economic, social and environmental impacts of the Company's activities.

The social, environmental and safety indicators that were collected, calculated and consolidated may be subject to inherent limits in terms of the practical modalities of collection and consolidation of this data.

The data presented covers all the Company's activities and all the group's employees, unless otherwise indicated.

2.1.1 Definition of labor indicators

Workforce: Number of employees on staff at December 31 of the year N, under permanent or fixed term contract (including work-study contracts). Contracts terminating on December 31 are not included in the workforce. This calculation is not prorated for part-time workers.

New hires: Number of employees hired under permanent or fixed term contract between January 1 and December 31 of the year N. This calculation is not prorated for part-time workers. Transitions from fixed term to permanent contracts are not included in new hires. A transition from a work-study to a fixed term or permanent contract is counted as a new hire.

Departures: Number of employees who left the company between January 1 and December 31 of the year N. This calculation is not prorated for part-time workers.

Absenteeism rate: The ratio of the number of days of absence due to illness, sick child or workplace accident to the number of theoretical days worked. This figure only covers the France scope.

Number of hours worked: This indicator only covers the Company's activities located in France from January 1 to December 31 of the year N. It corresponds to the number of hours of effective work. Interns are excluded from the calculation.

2.1.2 Definition of safety indicators

These indicators only cover the Group's activities located in France.

Frequency rate (FR): (number of workplace accidents and commuting accidents resulting in medical leave / hours worked) x 1,000,000

Severity rate (SR): (number of days lost due to temporary disabilities as a result of a workplace accident or commuting accident / hours worked) x 1,000,000

2.2 Social data

2.2.1 Group remuneration policy

2.2.1.1 Remuneration

The Company has to be competitive and attractive to attract and retain top talent. It therefore applies an ambitious remuneration policy, reflected in particular in a payroll of €7.4 million (French GAAP) for 2017 and significant annual increases. Over the last three years, average general and individual increases fell within a 4% to 10% range (excluding corporate officers), plus bonuses based on collective and individual performance. However,

in a more challenging economic environment, the Company reserves the possibility of revising its remuneration policy to adapt to economic and financial constraints and issues.

Allocation of pay raises and/or bonuses is based on objective criteria and individual merit. Employees enjoy workplace equality regardless of race, sex, color, religion, disability, family status, sexual orientation, age and ethnicity.

Adocia supplements its remuneration policy with plans launched in 2008 to award free corporate shares and BSPCE founders' warrants. Initially intended for key Company managers (directors and service line heads), and then project managers, this policy was extended to technicians and managers at the expert and senior level in 2015.

2.2.1.2 Equity interests held by employees

To the Company's knowledge, at December 31, 2017, the Company's employees (including Olivier Soula and Rémi Soula) held 692,840 shares, i.e. 10% of equity and 13.8% of voting rights in the Company. The proportion of capital represented by the shares held by Company employees, including corporate officers, that are subject to collective management (PEE or FPCE accounts), calculated in accordance with Article L. 225-102 of the French Code of Commerce, was zero. The shares held by employees or corporate officers following free allocation as per Article L. 225-197 of the French Code of Commerce represented 1.5% of equity.

2.2.1.3 Employee savings

ADOCIA has implemented various employee savings schemes. Such schemes are instruments in the company's labor policy that can meet various objectives, such as strengthening the connection between employee performance and business results, and retaining and motivating employees.

- Profit sharing (*participation*) implemented by an agreement signed December 11, 2013 between management and the employees represented by the Single Employee Representative Body. There was no profit sharing at December 31, 2017, given the loss registered for fiscal year 2017.
- A company savings plan (PEE) and collective retirement savings plan (PERCO) created on July 28, 2014 by agreement of management and the employees represented by the Single Employee Representative Body.
- The time savings account (CET) set up by an agreement signed June 30, 2014 between management and the employees represented by the Single Employee Representative Body.

The Company has not signed a profit sharing (*intéressement*) agreement to date.

2.2.2 Employment

The main objectives of Adocia's human resources policy are to:

- attract, retain and motivate the best talent to support the development of the company's ambitious and innovative projects;
- provide training opportunities to employees;
- promote internal mobility and promotions, so as to offer employees a broader scope of activities and enable them to gain new expertise.

2.2.3 Workforce

At the end of December 2017, the Company had 129 employees (full-time and part-time), of which 127 work In France in the parent company and two are based in the US subsidiary Adocia Inc. At December 31, 2017, the breakdown of the workforce by socio-professional categories and gender is as follows:

Workforce by socio-professional categories and gender	12/31/2017	12/31/2016
Executives	**70**	**68**
of which permanent contracts	68	68
Non executives	**59**	**57**
of which permanent contracts	46	45
Workforce (number)	**129**	**125**
Workforce breakdown by gender M/F (in %)	**50/50**	**52/48**
Men (number)	65	65
Women (number)	64	60

At the end of December 2017, the company employed 47 researchers who hold a doctorate in science, medicine or pharmacy, or more than one-third of the total.

As of December 31, 2017, close to 80% of the workforce was assigned directly to research and development, with the remaining employees performing support functions, such as finance, administrative services, quality, security and human resources.

At December 31, 2017, the average employee age was 35 years and the breakdown of the workforce by age bracket was as follows:

Age pyramid 2017	Men	Women	Total	Percentage
Younger than 25 years old	9	10	**19**	**15%**
25 to 34 years old	21	28	**49**	**38%**
35 to 44 years old	23	17	**40**	**31%**
Older than 44 years old	12	9	**21**	**16%**

The Company's R&D and SG&A workforce has evolved as follows:

	12/31/2017	12/31/2016
R&D workforce	101	100
G&A workforce	28	25
Total workforce	**129**	**125**

2.2.4 Personnel movements in 2017

The table below presents the evolution of the workforce from January 1 to December 31, 2017:

	12/31/2017	12/31/2016
Number of hires	**22**	**37**
Number of employee departures	**18**	**21**
Net increase of the workforce	**+4**	**+16**
of which permanent contracts	1	14
of which short-term contracts for additionnal activity	0	1
of which short-term contracts for replacement	3	0
of which work-study contracts	0	1

The Company registered 18 departures during 2017, including:

- 12 departures at the end of fixed term contracts (including nine work-study contracts)
- 2 resignations

- 1 upon termination of the trial period at the employer's initiative
- 1 termination by mutual agreement
- 2 dismissals

2.2.5 Work organization

The employment contracts of the French employees are governed by that country's collective bargaining agreement for pharmaceutical industries.

Those employed by the Adocia Inc. subsidiary are governed by US law.

On July 22, 2010 the Company reached an agreement on the organization of working time with employee representatives, whose details were developed with a view to the agility and flexibility needed in the research field. This agreement was approved by the French National Joint Committee for 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 counted in days and the working time of technicians (employees in groups I to V) is counted in hours. For these latter, effective working time is 36.25 hours per week, with allocation of compensatory days to result in an average working time of 35 hours per week.

In 2017, 14 employees worked part time, four of which under a parental leave contract. All these employees choose to work part time to deal with family responsibilities.

The main reasons for absences in 2017 were illness and maternity or paternity leaves.

The absenteeism rate was 1.95% in 2017 compared with 0.99% in 2016. The number of days of absence due to sickness, workplace accident and sick child for 2017 was 613 days, compared with 284 days the previous year. This increase is primarily due to four sick leaves exceeding 40 days in 2017. Planned absences such as maternity leave or paternity leave are not included in this calculation.

2.2.6 Labor relations

The Company decided to create a single employee representative body in 2013 after arriving at the legal thresholds in 2012. This single employee representative body was renewed in November 2016.

This new single representative body, in accordance with the Rebsamen Act of August 18, 2015, combines the attributes of employee representatives, works council and health, safety and working conditions committee within a single elected delegation. The Single Employee Representative Body had six members and five alternates at end-2017.

The company ensures that the rights and freedoms of the delegates to employee representative bodies are scrupulously respected, and that these delegates enjoy the same career prospects and training opportunities as other employees.

Management and the employee representative bodies jointly and freely decide the common measures to be taken to guarantee the development of a progressive, high quality industrial relations policy by maintaining ongoing and constructive labor-management dialogue.

The company complies with the fundamental conventions of the International Labor Organization on respect for freedom of association and the right to collective bargaining, the elimination of discrimination in respect of employment and occupation, the elimination of forced or compulsory labor, and the abolition of child labor.

2.2.7 Health and safety

The Company has a Health, Safety and Environment department comprising three people. This department also relies on 16 individuals with occupational first aid training in the various departments of the Company. 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.

Since November 2016, the missions of the health, safety and working conditions committee have been assigned to the single employee representative body.

Quarterly meetings are held, which are attended by the Health and Safety department.

A workplace accident means any accident that is suffered due to or during work by 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 their home and workplace (round trip).

The Company registered 50 accidents during the year. In relation to the average workforce in 2017, the rate of workplace accidents per employee is 0.40, compared with 0.24 the previous year, remaining at a rate that is considered as low. Three of these accidents resulted in medical leave of maximum one week, compared with zero in 2016.

The frequency rate in 2017 was 16.22 and the 2017 severity rate was 0.08.

	12/31/2017	12/31/2016
Frequency rate	16.22	0
Severity rate	0.08	0

No occupational or work-related illness was reported in 2017 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 provides a medical examination for all of its workers, with different frequencies depending on the nature of the position: laboratory staff are examined at least once every two years; administrative staff have a medical visit at least once every five years.

To date, no agreement on occupational health and safety has been signed with the labor unions or employee representatives.

2.2.8 Training

Staff members have extensive training and the company places particular importance on maintaining each employee's knowledge and expertise at a high level. Continuing education is primarily focused on scientific and technical training to develop the skills of laboratory staff (researchers and laboratory technicians) but it can also involve all staff on topics such as management, communication in English, the use of computer software, accounting and human resources training, training for new tools and materials, or regulatory monitoring. Each year, employees also receive general training targeting all staff around a theme whose underlying focus has been the same for several years: "better self-knowledge, better knowledge of others."

A total of 1,422.50 hours of training were dispensed in 2017.

Number of employees trained in 2017	Men	Women	Total
Executives	36	30	66
Non executives	26	25	51
Total workforce	62	55	117
Breakdown by gender (in %)	53	47	

Personnel in the Company as of 12/31/2017	Men	Women	Average number
Average number of training actions taken per employee in 2017	2.54	2.14	2.34
Average number of training hours per employee in 2017	11.55	10.29	10.92

To develop individual skills and maintain a high level of expertise, the company also encourages all researchers to attend international conferences and seminars. In 2017, Adocia participated in 21 conferences and scientific seminars (involving 42 participants).

2.2.9 Workplace equality

2.2.9.1 Measures taken to support gender equality

After consultation with 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 three points:

- Workforce: The Company will continue to hire its employees on the basis of objective expertise criteria and individual merit, keeping in mind gender equality.
- Training: The Company will ensure that training, whether to develop each employee's business skills or to enable them to adapt to changes in the company, is accessible to and equal for both men and women.
- Compensation: The Company will continue its policy of compensating men and women equally.

The Company seeks to ensure that there is no discrimination in employment and career, via annual performance and skill reviews.

At December 31, 2017, the breakdown of men and women in the workforce was perfectly balanced, with 64 women and 65 men.

2.2.9.2 Measures taken to support employment and integration of workers with disabilities

To promote the recruitment of workers with disabilities, the company has taken steps to such workers, in particular holding meetings with CAP Emploi, the French national placement network for people with disabilities. Despite these actions and the fact that all positions are open to people with disabilities, the company has received few applicants (an issue of skills not matching the position profile). At the end of December 2017, the Company had one employee in its workforce recognized as having disabled worker status.

The Company utilizes supported employment agencies for workers with disabilities (ESAT) for its supply of stationery, maintenance and cleaning of green spaces, and also began outsourcing its paper recycling to a company in the supported employment sector in 2017.

2.3 Environmental data

2.3.1 General environmental policy required by Article R225-105-1 of the French Code of Commerce

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. No provisions or guarantees for environmental risks have been recognized to date. Its activities do not include industrial production or distribution, or significant discharges of effluents 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 its 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.

On June 28, 2017, the Company completed its installation on the site with the purchase of a storage building with delivery bay, with a total surface area of 2,092 m², of which 1,650 m² underground. Following this acquisition, the Company converted the former courtyard into a garden.

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 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, is a member of senior management.

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

2.3.2 Pollution and waste management

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). 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 month, the Company stores its waste in appropriate containers in dedicated premises and in compliance with the relevant safety standards.

In 2017, the quantity of hazardous laboratory waste sent to a specific center (soiled packaging and glass, chemical waste) totaled 35.8 metric 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 wastewater.

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 2017, the quantity of paper and cardboard removed totaled approximately 5.4 metric tons. Sorting and packaging is undertaken by the Vaux en Velin Sorting Center and by the company ELISE since October 1, 2017 for recycling in the paper industry.

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

- external resources, comprising purchases of specific containers and expenses associated with services subcontracted to waste specialists, amounting to €46 thousand in 2017;

- 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 onboarding during which the Safety/Environment Department provides information on environmental practices that are 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. This favors meals brought from home rather than the establishment of a catering service, 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.

2.3.3 Sustainable use of resources

The Company is attentive to 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. Since February 2016 the Company has access to meters that allow it to have direct and accurate information for the entire building.

2.3.3.1 Water

The company's consumption of municipal water is mainly for sanitary purposes.

The Company also uses water for its research activities, and in particular for cleaning its laboratory equipment. Water is thus used to supply the washing machines and sinks installed in the various laboratories and shared spaces in the Company. It is discharged after use in conventional drainage systems. For some of its activities, the Company also consumes water for the production of distilled water.

Until 2015, the Company purchased bottled water for the staff to drink. In 2016, to reduce its environmental impact, management decided to install drinking fountains in the lobby, considerably reducing the use of water bottles and hence plastic waste. As a result, the quantities purchased are negligible and are no longer monitored. Running water consumption is calculated from actual consumption based on invoices. Lastly, certain research operations require purified water, which the Company purchases in canisters.

Consumption in M^3	12/31/2017	12/31/2016
Bottled water	NS	NS
Distilled water	12	12
Current consumption water (*)	3 356	3 486
Water total	**3 368**	**3 498**

(*) prorated to the surface occupied by the Company

2.3.3.2 Electricity and natural gas

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 surface area:

Consumption in kWh	12/31/2017	12/31/2016
Electricity total (*)	**1 360 363**	**1 396 793**

(*) prorated to the surface occupied by the Company

The decreased consumption is due to improved practices despite a level of activity that remains stable. Gas consumption 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. Motion detectors that automatically turn off lights have been installed in some locations. The Company has also adopted and is gradually implementing a plan to replace older light bulbs with new generation low consumption bulbs.

2.3.3.3 Climate change

According to an initial analysis, the Company's production of greenhouse gas emissions is primarily from its purchasing of raw materials and consumables. In 2017, the Company estimated its emissions related to consumption of electricity (88 metric tons of CO^2) and to business travel (346 metric tons of CO^2). The Company plans to refine evaluation of its greenhouse gas emissions in the years to come.

Given the elements above, the Company's impacts were judged too minimal to justify recognition of provisions or guarantees for environmental risks.

2.4 Social data: information on social responsibility in favor of sustainable development

2.4.1 Territorial, economic and social impact of business

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

Adocia has been based in Lyon since its creation, and endeavors to be active and involved in its local area. In eleven years, the company has hired over 100 people, most 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 2017) and a certain number of interns (12 during 2017). The Company is therefore attractive to and offers professional prospects for scientists, researchers and technicians in the life sciences.

In 2017, the Company's payroll expenses and social security contributions accounted for nearly 31.4% of total expenses.

The company maintains close ties with education institutions. In this regard, it is sponsoring the 135th graduating class of ESPCI Paris Tech in order to create and maintain multiple contacts with students during their four-year course of study.

2.4.2 Relations with its 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 publishes a number of documents for its shareholders to explain its strategy, research being conducted and the results obtained.

These documents are accessible on the Company's website in the Investors section, 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 answer questions from shareholders.

In 2017, the Company participated in the Actionaria trade show, which took place in Paris on November 23 and 24, 2017, to meet individual shareholders. It has also participated in multiple investor salons in France, Europe and the United States, to meet institutional investors.

2.4.3 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 contract 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 corresponding social and environmental stakes, 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 Namsa for conducting its preclinical studies. The main service provider, Namsa, is AAALAC accredited, and the ICB is taking steps to acquire AAALAC accreditation. This inspection is scheduled to take place in March 2018.

These two organizations comply with ethics legislation and have an animal welfare structure, an independent ethics committee and socialization and enrichment programs for the two models used by the company (dog and pig). They also have programs for animal outplacement to comply with the 3Rs rule when study conditions permit.

The Company also uses the services of numerous consulting firms in the region (patents, finance, lawyers).

2.4.4 Fair practices

The Company has set up mechanisms to prevent risks of corruption. Separating tasks associated with payments is one of the means put in place for avoiding possible errors or misappropriation.

Concerning the choice of suppliers, comparative bids are 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 stock exchange in Paris 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.

2.4.5 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 drug 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.

2.4.6 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 sections 2.2 and 2.3 of this registration document.

2.5 Report of the independent verifier

Independent verifier's report on social, environmental and societal information presented in the management report

Adocia

Year ended the 31st December 2017

Independent verifier's report on consolidated social, environmental and societal information presented in the management report

This is a free translation into English of the original report issued in the French language 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.

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Adocia, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31st December 2017, presented in chapter 8, 17.6 et 17.7 of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company (hereafter referred to as the "Criteria") and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11-3 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

[1] Scope available at www.cofrac.fr

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);

- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;

Our verification work mobilized the skills of two people between November 2017 and February 2018 for an estimated duration of sixteen weeks.

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, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000[2].

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial code *(Code de commerce)*.

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code *(Code de commerce)*.

Conclusion

Based on this work, we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook four interviews with the people responsible for the preparation of the CSR Information in the different departments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

[2] ISAE 3000 - *Assurance engagements other than audits or reviews of historical information*

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;

- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[3]:

-At the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;

-At the level of the representative selection of entities that we selected, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 98 % of the headcount.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

[3]Social information: employment (total headcount and distribution, hiring and terminations, remunerations and their evolution, work accident, notably their frequency and their severity, as well as occupational diseases, training policies and total hours of training.

Environmental and societal information: pollution (preventative measures, reduction of and compensation for discharges into the air, water and soil, preventative measures, consideration of noise pollution and of any other form of pollution related to a specific activity), circular economy (preventative measures, recycling and other form of waste recovery and disposal), actions of fight against the food wasting, water consumption and water supply according to the local constraints, energy consumption and measures to improve energetic efficiency and use of sustainable energy, the soil use and business ethics (actions undertaken to prevent bribery and corruption, measures undertaken in favour of consumers' health and safety).

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, the 1st March 2018

French original signed by:

Independent Verifier ERNST & YOUNG et Associés	
Partner, Sustainable Development Christophe Schmeitzky	Partner Bruno Perrin

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Chapter 3

3 CORPORATE GOVERNANCE

3.1 Governing, management, supervisory and executive management bodies

3.1.1 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 AMF (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.

A brief description of the main provisions of the Company's Articles of Incorporation and Bylaws and its Rules of Procedure governing its specialized committees is provided in this reference document, in section 5.3 'Articles of Incorporation' and section 3.1.5 'Operation of the governing and management bodies' .

3.1.2 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 27, 2017 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, 2019. Renewed as chairman and chief executive officer by the board of directors' meeting held on June 27, 2017 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 27, 2017 for a term of two 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. Renewed as deputy chief executive officer by the board of directors' meeting held on June 27, 2017 for the duration of his term of office as director.
Mr. Olivier Martinez	Director	Member of the audit committee	Investment Manager, Bpifrance Investissement	Appointed director by the shareholders' meeting held on October 24, 2011. Renewed by the combined shareholders' meeting of June 27, 2017 for a term of two 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.
BPI France Investissement, represented by Mr. Laurent Arthaud	Director	President of the remuneration committee	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 27, 2017 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, 2019.
Ms. Dominique Takizawa	Director (*)	President of the audit committee	Secretary General, Institut Mérieux	Appointed director by the shareholders' meeting held on October 24, 2011. Renewed by the combined shareholders' meeting of June 27, 2017 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, 2019.
Ms. Ekaterina Smirnyagina	Director (*)	Member of the remuneration committee	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

3.1.2.1 Business address

The business address of the Chairman and Chief Executive Officer and of the Deputy General Manager is the address of Company's registered office.

The business addresses of the other directors are:

- Mr. Olivier Martinez, c/o Bpifrance Investissement, 6-8 Boulevard Haussmann, 75009 Paris;
- Mr. Laurent Arthaud, c/o Bpifrance Investissement, 6-8 boulevard Hausman, 75009 Paris;
- Ms. Dominique Takizawa, c/o Institut Mérieux, 17 rue Bourgelat, 69002 Lyon;
- Ms. Ekaterina Smirnyagina, c/o Capricorn Venture Partners, De Jonge Saint Jacob, Lei 19/1-B-3000 Leuven, Belgium.

3.1.2.2 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.

3.1.2.3 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 executive corporate officer of the Company, nor an employee or executive 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 its voting rights;
- the director does not have close family ties with a corporate officer or reference 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.

3.1.2.4 Term of office

Members of the Board of Directors are appointed by an Ordinary General Shareholders' Meeting for a three-year term of office. In line with recommendation no.9 of the MiddleNext Code [on the staggering of terms of office], some of the seats on the Board were renewed this year, in accordance with the resolutions adopted by the Shareholders' Meeting held in June 2017.

3.1.2.5 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.

3.1.2.6 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. These persons have gained expertise

and management experience in the various salaried and management positions they have previously held (see section 3.1.4 “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, to the best of the Company’s knowledge as of the date of this reference document, no member of the Board of Directors:

- Has been convicted of fraud during the past five years;
- Has been associated in his/her capacity as corporate officer or director with any bankruptcy, receivership or liquidation during the past five years;
- Has been publicly and officially accused or penalized by any statutory or regulatory authority during the past five years.

Lastly, to the best of the Company’s knowledge as of the date of this reference document, no member of the Board of Directors has been deprived of the right to hold a seat on a governance, management or supervisory body of an issuer or to take part in the management or running of an issuer during the past five years.

There are no service contracts between the members of the Company’s Board of Directors or officers and the Company.

3.1.3 Other corporate offices

3.1.3.1 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	Permanent representative of Bpifrance Investissement Board observer	POXEL
	Permanent representative of Bpifrance Investissement Director	HalioDx
	Board observer	Millendo Therapeutics Inc.
	Board observer	Innate Pharma
	Board observer	Cerenis Therapeutics
Mr. Laurent Arthaud	Member of the supervisory board	Kurma Partners
	Board observer	TxCell
	Director	Cellectis SA
	Chairman of the board of directors	Sparingvision SA
	Director	Aledia SA
	Director	Calyxt Inc.
Ms. Dominique Takizawa	Director, permanent representative and member of the audit committee	Transgène (*)
	Director and chair of the audit committee	Mérieux Nutrisciences (USA) (*)
	Director, chair of the audit committee and member of the investment committee	April Group
	Director and member of the audit committee	ABL Inc. (USA) (*)
	Representative director of IME	ElsaLys (*)
	Director and vice-chair	Lyon Place Financière
	Director	Lyon Pôle Bourse
	Director and member of the audit committee	Theradiag
	Employee director	Institut Mérieux
Ms. Ekaterina Smirnyagina	Director	Istar Medical SA (Belgique)
	Director	ConfoTherapeutics NV (Belgique)
	Director	InvestEurope (Belgique)
	Director	HalioDx (France)

(*) Institut Mérieux group

In line with recommendation no. 1 of the MiddleNext Code, executive directors do not hold more than two other offices.

3.1.3.2 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	Cerenis Therapeutics
	Permanent representative of Bpifrance Investissement, Director	Alize Pharma
	Permanent representative of Bpifrance Investissement, Director	Poxel
	Permanent representative of Bpifrance Investissement, Member of the supervisory board	Genticel
	Permanent representative of Bpifrance Investissement, Member of the executive committee	Fab Pharma
	Member of the supervisory board	Cytheris
Mr. Laurent Arthaud	Director	Scynexis Inc.
	Member of the supervisory board	Emertec gestion SA
Ms. Ekaterina Smirnyagina	Director	Nexstim plc (FINLANDE)

3.1.4 Biographies of the directors

Gérard Soula PhD, 73 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, 48 years old, holds a doctorate in polymer physical chemistry, and is a graduate of ENSIC Mulhouse. He also obtained 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, 47 years old, Investment Manager within the Innovation Division of Investment Bpifrance.

Olivier Martinez started his career with CapGemini Consulting where he worked on transformation projects in the pharmaceutical and health sectors. In 2000, he joined Bioam, a management company that invests in life science start-ups, as project manager; he was subsequently appointed investment manager and member of the management board. In 2010, Bioam was taken over by Bpifrance Investissement (previously known as CDC Entreprises). At Bpifrance, Olivier is in charge of investments in companies in the life sciences sector (start-ups, venture capital, listed companies). Olivier 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, 55 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 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, 61 years old, has held the office of 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 was the Chief Financial Officer of a number of companies: Pasteur Merieux Connaught (since renamed Sanofi Pasteur), Rhône Merieux/Mérial etc.

Dominique Takizawa is a graduate of the HEC Business School and holds a degree in Accounting and Financial Studies (DECF).

Ekaterina Smirnyagina, 51 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. She then worked for Alta Partners, an investment fund company in San Francisco that specializes in the health field, from 2002 to 2012. Since then, she has held the position of manager with the Capricorn Venture Partners investment fund in Belgium.

3.1.5 Operation of the governing and management bodies

3.1.5.1 Conditions for the preparation and organization of the work of the Board

The Board of Directors has its own Rules of Procedure, in line with the MiddleNext Code's recommendation no. 7. 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 Board members 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.

In addition, the Rules of Procedure explain the regulations in force concerning the disclosure and use of privileged information, and state that the directors must refrain from carrying out transactions in the Company's shares if they hold privileged 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.

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 Board members 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.

3.1.5.2 Operation of the Board of Directors

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 Article L. 225-38 *et seq.* of the French Commercial Code (*Code de commerce*).

During the past fiscal year, the Company's Board of Directors held nine meetings (in line with recommendation no. 5 of the MiddleNext Code), on January 24, March 7, April 14, June 27, July 19, September 8, September 21, December 1st and December 14, 2016. The Chairman of the Board chaired all nine meetings, and the attendance rate was 98%.

The following main points were addressed at the meetings:

- Updates on Company financing;
- Advisability of raising capital;
- End of partnership with Lilly;
- Current negotiations with potential partners;
- Progress reports on projects and main results;
- Renovation of the building and acquisition of additional real estate;
- Financial matters: quarterly reviews, 2018-2020 three-year plan, examination and closure of 2016 corporate financial statements and consolidated financial statements, presentation and approval of 2018 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 2017, 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 2017 the Board carried out a self-assessment of its composition, organization and operating procedures. A questionnaire was sent to the Board members, and the results were commented upon.

Lastly, recommendation no. 12 advises managers to give minority shareholders an opportunity to meet with them and discuss the Company's affairs during 2017. They were given this opportunity on two separate occasions: at the General Shareholders' Meeting held in Paris on June 27, 2017, and at the Actionaria exhibition in November 2017.

3.1.5.3 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.

▪ 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 three times in 2017, on March 2, July 17 and December 20, 2017.

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 for appointment to 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 financial managers). The committee has the right to directly, independently and confidentially consult with the statutory auditors.

▪ Compensation Committee

The Board of Directors of the Company, in its previous form as a *société par actions simplifiée*, set up a Compensation Committee in June 2008. 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 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) and 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
- Mr. Laurent Arthaud, director.

Mr. Laurent Arthaud chairs this committee.

The Committee met four times in 2017: on February 23, April 4, September 5 and November 28, 2017.

The Compensation Committee's duties include:

- reviewing the main objectives proposed by executive management with respect to compensation of Company managers who are not corporate officers, including bonus share plans and stock subscription or purchase options;
- reviewing the compensation of Company managers who are not corporate officers, including bonus share plans and stock subscription or purchase options, retirement and insurance plans and non-cash benefits;
- submitting recommendations and proposals to the Board of Directors concerning:
- the compensation, retirement and insurance plans, non-cash benefits, and other financial rights, including severance pay, of 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 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.

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 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.

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 during the past fiscal year.

In particular, the Compensation Committee reviews the draft Company report on executive compensation.

3.1.6 Conflicts of interest at the level of the governing and management bodies

The Chairman and the directors are direct or indirect shareholders of the Company (see Chapter 5.4 "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 3.1.2 "Members of the Board of Directors" of this reference document has agreed to any restriction on the disposal of their equity interest in the Company, other than the collective undertaking to keep their Company securities (known as a "Dutreil" agreement), concluded by Gérard Soula, Olivier Soula, Rémi Soula and Laure Soula pursuant to Article 787 B of the French Tax Code (*Code général des impôts*).

To the Company's knowledge, there is no actual or potential conflict of interest between the obligations towards the Company and the private interests and/or other obligations of the persons who are members of the Company's governance and management bodies or members of the executive management team, as listed in section 3.1.2 "Members of the Board of Directors" above.

3.1.7 Report by the Board of Directors on corporate governance

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, this reference document includes the report by the Board of Directors on corporate governance, which *inter alia* contains information 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 in connection with the preparation and processing of accounting and financial information.

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.

3.1.8 Information that is likely to have an impact in the event of a public offering

3.1.8.1 Shareholder structure of the Company

See Chapter 5 of this reference document.

3.1.8.2 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.

3.1.8.3 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 5 of this reference document.

3.1.8.4 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.

3.1.8.5 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.

3.1.8.6 Shareholder agreements of which the Company is aware that may impose restrictions on share transfers and exercising voting rights

None.

3.1.8.7 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.

3.1.8.8 Powers of the Board of Directors, in particular the power to issue or redeem shares

The general shareholders' meeting held on June 27, 2017 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 buy-back 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 5.4.1, 5.4.2 and 5.1.4 of this reference document).

3.1.8.9 Agreements entered into by the Company that will be amended or terminated in the event of a change of control of the Company

None.

3.1.8.10 Agreements that provide for compensation to members of the Board of Directors or employees if they resign or are terminated without just cause or if their employment ends due to a takeover bid

None.

3.1.9 Compliance to MiddleNext recommendations

The Company aims at progressively comply to every MiddleNext Code recommendation. The chart below lists these MiddleNext code recommendations and indicates whether the Company complies to them or not.

Recommendations of MiddleNext Code	Compliance
Supervisory Control	
R1 - Ethics of the Board members	Yes (3.1.2.5)
R2 - Conflicts of interest	Yes (3.1.5.1)
R3 - Board composition – Presence of independant members	Yes (3.1.2.3)
R4 - Communication to Board members	Yes (3.1.5.1)
R5 - Organization of Board and committees meetings	Yes (3.1.5.2)
R6 - Implementation of committees	Yes (3.1.5.3)
R7 - Implementation of Board rules of procedures	Yes (3.1.5.1)
R8 - Sélection of each Board member	Yes (3.1.2.6)
R9 - Board members duration of office	Yes (3.1.2.4)
R10 - Board members remuneration	Yes
R11 - Implementation of the assessment of the work of the Board	Yes (3.1.5.2)
R12 - Relationship with the shareholders	Yes (3.1.5.2)
Executive	
R13 - Definition and transparency of the executive directors remuneration	Yes
R14 - Preparation of the executives succession	Yes, although the scenario of the accident or suddent unavailability of the executive has not been addressed in 2017. It will be at the agenda of an upcoming Board meeting.
R15 - Employment contract and corporate office concurrency	Yes
R16 - Severance pay	N/A, no severance pay planned
R17 - Supplementary pension plan	N/A, no supplementary pension plan in place
R18 - Stock-options and bonus shares	Yes
R19 - Review of the cirtical points	Yes (3.1.1)

3.2 Compensation and benefits received by officers and directors

3.2.1 Compensation paid to corporate officers

All tables referred to in AMF Positions-Recommendations no. 2014-14 and 2009-16 are presented below.

3.2.1.1 Breakdown of compensation, stock options and bonus shares granted to each corporate officer

In € thousands IFRS	FY 2017	FY 2016
Gérard Soula - Chairman and chief executive officer		
Compensation due in respect of the year	358 387	583 387
Value of the BSPCE founders' warrants granted during the year	289 406	1 060 800
Value of the bonus shares granted during the year	none	none
TOTAL	**647 793**	**1 644 187**

In € thousands IFRS	FY 2017	FY 2016
Olivier Soula - Deputy chief executive officer		
Compensation due in respect of the year	284 186	396 089
Value of the share subscription or purchase options granted during the year	289 406	none
Value of the bonus shares granted during the year	none	842 292
TOTAL	**573 592**	**1 238 381**

3.2.1.2 Breakdown of compensation paid to each corporate officer

The tables below show the compensation owed to the executive corporate officers for the fiscal years ended December 31, 2016 and December 31, 2017, as well as the compensation such persons received during those same fiscal years.

In € thousands IFRS	FY 2017		FY 2016	
Gérard Soula - Chairman and chief executive officer	Amounts owed (1)	Amounts paid (2)	Amounts owed (1)	Amounts paid (2)
Fixed compensation	349 999	349 999	349 999	349 999
Variable compensation *	none	225 000	225 000	225 000
Extraordinary compensation *	none	none	none	100 000
Directors' fees	none	none	none	none
Non-cash benefits *	8 388	8 388	8 388	8 388
TOTAL	**358 387**	**583 387**	**583 387**	**683 387**

In € thousands IFRS	FY 2017		FY 2016	
Olivier Soula - Deputy chief executive officer	Amounts owed (1)	Amounts paid (2)	Amounts owed (1)	Amounts paid (2)
Fixed compensation	281 286	281 286	261 289	261 289
Variable compensation *	none	130 000	130 000	120 000
Extraordinary compensation *	none	none	none	100 000
Invention premium	2 900	2 900	4 800	4 800
Directors' fees	none	none	none	none
Non-cash benefits *	none	none	none	none
TOTAL	**284 186**	**414 186**	**396 089**	**486 089**

(1) Amounts owed for the fiscal year

(2) Amounts 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 officer's reference compensation. It compensates his/her responsibilities, experience and technical and managerial skills.

The variable component is tied to performance. It is based on the fixed salary and achievement of all the predetermined qualitative objectives, which may relate to signing license agreements, developing partnerships, launching clinical trials, signing feasibility contracts, cash levels and, more generally, the development and the growth of the Company.

The extraordinary component rewards exceptional achievements that have a significant positive impact on the Company's development

3.2.1.3 Directors' fees and other compensation awarded to non-executive corporate officers

Non-executive corporate officers	Amounts paid during fiscal year 2017	Amounts paid during fiscal year 2016
Mr. Olivier Martinez - Director		
Directors' fees (*)	-	-
Other compensation	-	-
BPI France Investissement, represented by Mr. Laurent Arthaud - Director		
Directors' fees (*)	-	-
Other compensation	-	-
Ms. Dominique Takizawa - Director		
Directors' fees (*)	45 000	42 000
Other compensation	-	-
Ms. Ekaterina Smirnyagina - Director		
Directors' fees (*)	40 000	26 000
Other compensation	-	-
TOTAL	**85 000**	**68 000**

3.2.1.4 BSPCE founders' warrants granted to each executive corporate officer during the fiscal year

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	Performance conditions
Gérard Soula	2017 Plan Corporate officers Board of Directors' meeting of 09/08/2017	289 406	75 000	16.00	sept.-27	Yes
Olivier Soula	2017 Plan Corporate officers Board of Directors' meeting of 09/08/2017	289 406	75 000	16.00	sept.-27	Yes

3.2.1.5 Share subscription or purchase options exercised by each executive corporate officer during the fiscal year

None.

3.2.1.6 Bonus shares granted to each executive corporate officer during the fiscal year

None.

3.2.1.7 Bonus shares that have become available to each corporate officer

Executive corporate officer name	Plan date and number	Number of shares vested during the year	Performance conditions	Vesting date
Olivier SOULA	2016 Plan corporate officers Board of Directors' meeting of 3/15/2016	2 000	No	03/15/2017

3.2.1.8 History of BSA stock warrants awarded to each corporate officer

	BSA 12-2013 stock warrants	BSA 12-2013 stock warrants
Date of shareholders' meeting	06/18/2013	06/18/2013
Date of board of directors' meeting	12/13/2013	12/13/2013
Number of BSA stock warrants authorized	10 000	10 000
Number of BSA stock warrants issued	10 000	10 000
Total number of shares that may be subscribed	10 000	10 000
Name of corporate officer beneficiaries	Dominique Takizawa	Ekaterina Smirnyagina
Earliest exercise date	01/01/2014	01/01/2014
Expiration date	12/13/2023	12/13/2023
Issue price	0.588	0.588
Exercise price	5.88	5.88
Exercise conditions	In full from 01/01/2014	Vesting over 3 years starting from 01/01/2014
Number of shares subscribed as of the filing date of this registration document	0	0
Total number of lapsed or canceled share subscription warrants as of the filing date of this registration document	0	0
BSA stock warrants remaining as of the filing date of this registration document	10 000	10 000
Total number of shares that may be subscribed on the filing date of this registration document	10 000	10 000

3.2.1.9 History of BSPCE founders' warrants awarded to each corporate officer

	BSPCE corporate officers 2014	BSPCE corporate officers 2015	BSPCE corporate officers 2016	BSPCE corporate officers 2017
Date of shareholders' meeting	06/24/2014	11/12/2015	11/12/2015	11/12/2015
Date of board of directors' meeting	09/25/2014	12/16/2015	03/15/2016	09/08/2017
Number of BSPCE founders' warrants authorized	65 000	40 000	40 000	150 000
Number of BSPCE founders' warrants issued	65 000	40 000	40 000	150 000
Total number of shares that may be subscribed (1)	65 000	40 000	40 000	150 000
Of which, number that may be subscribed by Gérard Soula	*65 000*	*40 000*	*40 000*	*75 000*
Of which, number that may be subscribed by Olivier Soula	-	-	-	*75 000*
Earliest exercise date	Immediate vesting upon fulfillment of relevant performance criteria, 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 12/13/2016	Immediate vesting upon fulfillment of relevant performance criteria, defined for 3 years
Expiration date	09/24/2024	12/16/2025	03/15/2026	09/08/2027
Issue price	free	free	free	free
Exercise price (euros)	34.99	74.60	61.73	16.00
Exercise conditions	Immediate vesting from fulfillment of relevant performance criteria	Immediate vesting from fulfillment of relevant performance criteria	Immediate vesting from fulfillment of relevant performance criteria	Immediate vesting from fulfillment of relevant performance criteria
Number of shares subscribed as of the filing date of this registration document	0	0	0	0
Total number of lapsed or canceled BSPCE founders' warrants as of the filing date of this registration document	0	0	16 000	150 000
BSPCE founders' warrants remaining as of the filing date of this registration document	65 000	40 000	24 000	150 000
Total number of shares that may be subscribed as of the filing date of this registration document	65 000	40 000	24 000	150 000

3.2.1.10 Share subscription or purchase options granted to, allocated to and exercised by the top ten non-corporate officer employees

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 (euros)	2015 SO Plan No. 1	2015 SO Plan No. 2	2017 SO Plan No. 1	2017 SO Plan No. 2
Total number of share subscription options at the beginning of the year	24 000	58	20 000	4 000	0	0
Share subscription options granted during the year	53 000	19			13 000	40 000
Share subscription options cancelled during the year			20 000	4 000		
Share subscription options exercised during the year	none	none	none	none	none	none
Total number of share subscription options at the end of the year	53 000	19	none	none	13 000	40 000

3.2.1.11 History of bonus shares granted to executive and non-executive corporate officers

	2015 Plan corporate officers	2016 Plan corporate officers	
Date of board of directors' decision	12/16/2015	03/15/2016	
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: 03/15/2017 2 000: 03/15/2018 2 000: 03/15/2019 2 000: 03/15/2020	03/15/2018 upon fulfillment of relevant performance criteria
Lock-in period end date	12/16/2017	2 000: 03/15/2018 2 000: 03/15/2019 2 000: 03/15/2020 2 000: 03/15/2021	03/15/2018
Number of shares subscribed at the end of the year	5 000	2 000	0
Total number of shares cancelled or lapsed	none	none	none
Bonus shares remaining at the end of the fiscal year	0	6 000	12 000

3.2.1.12 History of compensation and other benefits awarded 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 and of June 27, 2017							
Term of office end date	Ordinary general shareholders' meeting convened to vote on the financial statements for the fiscal year ending December 31, 2019							
Olivier Soula Deputy chief executive officer	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 and of June 27, 2017							
Term of office end date	Ordinary general shareholders' meeting convened to vote on the financial statements for the fiscal year ending December 31, 2018							

3.2.2 Amounts that the Company has provisioned for payment of pensions, retirement allowances and other benefits to corporate officers

As of December 31, 2017, the Company recognized provisions of €91,506 for the payment of retirement benefits to Olivier Soula.

The Company has not granted Mr. Soula any hiring or termination bonuses.

3.2.3 Summary of transactions in the Company's securities during the past fiscal year by managers and the persons referred to in Article L. 621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*)

None.

3.2.4 Matters submitted to shareholders in accordance with Article L225-37-2 of the French Commercial Code

3.2.4.1 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 the Deputy General Manager for the 2018 fiscal year

In accordance with Article L225-37-2 of the French Commercial Code, the Board of Directors will submit for approval by the shareholders' meeting called to vote on the financial statements for the 2017 fiscal year 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 the Deputy General Manager for the performance of their duties in the 2018 fiscal year, and which makeup the compensation policy applicable to them.

These principles and criteria, which were determined by the Board of Directors on the basis of recommendations by the Compensation Committee, are set out 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

The Chairman and Chief Executive Officer may also receive BSPCE founders' warrants, stock options and/or bonus shares, subject to continued employment and performance conditions.

- For Mr. Olivia Soula, Deputy General Manager:

Compensation components	Principles	Determination criteria
Fixed compensation	The deputy chief executive officer receives fixed compensation.	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 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

The Deputy General Manager may also receive BSPCE founders' warrants, stock options and/or bonus shares, subject to continued employment and performance conditions.

In accordance with Article L225-100 of the French Commercial Code, the shareholders will be asked to approve the amounts obtained by implementing the above principles and criteria at the shareholders' meeting called to vote on the financial statements for the 2017 fiscal year.

3.2.4.2 Resolutions submitted for an initial vote

We propose that you approve the principles and criteria as presented above, and the corresponding resolutions, reproduced below:

Seventh resolution

Approval of 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 Mr. Gérard Soula as a Chief Executive Officer

The shareholders, voting pursuant to the quorum and majority requirements for annual shareholders' meetings,

having deliberated and reviewed the special report referred to in Articles L. 225-37-2 of the French Commercial Code included in the reference document for 2017,

approve 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 as presented in the report established and mentioned hereabove for the 2018 year that may awarded to Mr. Gérard Soula as a Chief Executive Officer, as detailed in the 2017 Reference Document, chapter 3 "Corporate Governance", section 3.2, sub-section 3.2.4 "Matters submitted to the shareholders in accordance with Article L225-37-2 of the French Commercial Code".

Eighth resolution

Approval of 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 Mr. Olivier Soula as a Deputy Chief Executive Officer

The shareholders, voting pursuant to the quorum and majority requirements for annual shareholders' meetings,

having deliberated and reviewed the special report referred to in Articles L. 225-37-2 of the French Commercial Code included in the reference document for 2017,

approve 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 as presented in the report established and mentioned hereabove for the 2018 year that may awarded to Mr. Olivier Soula as a Deputy Chief Executive Officer, as detailed in the 2017 Reference Document, chapter 3 "Corporate Governance", section 3.2, sub-section 3.2.4 "Matters submitted to the shareholders in accordance with Article L225-37-2 of the French Commercial Code".

3.2.4.3 Approval of compensation owed or awarded to the Chairman and Chief Executive Officer and the Deputy General Manager for the 2017 fiscal year

In accordance with Article L225-100, sub-section II of the French Commercial Code, at the general shareholders' meeting called to vote on the financial statements for the 2017 fiscal year, the shareholders will be asked to approve the fixed, variable and extraordinary compensation awarded or to be awarded for the 2017 fiscal year to the Chairman and Chief Executive Officer and the Deputy General Manager in connection with said offices, as determined by the Board of Directors in accordance with the principles and criteria approved by the shareholders at the Company shareholders' meeting of 27 June 2017 in the eighth and ninth resolutions, described in detail in section 3.2.1 above.

3.3 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.

3.3.1 General risk management principles

3.3.1.1 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.

3.3.1.2 Goals of risk management

Adocia has adopted the definition of risk management proposed by the French financial regulator, the AMF[30],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.

3.3.1.3 Components of the risk management system

The risk factors the Company has identified to date are detailed in section 1.5 of the reference document.

3.3.2 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".

[30] Implementation guide for the reference framework on internal control adapted for midcaps and small-caps and updated on July 22, 2010

3.3.3 General principles of internal control

3.3.3.1 Definition

Adocia has adopted the definition of internal control proposed by the AMF[31], 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".

3.3.3.2 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)*, work instructions, notices and forms. These written documents describe the conduct of business, define the resources and 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;

[31] Implementation guide for the reference framework on internal control adapted for midcaps and small-caps and updated on July 22, 2010

- 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.

3.3.3.3 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.

3.3.4 Limitations on risk management and internal control and areas of improvement

In 2018, 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.

Chapter 4

4 ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2017

4.1 Consolidated Financial Statements

4.1.1 Consolidated Balance Sheet, IFRS

4.1.1.1 Assets, IFRS

4

In (€) thousands	Notes	FY 2017 (12 months)	FY 2016 (12 months)
Current assets		**44 692**	**70 008**
Inventories	5	99	66
Trade and similar receivables	6	30	2 462
Other current assets	7	9 785	9 442
Cash and cash equivalents	8	34 778	58 037
Non-current assets		**9 069**	**8 790**
Other non-current assets	1	65	
Land	2	2 032	1 751
Land development	2	169	
Buildings and constructions	2	3 939	3 793
Laboratory equipment	2	1 253	1 521
Other property, plant and equipment	2	1 582	1 388
Non-current financial assets	3	28	338
TOTAL ASSETS		**53 761**	**78 798**

4.1.2 Liabilities and Equity, IFRS

In (€) thousands	Notes	FY 2017 (12 months)	FY 2016 (12 months)
Current liabilities		**8 882**	**28 017**
Short-term financial debt	13	1 555	679
Other current financial liabilities	13	236	112
Trade and similar payables	12	4 931	4 572
Other current liabilities	12	2 160	22 655
Non-current liabilities		**8 022**	**8 019**
Long-term financial debt	10	5 781	6 281
Long-term provisions	11	2 241	1 738
Other non-current liabilities			
Equity	**9**	**36 857**	**42 762**
Share capital		691	686
Share premium		78 868	78 942
Group translation gains and losses		(14)	7
Group reserves		(34 138)	(28 981)
Group net profit/loss		(8 550)	(7 892)
TOTAL LIABILITIES		**53 761**	**78 798**

4.1.3 Consolidated Income Statement, IFRS

In (€) thousands	Notes	FY 2017 (12 months)	FY 2016 (12 months)
Operating revenue		**27 177**	**30 454**
Revenue	15	19 469	22 488
Grants, research tax credits and others	16	7 708	7 966
Operating expenses excluding additions and reversals	**14**	**(34 345)**	**(37 692)**
Additions to and reversals of depreciation, amortization and provisions	**19**	**(1 013)**	**(763)**
PROFIT (LOSS) FROM ORDINARY OPERATING ACTIVITIES		**(8 180)**	**(8 001)**
Financial income		78	646
Financial expense		(413)	(466)
FINANCIAL INCOME (LOSS)	**20**	**(335)**	**181**
PROFIT (LOSS) BEFORE TAX		**(8 516)**	**(7 821)**
Tax expense	21	(35)	(72)
NET PROFIT (LOSS)		**(8 550)**	**(7 892)**
Base earnings per share (€)	22	(1,2)	(1,2)
Diluted earnings per share (€)		(1,2)	(1,2)
GROUP NET PROFIT (LOSS)		**(8 550)**	**(7 892)**
Actuarial adjustments on defined pension liabilities		(191)	(432)
Unclassified elements in the Group net profit (loss)		**(191)**	**(432)**
TOTAL PROFIT (LOSS) FOR THE YEAR		**(8 741)**	**(8 324)**

4.1.4 Statement of Changes in Equity, IFRS

In (€) thousands	Nomber of Shares	Amount	Paid-in cappital	Reserve	Other comprehensive income (OCI)	Net profit (loss)	Total equity
BALANCE AT 12/31/2016	**6 859 763**	**686**	**78 942**	**(27 983)**	**(990)**	**(7 892)**	**42 763**
Profit for the year 2017						(8 550)	(8 550)
Gain (losses) on actuarial adjustments on defined pension liabilities					(191)		(191)
Comprehensive income for the period					**(191)**	**(8 550)**	**(8 741)**
Allocation of profit for the year 2015				(7 892)		7 892	
Exercise of equity instruments (warrants)	50 990	5	(5)	40			40
Share-based payment				3 136			3 136
Liquidity Contract - Elimination of treasury shares			(69)	(235)			(304)
Others				(36)			(36)
Total shareholder relations	50 990	5	(74)	(4 986)		7 892	2 836
BALANCE AT 12/31/2017	**6 910 753**	**691**	**78 868**	**(32 971)**	**(1 181)**	**(8 550)**	**36 857**

4.1.5 Cash Flow Statement, IFRS

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Net profit	(8 550)	(7 892)
Net depreciation, amortization & provisions (excl. current assets)	1 013	740
Capital gains and losses on non-current assets	(4)	24
Calculated income and expenses	3 215	3 982
Tax paid	(49)	
Cash flow from operations before cost of net financial debt and tax	**(4 376)**	**(3 147)**
Cost of gross financial debt	(33)	(26)
Change in deferred revenues	**(18 823)**	**(10 749)**
Change in working capital requirement (including employee benefits)	**1 005**	**785**
NET CASH FLOW RELATED TO OPERATING ACTIVITES	**(22 227)**	**(13 138)**
Acquisitions of property, plant and equipment & intangible assets	(1 980)	(8 079)
Disposals of property, plant and equipment & intangible assets	295	843
Acquisitions of non-current financial assets	0	(2)
Disposals of non-current financial assets	0	49
NET CASH FLOW RELATED TO INVESTING ACTIVITES	**(1 685)**	**(7 189)**
Capital increase	40	4
New loans and reimbursable advances	1 102	6 389
Repayments of loans and reimbursable advances	(489)	(106)
Other cash flows related to financing activities	0	14
NET CASH FLOW RELATED TO FINANCING ACTIVITES	**653**	**6 301**
CHANGE IN NET CASH AND EQUIVALENTS	**(23 259)**	**(14 026)**
Opening cash	58 037	72 062
Closing cash	34 778	58 037

4.1.5.1 Detailed Analysis of WCR:

In (€) thousands	Change 2017 / 2016
Inventories	38
Trade and similar receivables	(2 432)
Other receivables and advances	(117)
Pre-paid expenses / other receivables	460
Trade and similar payables	(613)
Other debt	1 660
CHANGE IN WORKING CAPITAL REQUIREMENT	**(1 005)**

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

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Short-term investment securities (due in < 3 months)	8 090	10 094
Cash on hand	26 687	47 942
NET CASH AND CASH EQUIVALENTS	**34 778**	**58 037**

4.1.6 Notes to the Consolidated Financial Statements

Unless specified otherwise, the amounts indicated in these notes are in thousands of euros.

4.1.6.1 Information about the company

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.

Adocia is a limited company (société anonyme) under French law created on December 22, 2005.

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

It has a wholly-owned subsidiary (Adocia Inc.) established in March 2015 which aims to represent the company in the US.

The financial statements under IFRS for the period from January 1 to December 31, 2017 are presented on a consolidated basis for Adocia and its subsidiary (Adocia Inc.), the whole being called "the Company". The financial statements were approved by the Board of Directors on March 5, 2018 and authorized for publication.

The beginning of 2017 was marked by Eli Lilly's decision to terminate the licensing and cooperation agreement signed in December 2014 for development of an ultra-rapid BioChaperone Lispro insulin analog.

After reacquiring all the results and equipment produced, Adocia continued to develop this product alone, launching a clinical study to compare the pharmacokinetic and pharmacodynamic profiles of BioChaperone Lispro to those of Fiasp® (accelerated insulin, Novo Nordisk) and Novolog® (insulin aspart, Novo Nordisk) administered using an insulin pump in patients with type 1 diabetes. The results of the study, announced in December 2017, demonstrate better performance of BioChaperone Lispro compared to Novolog (faster-on and faster-off metabolic effects) and Fiasp (significantly faster-off metabolic effect). Adocia's priority now is to find a new partner to continue phase 3 clinical development and market the product.

Concerning BioChaperone Combo, an important regulatory step was taken in 2017 with the launch of a phase 1b clinical study documenting the dose-proportionality of BioChaperone Combo in patients with type 2 diabetes. The results announced in late January 2018 demonstrate that BioChaperone Combo shows a proportional dose exposure

and a linear dose-response relationship when tested with three different doses in patients with type 2 diabetes. BioChaperone Combo therefore offers better performance than pre-mix insulins and is competitive with the only next-generation combo approved to date (Novo Nordisk Ryzodeg®). Adocia's strategy is to continue to develop the product with a pharmaceutical partner and offer a more high-performance product in emerging countries with fast-growing diabetes markets.

For HinsBet®, Adocia's strategy is to license this product to one of the regional players in the diabetes field in order to pursue its development and allow its marketing in emerging countries.

Concerning the glucagon project, the topline results of the first clinical study launched in July 2017 were published at the end of November. The objective was to compare the product's safety and tolerance to those of a human glucagon available on the market (Glugagen® Hypokit™, Novo Nordisk), as well as their pharmacokinetic and pharmacodynamic profiles, in patients with type 1 diabetes. The results of the study showed that BioChaperone Glucagon, a ready-to-inject stable aqueous formulation of human glucagon, proved safe and well tolerated by patients with type 1 diabetes. Together with positive stability results, this initial clinical data justifies further development of this product as a ready-to-inject treatment for severe hypoglycemia.

The development carried out on the various products in the portfolio highlighted the unique properties of BioChaperone technology, which is designed to deliver meaningful enhancement of single therapeutic agents and enable the combination of multiple therapeutic proteins.

A number of BioChaperone compounds initially developed for the BioChaperone Combo project are particularly effective in multi-hormonal combinations. In early 2017, Adocia announced the launch of a new preclinical program that entails developing multi-hormonal combinations for the prandial treatment of type 1 diabetes (BioChaperone Prandial Combinations). The first application concerns the BioChaperone Pramlintide insulin combination (Symlin®, AstraZeneca), the goal of which is to offer patients with type 1 diabetes a more effective treatment without increasing the number of injections. A clinical study on this combination is scheduled to begin in the first quarter of 2018.

Along these same lines, following its successful application to various diabetes treatments, in early 2018 Adocia announced that BioChaperone technology would also be applied to a select range of injectable therapies in several therapeutic areas. The first programs added to the portfolio include a ready-to-inject version of teduglutide for the treatment of short bowel syndrome and a fixed-dose combination of glucagon and exenatide for the treatment of obesity.

At the organizational level, in early July 2017 the company announced that it was enhancing its organization with the hiring of Dr. Stanislav Glezer as Chief Medical Officer. His experience at large pharmaceutical companies in clinical development and medical affairs, particularly in diabetes treatments, gives Adocia a real advantage.

In terms of legal matters, in early October 2017 Adocia announced that it had initiated an arbitration procedure against Eli Lilly & Co. related to the research and licensing agreement signed in 2014. This arbitration procedure concerns approximately USD 11 million and other specific compensation related to the changes made to the development plan during the collaboration. The content of this procedure is confidential and Adocia has indicated that it would disclose information only at the end of the procedure, which is scheduled for the second quarter of 2018.

In February 2018, the company announced through a press release that it had filed new applications for arbitration against Eli Lilly & Company for Lilly's misuse of confidential information and discoveries belonging to Adocia and for its breach of several collaboration and confidentiality agreements. Adocia is claiming more than $200 million in damages as well as other specific compensation. Adocia expects a decision on these new applications for arbitration in the second half of 2018.

4.1.6.2 Accounting methods and principles used to draw up the financial statements

- **Accounting standards**

In accordance with EU Regulation 1606/2002 of July 19, 2002 on international standards, the company's consolidated financial statements for the period ended December 31, 2017 were prepared according to the standards and interpretations published by the International Accounting Standards Board (IASB) and adopted by the European Union as of the reporting date.

These standards are available on the European Commission website at the following address:

http://ec.europa.eu/internal_market/accounting/ias_fr.htm

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

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

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

Standards, amendments to standards and interpretations applicable as of January 1, 2017:

- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses
- Amendments to IAS 7 - Disclosures: Transfers of Financial Assets

Standards, amendments to standards and interpretations adopted by the European Union but not yet mandatory for 2017 annual financial statements:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- Clarifications to IFRS 15
- IFRS 16 - Leases

Standards and interpretations published by the IASB and not yet adopted by the European Union as of December 31, 2017:

- IFRS 14 - Regulatory Deferral Accounts
- IFRS 17 - Insurance Contracts
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 - Applying IFRS 9 with IFRS 4
- Amendments to IAS 40 - Transfers of Investment Property
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration
- IFRIC 23 - Uncertainty over Income Tax Treatments
- Improvement to IFRS (2014-2016 cycle)

The company does not expect the application of these new standards to have a material impact on its financial statements.

The company's revenues consist mainly of licensing agreements for which revenue recognition must be analyzed on a case-by-case basis for each agreement. The implementation of IFRS 15 on licensing agreements may result in a change to the revenue recognition period based on the performance obligations specified in the agreement. In 2017, the main agreement generating revenues was terminated and will not result in the recognition of future revenues.

▪ Basis for preparation of the financial statements

Since the creation of the Adocia Inc. subsidiary in March 2015, the company has published consolidated financial statements. The methods used for consolidation and translation of the financial statements are specified below (Consolidation methods).

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.

The company carries out its research and development activities at a rapid pace using its own funds, while focusing its expenses on high-priority projects and activities. With the ability to anticipate the collection of the research tax credit, the operating plan established gives the company the financial capacity to meet its financial commitments over at least the next 12 months. The going concern assumption was therefore made.

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

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

In preparing its 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, 2016. These assumptions mainly relate to IFRS 2 ("Share-based Payment") and IFRS 15 ("Revenue from Contracts with Customers") and are explained in the following sections.

▪ Consolidation principles

The consolidated financial statements include the financial statements of all the fully consolidated subsidiaries that Adocia directly or indirectly controls. In accordance with IFRS 10, control is determined on the basis of three criteria: power, exposure to variable returns and the relationship between power and these returns.

In March 2015, the company created a wholly-owned subsidiary called Adocia Inc., which was fully consolidated at the end of December 2017.

The addition of the Adocia Inc. subsidiary to the scope of consolidation was effective on the date of creation. Income and expenses are recorded in the consolidated income statement from the date of creation.

All transactions between the Adocia Inc. subsidiary and the company and internal results within the consolidated group are eliminated.

The company's financial statements are prepared in euros, which is the presentation currency and functional currency of the parent company and its subsidiary.

The method used by the company is that of the closing rate. This method entails translating the balance sheet items at the closing rate and the income items at the average rate for the year; the translation differences, both on the opening balance sheet items and on the income statement, are included in equity under "Translation differences".

▪ Current/non-current distinction

The balance sheet presentation used by the company makes a distinction between current and non-current assets and liabilities.

This distinction is made based on the following rules:

- assets and liabilities that fall within the scope of the company's operating 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 due date is more than or less than one year.

▪ Intangible assets

Research and development

In accordance with IAS 38, internal research costs are recognized as expenses as soon as they are incurred. Development costs are capitalized if and only if the following criteria are met:

- technical feasibility needed to complete the development project is established,
- the company intends to complete the project,
- the company is able to use the intangible asset,
- the company is able to demonstrate the probability that the asset will generate future economic benefits,
- the company has the technical, financial and other resources to complete the project, and

- the development costs are measured reliably.

Patents

The costs incurred prior to filing and obtaining patents are capitalized by the company under the same conditions as those applicable to capitalizing development costs.

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 (three to five years depending on the type of software).

▪ Property, plant and equipment

Property, plant and equipment are recognized at their original cost. They are then measured at cost less any accumulated depreciation and impairment, 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:

Type of asset	Useful life
Land development	10 ans
Buildings	20 years
Fixtures and improvements	3 to 10 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 when it is disposed of or when 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 of assets are reviewed and, if necessary, adjusted at each year-end closing. Such adjustments are treated as changes in estimate.

The depreciation of property, plant and equipment is recognized in profit or loss under depreciation and amortization.

▪ Leasing (including lease financing)

Where applicable, an asset held under a finance 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 according to the same methods and rules described above in the previous section. The corresponding liabilities are recorded on the balance sheet and repaid in an amount equal to the theoretical amortization of loans whose characteristics are comparable to those of the lease agreements.

Operating lease agreements are recorded as expenses on a straight-line basis over the term of the agreement until its expiration.

▪ 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.

▪ 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 be impaired.

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 recorded 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 steady or declining growth rate and 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 to infinity of the last cash flow of the test.

As of December 31, 2017, there were no internal or external impairment indicators for any non-current assets.

▪ Basis of measurement of inventories

Inventories are recognized at the lower of cost and net realizable value. They may be impaired if the expiration date has passed and/or if the project to which they refer was discontinued by the company and considered a failure. The cost of inventories is determined using the first-in first-out method.

▪ Financial assets

Financial assets are classified into four categories based on their type and the intention of holding 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 regular way purchases and sales of financial assets are recognized on the settlement date.

Held-to-maturity investments

Held-to-maturity investments are financial assets which 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.

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 profit or loss. Certain assets can also be voluntarily classified in this category.

Loans and receivables:

Non-current financial assets include advances and guarantee deposits given to third parties. Advances and guarantee deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized at amortized cost using the effective interest method. Gains and losses are recorded in profit or loss when the loans and receivables are derecognized or impaired.

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 profit or loss 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 profit or loss.

Available-for-sale financial assets are tested for impairment when impairment indicators exist.

When the available-for-sale financial asset is an equity instrument, impairment is final. Subsequent increases in fair value are recognized directly in equity.

When the available-for-sale financial asset is a debt instrument, any subsequent increase is recorded in profit or loss in an amount equal to the impairment loss previously recorded in profit or loss.

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 short-term investment securities (money market mutual funds in euros) quoted in an active market. They therefore constitute level 1 financial assets at fair value.

Cash reserve of the liquidity agreement:

The cash reserve related to the liquidity agreement for the buyback of the company's own shares is recorded as non-current financial assets.

▪ Cash and cash equivalents

Cash and short-term deposits recorded 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, readily convertible to a known cash amount and subject to an insignificant risk of change in value. They are measured at fair value and changes in value are recorded in financial income/expense.

For the purposes of the cash flow statement, net cash includes cash and cash equivalents as defined above, net of bank overdraft facilities. In the balance sheet, bank overdrafts are shown in Current financial liabilities.

▪ Repayable advances

The company receives a certain amount of government assistance in the form of repayable 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 are received.

Repayable advances are recognized as “Long-term financial debt" or “Short-term financial debt" depending on their due date. In case of failure to repay the grant, the debt write-off 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.

▪ 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 accounted for 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.

▪ 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 introduced several equity-settled payment plans.

For example, stock options are granted to senior managers, certain company employees and other private individuals.

The company uses the Black-Scholes 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 profit or loss 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 recorded over the vesting period based on the conditions being met.

▪ Provisions

Provisions are recorded when the company has a present obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources representing economic benefits will be needed to settle the obligation, and the amount of the obligation can be measured reliably. If the company expects the full or partial reimbursement of the provision (for example under an insurance policy), the reimbursement is recognized as a separate asset, but only if the reimbursement is virtually certain. The expense related to the provision is shown in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision related to the passage of time is 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.

▪ Corporate commitments

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 at December 31, 2017 are described in note 11 to the financial statements.

Actuarial gains and losses include the effects on the obligation of changes in the calculation assumptions and experience 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 closing date, adjusted, where appropriate, 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 acquired, and are spread out over the average period remaining until the corresponding benefits are vested.

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.

Financial liabilities

Financial liabilities are classified into two categories and include:

- financial liabilities recognized at amortized cost, and
- financial liabilities recognized at fair value through profit or loss.

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 the 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.

Financial liabilities at fair value through profit or loss:

This category represents liabilities held for trading, i.e. liabilities that are intended to be sold in the short term. They are measured at fair value and changes in fair value are recorded in the income statement.

Receivables and liabilities denominated in foreign currencies

Receivables and liabilities denominated in foreign currencies are recognized at the exchange rate at the time of the initial transaction. At the end of the fiscal year, the items corresponding to assets and liabilities are measured at the closing rate or at the hedging rate, where appropriate.

Current and deferred tax

Current tax assets and liabilities for the fiscal year and previous fiscal years are measured at the amount expected to be collected 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 closing date.

Deferred taxes are recognized using the balance sheet liability method for all temporary differences existing as of the closing date between the tax base of the assets and liabilities and their carrying amount on the balance sheet, and for carryforward losses.

A deferred tax asset, generated by tax losses, is recognized when there is persuasive evidence that a sufficient taxable profit will be available.

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 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 may generally be 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 (collaborative 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.

With regard to licenses, an initial payment (up-front fee) may be stipulated in the agreement. If the company has fulfilled all its obligations at closing, the amount has been definitively received and the company is not obligated to provide additional services over the term of the agreement, this up-front fee is recognized immediately in the income statement 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's revenue may also correspond to feasibility studies which are assessed based either on the attainment of technical milestones or on the accrued cost method. Where appropriate, impairment may be recorded when the collectibility of the invoiced amounts is uncertain.

▪ Other income

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 operation or recruit specific individuals.

These grants are recognized as income over the fiscal year in which the corresponding costs or expenses are recorded.

Research tax credit:

The French government grants research tax credits to companies to encourage them to conduct technical and scientific research. Companies that can substantiate 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 corporation tax due for the fiscal year in which the expenses are incurred and the following three fiscal years or, where appropriate, be reimbursed for the excess share of such tax.

▪ 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.

▪ Presentation of the income statement

The company presents its income statement by nature.

The purpose of the expenses is provided in note 14 to the financial statements.

Research and development costs:

Internal and external costs related to the research and development of new products.

Administrative expenses:

Total costs of the support and central management functions.

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 expenses that are very limited in number and unusual given their frequency, nature or amount.

Operating profit/loss:

Operating profit/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.

Financial income/expense:

Financial income/expense includes all:

- Expenses related to financing the company: interest paid and accretion expense on repayable advances
- Income related to interest received.

Foreign-exchange gains and losses are also recognized in financial income/expense.

Taxes:

Income tax: This item includes tax recorded for the year on any taxable income (French GAAP).

Deferred taxes are recognized for all temporary differences arising from the difference between the tax basis and accounting basis of the assets and liabilities shown in the financial statements. The main temporary differences relate to carryforward tax losses. The statutory tax rate on the closing 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 carryforward losses. Given its stage of development, which does not allow sufficiently reliable income projections to be made, the company did not recognize deferred tax assets on the balance sheet for carryforward losses.

▪ Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to holders of the company's shares by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the profit or loss attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

▪ Fair value of financial instruments

Fair value measurements are detailed 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).

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.

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 the 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.

4.1.6.3 Notes to the financial statements

Summary of notes

NOTE 1 Intangible assets

In (€) thousands	12/31/2016	Acquisitions / Additions	Disposals / reversals	12/31/2017
Gross amount	75	77	(26)	126
Depreciation and impairment	75	12	(26)	61
NET AMOUNT	**0**	**65**	**0**	**65**

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 as being 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 costs related to patents (see note 14).

NOTE 2 Property, plant and equipment

In (€) thousands	12/31/2016	Acquisitions / Additions	Disposals / reversals	12/31/2017
Land	1 751	300	(19)	2 032
Land development	0	170	0	170
Building	3 927	392	(42)	4 276
Laboratory equipment	3 341	211	(37)	3 514
Fixtures and facilities	1 618	352	0	1 970
Furniture, office equipment	1 067	146	(11)	1 202
GROSS AMOUNT	**11 703**	**1 570**	**(109)**	**13 164**
Land	0			0
Land development	0	1		1
Building	134	204	(1)	336
Laboratory equipment	1 820	493	(51)	2 262
Fixtures and facilities	657	124		781
Furniture, office equipment	638	179	(13)	804
DEPRECIATION AND IMPAIRMENT	**3 249**	**1 000**	**(65)**	**4 184**
Land	1 751	300	(19)	2 032
Land development	0	169	0	169
Building	3 793	187	(41)	3 939
Laboratory equipment	1 521	(282)	14	1 253
Fixtures and facilities	960	228	0	1 187
Furniture, office equipment	427	(33)	2	396
NET AMOUNT	**8 452**	**570**	**(45)**	**8 976**

Net property, plant and equipment increased by €0.5 million between 2016 and 2017, due mainly to the purchase of a warehouse and improvements to the inner courtyard (+€0.8 million), investments in scientific equipment (+€0.2 million) and building improvements and facilities (+€0.5 million), which were partly offset by the depreciation recorded for 2017.

NOTE 3 Non-current financial assets

The company's non-current financial assets were as follows:

In (€) thousands	12/31/2016	Acquisitions / Additions	Disposals / reversals	12/31/2017
Gross amount	337		(314)	23
Amortization and impairment				
NET AMOUNT	**337**	**0**	**0**	**23**

Non-current financial assets consist mainly of guarantee deposits paid under operating lease agreements and the cash reserve related to the liquidity agreement (refer to section "Capital management" in note 9).

NOTE 4 Additional information regarding deferred taxes

The company cannot determine with sufficient reliability when it will be able to absorb its accumulated tax loss. Therefore, no deferred tax asset related to these losses was recognized.

Prior carryforward losses that may give rise to deferred tax assets totaled €63.2 million at December 31, 2016 and €95.9 million at December 31, 2017.

NOTE 5 Inventories

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Raw materials	99	66
Semi-finished products		
Finished products		
TOTAL NET VALUE	**99**	**66**

The net value of inventories was €66,000 at December 31, 2016 and €99,000 at December 31, 2017.

Impairment was recorded for the inventories, mainly for products related to a project which the company recognized as a failure.

NOTE 6 Trade receivables

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Gross amount	30	2 462
Impairment		
TOTAL NET VALUE	**30**	**2 462**

At the end of 2017, trade receivables included only rent on properties and related occupancy expenses.

NOTE 7 Other current assets

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Research tax credit	7 535	7 884
VAT claims	861	699
Receivables from suppliers	298	338
Pre-paid expenses	649	189
Carry-back	333	333
Miscellaneous	108	
TOTAL NET VALUE	**9 785**	**9 442**

All other current assets have a maturity of less than one year.

Since its inception, the company has been entitled to a research tax credit (CIR). At the end of each period, it therefore recognizes as a receivable the amount of the tax credit calculated for the eligible expenses during the year. With a net tax loss in 2016 and 2017, the company cannot apply its CIR and its tax credit for competitiveness and employment (CICE) to any tax liability. It therefore requested immediate reimbursement of the CIR (because of its status as a European SME) and recognized the amounts of €7.5 million and €7.9 million, respectively, under current assets.

Prepaid expenses relate to current expenses.

In addition to social security claims and other creditors, the miscellaneous item includes grants receivable.

NOTE 8 Classification and fair value of financial assets

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

In (€) thousands	12/31/2017 Valeur au bilan	Value on the balance sheet under IAS 39				12/31/2017 Fair value
		Assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	
Non-current financial assets						
Trade receivables	30			30		30
Other current financial assets	9 785			9 785		9 785
Cash on hand	26 687	26 687				26 687
Cash equivalents (UCITS)	8 090	8 090				8 090
TOTAL ASSETS	**44 593**	**34 778**	**0**	**9 816**	**0**	**44 593**

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NOTE 9 Equity

For easier cross-reference between the 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, each with a par value of €0.10, for a previously held share with a par value of €1.

	Number of shares (*)	Ordinary shares	Preferred shares - cat. A	Preferred shares - cat. 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 and increase of number of shares	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
12/07/2014 - Grant of bonus shares	1 400	1 400			140
12/15/2014 - Grant of bonus shares	1 400	1 400			140
02/12/2015 - Grant of BSA	700	700			70
03/03/2015 - Exercice of BSPCE	700	700			70
03/27/2015 - Exercice 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
07/28/2015 - Exercice of BSPCE	2 800	2 800			280
12/16/2015 - Grant of bonus shares	1 400	1 400			140
06/21/2016 - Exercice of BSPCE	700	700			70
12/13/2016 - Grant of bonus shares	12 700	12 700			1 270
06/27/2017 - Grant of bonus shares	2 000	2 000			200
12/10/2017 - Grant of bonus shares	36 290	36 290			3 629
12/13/2017 - Grant of bonus shares	10 000	10 000			1 000
12/16/2017 - Grant of bonus shares	2 700	2 700			270
AT DECEMBER 31, 2017	**6 910 753**	**6 910 753**	**0**	**0**	**691 075**

Share capital

The company was created on December 22, 2005. All the shares issued are fully paid-up.

The company owns treasury shares under its liquidity agreement.

Following the initial public offering, preferred shares were converted into ordinary shares and the Ratchet stock warrants became null and void.

Stock warrants

Stock options were granted to (i) certain employees in the form of start-up company stock warrants ("BSPCE") and stock options (“SO”,) (ii) two independent directors on the Board of Directors in the form of ordinary stock warrants ("BSA”) and (iii) scientific consultants in the form of ordinary stock warrants (“BSA”).

The main characteristics of these share-based compensation plans are described in detail in section 5.1.5 of this registration document.

Operating expenses related to the stock option plans are calculated on the basis of a Black-Scholes model. The following parameters are used:

- volatility takes into account both the historical volatility observed in the stock market over a five-year period and implied volatility as measured by the options exchange. Periods of abnormal volatility are excluded from the observations;
- the risk-free interest rate used is the long-term government borrowing rate.

The cost of services rendered is recognized as an expense over the vesting period. This expense amounted to €0.5 million in 2017 compared to €2.7 million in 2016.

The following table shows the main characteristics of the payment plans giving a right to stock options:

Plan date and number	Recipients	Performance conditions	Vesting period	Strike price (euros)
BSPCE 2013 N°1	Employees	No	Until 01/01/2018	5.76
BSPCE 2013 N°2	Employees	No	Until 01/01/2018	5.76
BSA 2013	Independant directors	No	Until 01/01/2016	5.88
BSPCE 2014 N°1	Employees	No	Until 01/01/2018	34.99
BSPCE 2014 N°2	Employees	No	Until 01/01/2019	34.99
BSPCE 2014	Employees et corporate officers	Yes	Immediate vesting upon fulfillment of relevant performance criteria	34.99
SO 2015 N°1	Employees	No	Until 01/01/2019	55.64
SO 2015 N°2	Employees	No	Until 01/01/2020	71.12
BSPCE 2015	Corporate officer	Yes	Immediate vesting upon fulfillment of relevant performance criteria	74.60
BSPCE 2016	Corporate officer	Yes	Immediate vesting upon fulfillment of relevant performance criteria	61.73
BSA 2017	Consultant	Yes	Immediate vesting upon fulfillment of relevant performance criteria	20.65
SO 2017 N°1	Employee	No	Until 01/01/2020	18.00
SO 2017 N°2	Employee	No	Until 01/01/2021	18.00
BSPCE 2017	Corporate officer	Yes	Immediate vesting upon fulfillment of relevant performance criteria	16.00

The number of options granted are presented in the following table:

Plan date and number	Number of granted warrants	Number of cancelled warrants	Number of vested warrants	Warrants not yet vested	Initial value (in € thousands)
BSPCE 2013 N°1	28 000		28 000		107
BSPCE 2013 N°2	22 400		22 400		85
BSA 2013	20 000		20 000		69
BSPCE 2014 N°1	14 000	2 800	11 200		429
BSPCE 2014 N°2	5 600	5 600			172
BSPCE 2014	100 000		100 000		3 063
SO 2015 N°1	20 000	20 000			732
SO 2015 N°2	4 000	4 000			201
BSPCE 2015	40 000		40 000		2 220
BSPCE 2016	40 000	16 000	24 000		1 238
BSA 2017	40 000			40 000	307
SO 2017 N°1	13 000		6 500	6 500	375
SO 2017 N°2	40 000		10 000	30 000	375
BSPCE 2017	150 000			150 000	579
TOTAL	**537 000**	**48 400**	**262 100**	**226 500**	**9 951**

Bonus shares

Bonus shares have been granted to certain employees and managers of the company since 2008. The number of shares granted are presented in the following table:

Plan date and number	Number of shares initially granted	Number of cancelled shares	Number of vested shares	Number of shares with ongoing vesting
2008 Plan N°1	42 000	2 100	39 900	
2008 Plan N°2	5 600		5 600	
2009 Plan	5 600		5 600	
2010 Plan N°1	5 600		5 600	
2010 Plan N°2	5 600		5 600	
2015 Plan N°1 - 10 years	39 150	2 860	36 290	
2015 Plan N°2.1	5 000		5 000	
2015 Plan N°2.2	12 600	1 800	5 400	5 400
2015 Plan Corporate officers	5 000		5 000	
2016 Plan Corporate officers	20 000		2 000	18 000
2016 Plan N°2	40 000		10 000	30 000
2017 Plan	9 500			9 500
TOTAL	**195 650**	**6 760**	**125 990**	**62 900**

Movements in bonus shares are as follows:

Number of shares	FY 2017	FY 2016
Number of shares with ongoing vesting at the beginning of the year	105 755	61 750
Shares granted during the year	9 500	60 000
Shares vested during the year	50 990	12 700
Shares cancelled during the year	1 365	3 295

NUMBER OF SHARES WITH ONGOING VESTING AT THE END OF THE YEAR	62 900	105 755

The cost of services rendered is recognized as a payroll expense over the vesting period. This expense amounted to €2.6 million in 2017 compared to €3 million in 2016.

Dividends

The company has not paid out any dividends over the last three years.

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.

On May 19, 2014, Adocia signed a liquidity agreement with Kepler Capital Market following the termination of a previous agreement with DSF Markets. Adocia allocated 15,026 Adocia shares and €300,000 in cash to this new agreement.

Under the terms of the liquidity agreement, on February 10, 2015 the company decided to reduce the resources allocated to this agreement by €700,000. On September 10, 2015, the resources made available under the liquidity agreement with Kepler Capital Markets S.A. were increased by €200,000.

Over the course of 2017, the share buyback program was used only in connection with the liquidity agreement to meet the objective of making a market in the company's shares and increasing their liquidity.

As of December 31, 2017, the company had 7,516 shares and €26,247 allocated to the liquidity account under this agreement.

On Febuary 12, 2018, the resources made available under the liquidity agreement with Kepler Capital Markets S.A. were increased by €250,000.

NOTE 10 Long-term financial debt

Long-term financial debt includes bank loans and repayable advances.

Bank loans in the amount of €5.5 million were obtained in 2016 to finance the purchase of the building in which the company's research center and head office are located. An additional amount of €0.3 million was released in 2017. At end-December 2017, the amount of financial debt related to these loans was €5.3 million, €4.9 million of which was long-term.

At the end of 2017, the classification as current and non-current was as follows:

In (€) thousands	Current	Non-current	Total	Bank overdrafts
Reimbursable advances	236	481	717	
Bank Loan	1 301	4 850	6 151	
Amortissements et dépréciations	254	449	704	
TOTAL FINANCIAL ASSETS	**1 791**	**5 781**	**7 571**	**0**

Details about advances granted and repaid in 2017:

In (€) thousands	Amount	Historical cost	
VALUE AT DECEMBER 31, 2016	**810**	**891**	
Long term portion	697		
Short term portion	112		
Grant during the year			
Repayment during the year	(130)	(130)	
Discount on grant during the year			
Financial expenses	37		
VALUE AT DECEMBER 31, 2017	**717**	**761**	(*)
Long term portion	481		
Short term portion	236		

(*) in € thousands	12/31/2017	Less than 1 year	1 to 5 years	More than 5 years
Avance Insuline (2012)	670	150	520	
Avance Coface (2013)	91	91		
TOTAL	**761**	**241**	**520**	

NOTE 11 Provisions

In (€) thousands	Employee benefits	Other long-term provisions	Provisions for risks and charges - less than one year	TOTAL
VALUE AT DECEMBER 31, 2016	**1 738**	**0**	**0**	**1 738**
Additions	504			504
Reversal of used provisions				0
Reversal of unused provisions				0
VALUE AT DECEMBER 31, 2017	**2 241**	**0**	**0**	**2 241**

Provisions consist mainly of the provision for retirement benefits. This provision was estimated based on the terms of the applicable collective agreement, i.e. collective agreement 176.

The main actuarial assumptions used to value retirement benefits are as follows:

In (€) thousands	12/31/2017	12/31/2016
Economic assumptions		
Discount rate	1.30%	1.30%
Rate of annual salary increase	between 5 and 6%	between 5 and 6%
Demographic assumptions		
Retirement age	between 62 and 67 years	between 62 and 67 years
Type of retirement	Initiated by employee	Initiated by employee
Mortality table	INSEE 10-12	INSEE 08-10
Rate of tax and social security charges	44.50%	44.50%
Annual mobility	Average or High depending on category	Average or High depending on category
Present value of obligations	2 241	1 738
Payments to a fund		
Provision recorded on the balance sheet	**2 241**	**1 738**
Past service costs for the period	286	185
Financial expense	26	26
Actuarial gains and losses	(191)	(432)
Annual expense	313	210

NOTE 12 Trade payables and other current liabilities

The company's current liabilities are as follows:

In (€) thousands	12/31/2017	12/31/2016
Trade payables	**4 931**	**4 572**
Subsidiary accounts	1 617	1 738
Notes payable		
Invoices pending	3 314	2 833
Other current liabilities	**2 160**	**22 655**
Customer credit balances		
Tax and social security liabilities	2 122	3 803
Other debt	39	28
Unearned income	0	18 823
TOTAL CURRENT OPERATING LIABILITIES	**7 091**	**27 226**

All trade payables and other current liabilities have a maturity of less than one year.

Tax and staff cost liabilities are as follows:

In (€) thousands	12/31/2017	12/31/2016
Compensation owed	752	1 750
Debt owed to social welfare agencies	1 197	1 374
Other tax and social security liabilities	173	679
TOTAL TAX AND SOCIAL DEBTS	**2 122**	**3 803**

Compensation payable and debts due to social security agencies at December 31, 2016 included the bonuses granted for fiscal year 2016 and paid in 2017. At December 31, 2017, in light of the conservative wage policy implemented for 2018, staff cost liabilities did not include a provision for bonuses.

Other tax and staff cost liabilities at December 31, 2017 included the employer contribution for the employee bonus share plans.

In (€) thousands	31/12/2017	31/12/2016
Advances and payments on account		
Debts on fixed assets		
Other	39	28
TOTAL OTHER DEBTS	**39**	**28**

At end-2016, the "Other current liabilities" item included the non-repayable unamortized balance of the up-front payment received from Eli Lilly in the amount of $50 million (€40.7 million). Under IFRS, this amount was 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. Given the discontinuation of the collaboration with Eli Lilly announced in January 2017, the entire unamortized balance was recognized as revenue in 2017. The full amount of the deferred revenue recognized at the end of 2016 (€18.8 million) was reversed in 2017.

NOTE 13 Financial liabilities

	12/31/2017			
	Value on the balance sheet	Fair value	Breakdown by instrument category	
In (€) thousands			Fair value through profit or loss	Debt at amortized cost
Reimbursable advances	481	481		481
Financial debt	5 299	5 299		5 299
Other non current liabilities				
Total non-current financial liabilities	**5 781**	**5 781**		**5 781**
Short-term reimbursable advances	236	236		236
Short-term financial debt	1 555	1 555		1 555
Trade and similar payables	4 931	4 931		4 931
Other debt	2 160	2 160		2 160
Unearned income				
Total current financial liabilities	**8 882**	**8 882**		**8 882**
TOTAL FINANCIAL LIABILITIES	**14 663**	**14 663**		**14 663**

NOTE 14 Operating profit/loss

In (€) thousands	Notes	FY 2017 (12 months)	FY 2016 (12 months)
Operating revenue		**27 177**	**30 454**
Revenue	15	19 469	22 488
Grants, research tax credits and others	16	7 708	7 966
Operating expenses		**(35 358)**	**(38 455)**
Purchases used in operations		(1 740)	(1 781)
Payroll expense	18	(13 368)	(16 619)
External expenses	17	(19 019)	(19 070)
Taxes and contributions		(217)	(222)
Dotation aux amortissements et provisions	19	(1 013)	(763)
Other current operating income and expenses		(0)	0
PROFIT (LOSS) FROM ORDINARY OPERATING ACTIVITIES		**(8 180)**	**(8 001)**

Breakdown of expenses by function:

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Research and development expenses	(27 074)	(30 971)
General and administrative expenses	(8 284)	(7 484)
OPERATING EXPENSES	**(35 358)**	**(38 455)**

Research and development costs were as follows:

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Purchases used in operations	(1 740)	(1 781)
Payroll expense	(10 843)	(12 051)
Share-based payments	(2 525)	(4 568)
External expenses	(19 019)	(19 070)
Taxes and contributions	(217)	(222)
Depreciation, amortization & provisions	(1 013)	(763)
OPERATING EXPENSES	**(35 358)**	**(38 455)**

NOTE 15 Revenue

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Research and collaborative agreements	650	11 739
Licencing revenues	18 819	10 749
REVENUE	**19 469**	**22 488**

Revenue of €19.5 million at December 31, 2017 resulted primarily from the collaboration and licensing agreement signed with Lilly at the end of 2014, which ended on May 31, 2017.

Lilly's decision to terminate the BioChaperone Lispro collaboration had a significant impact on 2017 revenue. In fact, under IFRS rules, the up-front fee of €40.8 million ($50 million) made by Lilly in December 2014 was amortized on a straight-line basis over the development period initially specified in the agreement. The end of the agreement led the

company to recognize the unamortized balance, i.e. €18.8 million, as revenue. This licensing revenue had no impact on the company's cash position, since the payment was made when the agreement was signed in December 2014.

Throughout this collaboration, which ended in late May 2017, Lilly assumed all internal and external expenses incurred by Adocia related to the development of BioChaperone Lispro. This revenue totaled €0.7 million in 2017 compared to €11.8 million in 2016.

NOTE 16 Other income

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Research tax credit	7 535	7 812
Other	173	154
OTHER INCOME	**7 708**	**7 966**

The Research Tax Credit amounted to €7.5 million at December 31, 2017 compared to €7.8 million at December 31, 2016. This slight decrease is in line with the smaller amount of research and development costs recorded for the year.

A portion of the premises owned by Adocia is leased to companies, resulting in €0.2 million of lease income shown on the "other income" line.

NOTE 17 Other purchases and external charges

Purchases and external charges mainly consist of the company's in-vivo studies, preclinical and clinical studies, subcontracting and all its operating expenses.

NOTE 18 Payroll expense

Payroll expense was as follows:

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Wages and salaries	8 015	8 535
Social contributions	2 829	3 515
Share-based payment	2 525	4 568
PAYROLL EXPENSE	**13 368**	**16 618**

	31/12/2017	31/12/2016
Technicians	59	57
Management personnel	70	68
STAFF	**129**	**125**

At December 31, 2017, the company had 47 postdoctoral researchers. Nearly 80% of employees are directly assigned to research and development activities.

NOTE 19 Depreciation, amortization and impairment

Net depreciation, amortization and provisions were as follows:

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Depreciation, amortization and provisions for fixed assets	**1 008**	**758**
Depreciation of property, plant and equipment	756	666
Amortization of intangible assets	12	
Depreciation of leased assets	239	93
Depreciation, amortization and provisions for fixed assets	**5**	**5**
Provisions for current assets (additions)	5	5
DEPRECIATION, AMOTIZATION AND IMPAIRMENT	**1 013**	**763**

NOTE 20 Financial income/expense

The cost of net financial debt was as follows:

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Cost of net financial debt	**(33)**	**568**
Cash and cash equivalents income	78	646
Interest on conditional advances	(110)	(78)
Foreign exchange gains and losses		
Other financial income and expenses	**(303)**	**(387)**
FINANCIAL INCOME (LOSS)	**(335)**	**181**

NOTE 21 Corporation tax

In 2017, as in 2016, Adocia SA had a tax loss of €32.7 million and recorded no tax expense in France. The €0.03 million tax expense was related to the Adocia Inc. US subsidiary.

The amount of carryforward tax losses, after allocation of the tax loss for 2017, was close to €96 million. This carryforward loss is not limited in time. Since the company cannot determine with sufficient reliability when it will be able to absorb its accumulated tax loss, it did not recognize a deferred tax asset for this loss.

The difference between pre-tax profit/loss and the actual tax expense in the consolidated financial statements under IFRS is shown below:

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
PROFIT (LOSS) BEFORE TAX	**(8 516)**	**(7 821)**
National tax of 34.43%	2 932	2 693
Permanent differences	1 717	1 118
Uncapitalized tax loss adjusted for deferred tax	(4 684)	(3 883)
ACTUAL TAX EXPENSE	**(35)**	**(72)**

No tax asset was recognized since the company cannot determine with sufficient reliability when it will be able to absorb its losses.

NOTE 22 Earnings per share

	FY 2017 (12 months)	FY 2016 (12 months)
CONSOLIDATED NET PROFIT / LOSS (in euros thousands)	**(8 550)**	**(7 892)**
Average number of shares	6 863 485	6 847 357
NET EARNINGS (LOSS) PER SHARE (in euros)	**(1.2)**	**(1.2)**
NET EARNINGS (LOSS) PER SHARE FULY DILUTED (in euros)	**(1.2)**	**(1.2)**

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.

NOTE 23 Related parties and compensation of the corporate officers

The main related parties are the key executives of the company and its directors.

Remuneration paid to related parties is described in the table below.

In (€) thousands	FY 2017 (12 months)	FY 2016 (12 months)
Short-term benefits	728	1 047
Posterior employment benefits	92	72
Share-based payment	290	1 725
TOTAL COMPENSATION PAID TO COPORATE OFFICERS	**1 109**	**2 844**

NOTE 24 Financial risk management objectives and policies

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.

At end-January 2017, the company announced Eli Lilly's decision to terminate the collaboration and licensing agreement. The termination of the agreement became effective after 120 days. If the company signs other licensing and collaboration agreements with US pharmaceutical companies, it may be exposed to additional euro-US dollar exchange rate risk.

Significant growth in the company's business may create more exposure to foreign exchange risk. In that case, the company will consider adopting a new policy appropriate to hedging this risk, such as currency hedging transactions and the purchase of foreign exchange forward contracts.

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.

Credit risk

The receivables related to government grants and the research tax credit pose a credit risk that is considered immaterial in light of the company's history.

Credit risk related to cash, cash equivalents and current financial instruments is immaterial given the quality of the contracting financial institutions.

Regarding its customers, the company believes it is not very exposed to credit risk given the types of customers with whom it has partnership agreements (large global pharmaceutical companies). Furthermore, it has implemented policies that ensure that its customers have an appropriate level of credit risk.

Liquidity risk

The company obtains financing under a policy implemented by the Finance Department.

The structure of the company's financing is based primarily on equity, the use of public financing (Bpifrance Financement – ex OSEO) and an initial public offering.

Interest rate risk

In 2016, 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 €58 million at December 31, 2016 and €35 million at December 31, 2017. 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 capital risk.

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 to which it entrusts its investments.

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

Equity risk

The company has no non-consolidated holdings or investment securities tradable on a regulated market.

NOTE 25 Off-balance sheet commitments

When obtaining the loans used to purchase the building and parking spaces, the company provided the following guarantees:

- a lender's lien and subrogation in the seller's lien for the purchase amount of the building,
- a mortgage on the construction budget.

The company also made two term deposits of €1.5 million each as security for the two lines of credit provided by two banks to finance the legal costs related to the applications for arbitration against Lilly.

NOTE 26 Events subsequent to year end

In February 2018, the company announced through a press release that it had filed new applications for arbitration against Eli Lilly & Company for Lilly's misuse of confidential information and discoveries belonging to Adocia and for its breach of several collaboration and confidentiality agreements. Adocia is claiming more than $200 million in damages as well as other specific compensation. Adocia expects a decision on these new applications for arbitration in the third quarter of 2018.

4.2 Statutory auditors' report on the consolidated financial statements

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69616 Villeurbanne Cedex
S.A. au capital de € 275.000
430 130 393 RCS Lyon

Commissaire aux Comptes
Membre de la compagnie
régionale de Lyon

ERNST & YOUNG et Autres
Tour Oxygène
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Adocia
Year ended December 31, 2017

Statutory auditors' report on the consolidated financial statements

To the Annual General Meeting of Adocia,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Adocia for the year ended December 31, 2017.

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 December 31, 2017 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.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

Justification of assessments - Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Going concern

Risk identified	Our response
At year-end, your group presented a loss-making result of M€ 8.6, cash consumption of M€ 23.3 and a closing cash position of M€ 34.7. The beginning of 2017 was marked by Eli Lilly's decision to terminate the licensing and cooperation agreement signed in December 2014 for development of an ultra-rapid BioChaperone lispro insulin analog. As set out in Note 4.1.6.2 "Basis for preparation of the financial statements" to the financial statements, the going concern assumption was applied at year-end in view of (i) the measures to select expenses relating to high-priority projects and activities for your Group and (ii) the ability to anticipate the collection of the research tax credit (*credit d'impôt recherche*). We considered the application of this principle to be a key audit matter as it is based on cash flow forecasts, which present a risk of not being achieved.	As part of our audit of the consolidated financial statements, we analysed the cash flow forecasts prepared by the executive management and approved by the Board of Directors for the period from January 1, 2018 to June 30, 2019. Our analyses consisted in: ► assessing the consistency of the forecasts with the historical data; ► evaluating the assumptions used by management; ► for a selection of planned outflows in respect of external expenditures for which your group had made contractual commitments, reconciling the amounts applied with the agreements concerned; ► for a selection of outflows relating to external expenses on studies for which your group has not yet entered into agreements with suppliers, comparing the amounts applied with the data underlying the budgets approved by your Board of Directors and with the historical data relating to studies of the same type, to assess the frequency of invoicing; ► analyzing the main data and assumptions (personnel expenses, external and internal expenditures) on which your group's calculation of the research tax credit is based, and the expected date on which it will be received. Lastly, we evaluated whether the information provided in Notes 4.1.6.1 "Information about the company" and 4.1.6.2 "Basis for preparation of the financial statements" to the consolidated financial statements were representative of your Group's situation.

Verification of the Information Pertaining to the Group presented in the Management rRport

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

- **Appointment of the Statutory Auditors**

We were appointed as statutory auditors of Adocia by Decision of the Sole Shareholder on December 10, 2011 for ODICEO and by the Annual General Meeting held on October 24, 2011 for ERNST & YOUNG et Autres.

As at December 31, 2017, ODICEO and ERNST & YOUNG et Autres were in the 7th year of total uninterrupted engagement, including six years since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

- **Objectives and audit approach**

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Villeurbanne and Lyon, April 17, 2018

The Statutory Auditors
French original signed by

ODICEO	ERNST & YOUNG et Autres
Agnès Lamoine	Mohamed Mabrouk

4.3 Corporate annual financial statements

4.3.1 Balance sheet, French GAAP

In € thousands french gaap	12/31/2017	12/31/2016
Intangible assets - Gross amount	137	86
(Cumulated depreciation and amortization)	(72)	(86)
Intangible assets - Net amount	**65**	**0**
Tangible fixed assets		
Lands	2 202	1 751
Constructions	4 275	3 926
Fixtures & fittings, industrial equipement	2 401	2 397
Other tangible fixed assets	2 893	2 319
Construction work in progress	275	310
Total tangible fixed assets	12 047	10 703
(Cumulated depreciation and amortization)	(3 767)	(3 068)
Total tangible fixed assets - Net amount	**8 280**	**7 635**
Fiancial assets - Net amount	**137**	**377**
Long term assets	**8 482**	**8 012**
Inventory and work in progress	**99**	**66**
Receivables		
Advance payments made on orders	70	65
Trade and similar receivables	30	2 476
Other receivables	9 067	9 275
Total receivables	**9 167**	**11 816**
Cash assets and miscellaneous		
Short-term investment securities	8 059	46 369
Cash assets	26 678	11 575
Pre-paid expenses	573	589
Total Cash assets and Miscellaneousm	**35 311**	**58 533**
Current assets	**44 576**	**70 415**
Translation losses	28	31
TOTAL ASSETS	**53 086**	**78 457**

In € thousands french gaap	12/31/2017	12/31/2016
Paid-up capital	691	686
Additional paid-in capital	79 625	79 590
Balance brought forward	(16 788)	(2 794)
Profit.loss for the year	(24 667)	(13 993)
Equity	**38 861**	**63 488**
Conditional advances	**761**	**891**
Provisions for risks and charges	**28**	**31**
Loans and debt with credit institutions	6 151	5 440
Misc.loans and financial debt	14	14
Total financial debt	**6 164**	**5 454**
Trade and similar payables	5 085	4 572
Tax and social security liabilities	2 119	3 738
Debt on fixed assets and similar accounts	23	240
Other debt	39	39
Total miscellaneous debt	**7 267**	**8 589**
Unearned income	**0**	**4**
Translation gain	**4**	**0**
TOTAL LIABILITIES	**53 086**	**78 457**

4.3.2 Income statement, French GAAP

In € thousands french gaap	12/31/2017	12/31/2016
Net revenue	938	11 976
Reversals of depr./amort.and prov., transfers of charges	87	92
Other income	63	13
Operating income	**1 088**	**12 082**
Purchase of raw materials ans other supplies (incl. change in inventory)	(1 746)	(1 771)
Other purchases and external charges	(19 767)	(20 177)
Taxes and similar payments	(217)	(222)
Wages and salaries	(7 372)	(7 622)
Social contributions	(2 760)	(3 434)
Depreciation and provisions for fixed assets	(773)	(642)
Provisions for current assets	(5)	(67)
Other operating expenses	(145)	(68)
Operating expenses	**(32 785)**	**(34 003)**
Operating profit / loss	**(31 697)**	**(21 920)**
Financial profit / loss	**(265)**	**205**
Profit / loss from ordinary activities before tax	**(31 963)**	**(21 715)**
Extraordinary profit / loss	**(239)**	**(90)**
Income tax	7 535	7 812
PROFIT / LOSS	**(24 667)**	**(13 993)**

4.3.3 Notes to the corporate annual financial statements

4.3.3.1 Accounting rules and methods

(Decree 83-1020 of 11/29/1983 – Articles 7, 21, 24 beginning, 24-1, 24-2 and 24-3)

The total balance sheet before allocation for the fiscal year ended December 31, 2017 was €53.1 million.

The net accounting loss was €24.7 million.

The following notes and tables form an integral part of the annual financial statements, which were approved by the Board of Directors on March 5, 2018.

The financial statements were prepared in accordance with:

- the 1999 General Chart of Accounts approved by the ministerial order of June 22, 1999
- Law 83 353 of April 30, 1983
- Decree 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 valuation of assets
    - 2015-05 on foreign exchange gains and losses.

General accounting conventions have been applied based on the principle of conservatism in accordance with the following basic assumptions:

- going concern,
- consistency of the accounting methods used from one year to the next,
- independence of fiscal years, and

in accordance with the general rules regarding the preparation and presentation of annual financial statements.

To prepare its financial statements, the company used the going concern assumption.

In fact, it carries out its research and development activities at a rapid pace using its own funds, while focusing its expenses on high-priority projects and activities. With the ability to anticipate the collection of the research tax credit, the operating plan established gives the company the financial capacity to meet its financial commitments over at least the next 12 months.

The basic method used to determine the value of the items accounted for is the historical cost method.

▪ Intangible assets

Start-up costs were capitalized and amortized over a three-year period.

Research and development costs are not capitalized and are recorded as expenses in the company's income statement.

▪ Property, plant and equipment

Tangible fixed assets are recorded at their acquisition cost (purchase price and incidental expenses).

The company took advantage of the leeway offered 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 on a straight-line basis according to the expected useful life:

Type of asset	Useful life
Software	3 to 5 years
Land development	10 years
Buildings	20 years
Technical installations	3 to 5 years (used – new)
Fixture and fittings	7 to 10 years
Office equipment	3 to 5 years
Furniture	5 years

Other purchases of property, plant and equipment correspond to the acquisition of land, for which no impairment was recorded.

▪ Equity holdings and other long-term investments

As of the filing date of this registration document, the company had a subsidiary in the United States called Adocia Inc. which employs two people: a medical director and a marketing director.

The subsidiary's share capital is $1 and is composed of 100 shares, all of which are owned by Adocia.

▪ Short-term investment securities

The company invests its funds in short-term investment securities (money market mutual funds) measured at their acquisition cost. It has also invested a portion of its liquidity in short-term term deposits at a guaranteed fixed rate.

At the end of fiscal year 2017, the unrealized capital gain on these investments was €30,700.

- Inventories

Inventories are measured using the "first-in first-out" method. They may be impaired if the expiration date has passed and/or if the project to which they refer was discontinued by the company and considered a failure.

- Tax Credit for Employment Competitiveness

The Tax Credit for Employment Competitiveness was €0.1 million in 2017 and remained stable compared to 2016. This amount is recognized as a deduction from payroll expense.

- Revenue

The company's revenue resulted mainly from the collaboration with Eli Lilly for the development of a BioChaperone® Lispro ultra-fast acting insulin. This collaboration, which began in December 2014, was discontinued at the end of January 2017 following Lilly's decision to terminate the agreement. Under this collaboration, Lilly covered all internal and external expenses incurred by Adocia for the development of the licensed project. This represented revenue of €0.7 million in 2017 compared to €11.7 million for 2016.

In 2017, the company also recorded €0.3 million in lease income on a portion of the premises owned by it compared to €0.2 million in 2016.

- Change in methods

In accordance with ANC Regulation 2015-05, foreign exchange gains and losses on commercial transactions in foreign currencies are recognized in operating profit/loss and no longer in financial income/expense.

4.3.3.2 Highlights of the fiscal year

The beginning of 2017 was marked by Eli Lilly's decision to terminate the licensing and cooperation agreement signed in December 2014 for development of an ultra-rapid BioChaperone Lispro insulin analog.

After reacquiring all the results and equipment produced, Adocia continued to develop this product alone, launching a clinical study to compare the pharmacokinetic and pharmacodynamic profiles of BioChaperone Lispro to those of Fiasp® (accelerated insulin, Novo Nordisk) and Novolog® (insulin aspart, Novo Nordisk) administered using an insulin pump in patients with type 1 diabetes. The results of the study, announced in December 2017, demonstrate better performance of BioChaperone Lispro compared to Novolog (faster-on and faster-off metabolic effects) and Fiasp (significantly faster-off metabolic effect). Adocia's priority now is to find a new partner to continue phase 3 clinical development and market the product.

Concerning BioChaperone Combo, an important regulatory step was taken in 2017 with the launch of a phase 1b clinical study documenting the dose-proportionality of BioChaperone Combo in patients with type 2 diabetes. The results announced in late January 2018 demonstrate that BioChaperone Combo shows a proportional dose exposure and a linear dose-response relationship when tested with three different doses in patients with type 2 diabetes. BioChaperone Combo therefore offers better performance than pre-mix insulins and is competitive with the only next-generation combo approved to date (Novo Nordisk Ryzodeg®). Adocia's strategy is to continue to develop the product with a pharmaceutical partner and offer a more high-performance product in emerging countries with fast-growing diabetes markets.

For HinsBet®, Adocia's strategy is to license this product to one of the regional players in the diabetes field in order to pursue its development and allow its marketing in emerging countries.

Concerning the glucagon project, the topline results of the first clinical study launched in July 2017 were published at the end of November. The objective was to compare the product's safety and tolerance to those of a human glucagon available on the market (Glugagen® Hypokit™, Novo Nordisk), as well as their pharmacokinetic and pharmacodynamic profiles, in patients with type 1 diabetes. The results of the study showed that BioChaperone Glucagon, a ready-to-inject stable aqueous formulation of human glucagon, proved safe and well tolerated by patients with type 1 diabetes. Together with positive stability results, this initial clinical data justifies further development of this product as a ready-to-inject treatment for severe hypoglycemia.

The development carried out on the various products in the portfolio highlighted the unique properties of BioChaperone technology, which is designed to deliver meaningful enhancement of single therapeutic agents and enable the combination of multiple therapeutic proteins.

A number of BioChaperone compounds initially developed for the BioChaperone Combo project are particularly effective in multi-hormonal combinations. In early 2017, Adocia announced the launch of a new preclinical program that entails developing multi-hormonal combinations for the prandial treatment of type 1 diabetes (BioChaperone Prandial Combinations). The first application concerns the BioChaperone Pramlintide insulin combination (Symlin®, AstraZeneca), the goal of which is to offer patients with type 1 diabetes a more effective treatment without increasing the number of injections. A clinical study on this combination is scheduled to begin in the first quarter of 2018.

Along these same lines, following its successful application to various diabetes treatments, in early 2018 Adocia announced that BioChaperone technology would also be applied to a select range of injectable therapies in several therapeutic areas. The first programs added to the portfolio include a ready-to-inject version of teduglutide for the treatment of short bowel syndrome and a fixed-dose combination of glucagon and exenatide for the treatment of obesity.

At the organizational level, in early July 2017 the company announced that it was enhancing its organization with the hiring of Dr. Stanislav Glezer as Chief Medical Officer. His experience at large pharmaceutical companies in clinical development and medical affairs, particularly in diabetes treatments, gives Adocia a real advantage.

In terms of legal matters, in early October 2017 Adocia announced that it had initiated an arbitration procedure against Eli Lilly & Co. related to the research and licensing agreement signed in 2014. This arbitration procedure concerns approximately USD 11 million and other specific compensation related to the changes made to the development plan during the collaboration. The content of this procedure is confidential and Adocia has indicated that it would disclose information only at the end of the procedure, which is scheduled for the second quarter of 2018.

In February 2018, the company announced through a press release that it had filed new applications for arbitration against Eli Lilly & Company for Lilly's misuse of confidential information and discoveries belonging to Adocia and for its breach of several collaboration and confidentiality agreements. Adocia is claiming more than $200 million in damages as well as other specific compensation. Adocia expects a decision on these new applications for arbitration in the second half of 2018.

4.3.3.3 Notes to the financial statements, French GAAP

Summary of notes

NOTE 1 Intangible assets

	12/31/2016	Acquisitions, contributions, creation, transfers	Decreases	12/31/2017
Start-up and development costs	11			11
Other intangible assets	75	77	(26)	126
GROSS AMOUNT	**86**	**77**	**(26)**	**137**
Start-up and development costs	(11)			(11)
Other intangible assets	(75)	(12)	26	(60)

DEPRECIATION / AMORTIZATION	**(86)**	**(12)**	**26**	**(72)**
Start-up and development costs	0			0
Other intangible assets	0	65		65
NET AMOUNT	**0**	**65**	**0**	**65**

NOTE 2 Property, plant and equipment

	12/31/2016	Acquisitions, contributions, creation, transfers	Decreases	12/31/2017
Lands	1 751	470	(19)	2 202
Constructions	3 926	392	(42)	4 275
Fixtures & fittings and industrial equipment	2 397	159	(154)	2 401
General facilities, fixtures and miscellanous	1 325	458		1 783
Office, computer equipment and furniture	994	127	(11)	1 111
Tangible fixed assets in progress	310	(35)	0	275
Advances and payment on account	0			0
GROSS AMOUNT	**10 703**	**1 570**	**(227)**	**12 047**
Lands	0	(1)		(1)
Constructions	(134)	(204)	1	(336)
Fixtures & fittings and industrial equipment	(1 707)	(260)	51	(1 916)
General facilities, fixtures and miscellanous	(659)	(124)		(783)
Office, computer equipment and furniture	(569)	(171)	10	(731)
DEPRECIATION / AMORTIZATION	**(3 068)**	**(761)**	**62**	**(3 767)**
Lands	1 751	469	(19)	2 201
Constructions	3 793	187	(41)	3 939
Fixtures & fittings and industrial equipment	690	(101)	(104)	485
General facilities, fixtures and miscellanous	666	334		1 000
Office, computer equipment and furniture	425	(44)	(1)	380
Tangible fixed assets in progress	310	(35)	0	275
Advances and payment on account	0	0	0	0
NET AMOUNT	**7 634**	**810**	**(165)**	**8 280**

NOTE 3 Receivables and debts

Receivables *In € thousands french gaap*	Gross amount	Up to 1 year	1 year or more
Long-term financials assets	**137**		**137**
Other trade receivables	30	30	
Social security and other social agencies	2	2	
Government - Income tax (including CICE et CIR)	7 975	7 642	333
Government - Value added tax	861	861	
Miscellaneous debtors	298	298	
Current assets	**9 167**	**8 834**	**333**
Pre-paid expenses	**573**	**573**	
TOTAL	**9 877**	**9 407**	**470**

Debts *In € thousands french gaap*	Gross amount	Up to 1 year	1 year or more
Loans and debt with credit institutions	6 151	1 301	4 850
Miscellaneous loans and financial debt	14		14
Financial debts	**6 164**	**1 301**	**4 864**
Trade and similar payables	4 898	4 898	
Staff and similar accounts	750	750	
Social security and other agencies	1 197	1 197	
Value added tax	4	4	
Other taxes and similar	169	169	
Debt on fixed assets and similar accounts*	23	23	
Group and partners	187	187	
Other debt	39	39	
Miscellaneous debt	**7 267**	**7 267**	
Unearned income	**0**		
TOTAL GENERAL	**13 431**	**8 567**	**4 864**

NOTE 4 Accrued expenses

In € thousands french gaap	12/31/2017	12/31/2016
Trade and similar payables	3 314	2 833
Tax and social security liabilities	1 258	3 100
TOTAL	**4 572**	**5 933**

NOTE 5 Revenue accruals

In € thousands french gaap	12/31/2017	12/31/2016
Trade and similar receivables	23	2 463
Government	107	80
Other receivables	298	338
Cash assets	6	24
TOTAL	**435**	**2 904**

NOTE 6 Prepaid expenses and unearned income

In € thousands french gaap	12/31/2017	12/31/2016
Operating income or expense	573	585
Financial income or expense		
Extraordinary income or expense		
TOTAL	**573**	**585**

NOTE 7 Share capital structure

	As of January 1st, 2017	Capital increase (in euros)	As of December 31st, 2017	Share capital (in euros)
Common shares	6 859 763	50 990	6 910 753	691 075

NOTE 8 Workforce

	12/31/2017	12/31/2016
Technicians	59	57
Management personnel	68	66
Total employees	**127**	**123**

NOTE 9 Repayable advances and Bpifrance grants

Bpifrance (ex-OSEO Innovation) agreement of April 25, 2012

As part of the Insulin project, the company signed an agreement with Bpifrance Financement on April 25, 2012 under which it received a repayable advance totaling €0.8 million 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 repayable assistance on April 30, 2012.

In 2017, the company repaid €0.1 million, and all or part of the balance is repayable through 2020 (see section 1.3.7).

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 (French insurance company for foreign trade) on October 26, 2012 in return for the payment of a premium equivalent to 2% of the annual budget.

Under the terms of the agreement, Coface guarantees the repayment of 75% of the expenses incurred during the four-year guarantee period, which runs from October 1, 2012 to September 30, 2016 and was extended for two years through 2018.

For the expenses incurred during the first insured period, i.e. from October 1, 2012 to September 30, 2013, the company received the sum of €0.91 million on December 17, 2013.

During the period between October 1, 2013 and September 30, 2014, since the company did not incur any business development expenses on the target markets, the contract was canceled. Therefore, the company began to amortize the amounts received up to then, i.e. €91,000, according to the terms specified in the agreement and described above.

As no revenue was generated in 2017, the balance of the advance received has not changed.

NOTE 10 Income statement

Most of the company's €0.9 million in revenue resulted from the agreement signed with Lilly in 2014 and discontinued by Lilly in 2017.

Operating expenses totaled €32.8 million compared to €34 million in 2016 and included the following items:

In € thousands french gaap	12/31/2017	12/31/2016
Purchase of raw materials ans other supplies	(1 746)	(1 771)
Other purchases and external charges	(19 767)	(20 177)
Taxes and similar payments	(217)	(222)
Payroll expense	(10 132)	(11 056)
Depreciation and provisions	(778)	(709)
Other operating expenses	(145)	(68)
Operating expenses	**(32 785)**	**(34 003)**

There was an operating loss of €31.7 million versus a loss of €21.9 million the previous year.

A net financial expense of €0.3 million was recorded in 2017 compared to €0.2 million in income the previous year. It consisted mainly of changes in net foreign exchange gains and interest received on cash investments. In 2017, at a time of significantly lower interest rates, earned interest was lower than the previous year.

As a result, there was a pre-tax loss on ordinary activities of €32 million versus €21.7 million the previous year.

After taking into account the Research Tax Credit of €7.5 million, fiscal year 2017 ended with a net loss after tax of €24.7 million compared to €14 million the previous year.

NOTE 11 Balance sheet

Assets

Non-current assets amounted to €8.5 million at December 31, 2017 compared to €8 million at December 31, 2016. The net increase of €0.5 million resulted primarily from the purchase of a warehouse adjacent to the main building, which cost €0.4 million and extended the company's facilities at that site.

Current assets totaled €44.6 million compared to €70.4 million a year earlier. They consisted of the following items:

- "Cash and cash equivalents" fell from €57.9 million at December 31, 2016 to €34.7 million at December 31, 2017. The €23.2 million in cash consumption during the year reflects the same level of expenses as the previous year. However, in 2016 all the expenses related to the project developed under the partnership with Eli Lilly were billed to Lilly, which was no longer the case after the end of the collaboration.
- The "other receivables" item amounted to €9 million at December 31, 2017 compared to €9.3 million a year earlier. This item included receivables from the government, such as the Research Tax Credit (CIR) for the year in the amount of €7.5 million, the carryback receivable for €0.3 million, the VAT credit and the Tax Credit for Employment Competitiveness (CICE). The €0.3 million reduction was mainly due to the decrease in the Research Tax Credit based on the expenses for the year.
- The "trade receivables" item totaled €2.5 million at December 31, 2016 and consisted mainly of the receivable related to the activities billed to Lilly under the agreement in place at the time. At the end of 2017, only the receivables related to the billing of rent were shown on the balance sheet in an immaterial amount.

In accordance with Article L. 441-6-1 of the French Commercial Code, invoices issued for which payment was in arrears on the balance sheet date were as follows:

Receivables in € thousands	Invoices received with passed due date but not paid at the end of the year				
	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
(A) Periods of payment delay					
Number of concerned invoices			1		1
Total amount of concerned invoices, tax included			3		3
Percentage of the turnover of the year, tax included			0%		
(B) Invoices excluded from (A) due to contentious or unrecognized debts and receivables					
Number of invoices excluded	0				
Total amount of invoices excluded, tax included	0				
(C) Standard payment delay used					
Payment term used to calculate the payment delay	Contract term: upon invoice reception				

Prepaid expenses amounted to 0.6 million euros in 2017 and remained stable compared to end-2016.

Liabilities

The company's **equity** totaled €38.8 million compared to €63.5 million a year earlier. Share capital amounted to €691,075 at December 31, 2017 versus €685,976 at the end of the previous year. The share premium of €79.6 million at the end of 2017 was stable relative to 2016.

At the end of 2017, carryforward losses totaled €16.8 million compared to €2.8 million at the end of 2016, with the difference stemming from the allocation of the €14 million loss in 2016.

The conditional advances decreased by €0.1 million to €0.8 million at December 31, 2017 (see note 9 on repayable advances).

The company's debt position based on business volume and complexity

Financial debt totaled €6.2 million at end-December 2017 compared to €5.5 million a year earlier. This increase was primarily due to the financing of the legal costs incurred in connection with the arbitration proceedings against Eli Lilly. This financing, obtained from two banks, took the form of two lines of credit, each in an amount of up to $1.5 million. At December 31, 2017, Adocia's financial debt increased by €0.8 million ($1 million).

"Tax and staff cost liabilities" amounted to €2.1 million, down significantly from €3.7 million at the end of 2016. As of December 31, 2017, no provision was set up for year-end bonuses. This decision impacted staff cost liabilities by €1.5 million compared to 2016.

"Trade payables" totaled €5.1 million compared to €4.6 million at end-December 2016.

In accordance with Article L. 441-6-1 of the French Commercial Code, invoices received for which payment was in arrears on the balance sheet date were as follows:

Debts in € thousands	Invoices received with passed due date but not paid at the end of the year				
	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
(A) Periods of payment delay					
Number of concerned invoices	67	12	4	1	84
Total amount of concerned invoices, tax included	319	32	2	2	356
Percentage of total puchases amount for the year, tax included	1%	0%	0%	0%	1%
(B) Invoices excluded from (A) due to contentious or unrecognized debts and receivables					
Number of invoices excluded	20				
Total amount of invoices excluded, tax included	231				
(C) Standard payment delay used					
Payment term used to calculate the payment delay	Contract term: depending on the supplier, upon invoice reception, within 30 days, within 45 days, etc.				

4.3.3.4 Proposed allocation of losses for fiscal year 2017

A proposal is made to allocate the loss for the fiscal year ended December 31, 2017 in the amount of €24.7 million to retained earnings.

As a reminder, the company has not paid out dividends over the last three years.

4.3.3.5 Non-tax-deductible expenses

In accordance with Article 223 (4) of the French General Tax Code (Code Général des Impôts), the company did not incur any luxury expenditure and non-deductible expense referred to in Article 39-4 of this code for the fiscal year ended December 31, 2017.

4.3.3.6 Off-balance sheet commitments

Retirement obligation

The company decided not to recognize a provision for its retirement obligations.

However, it chose to quantify these obligations in the financial statements prepared under IFRS in the amount of €2.2 million at December 31, 2017 compared to €1.7 million at December 31, 2016. (See note 11 to the consolidated financial statements prepared under IFRS in section 4.16 of this registration document).

Signing of financial leases

The company owns several assets financed through leasing. At the end of December 2017, it had five agreements. These agreements cover equipment for which the total acquisition cost is €1 million. Four of the agreements have a financing term of four years (€0.9 million) and the fifth has a financing term of three years (€0.1 million).

Guarantees provided

When obtaining the loans used to purchase the building and parking spaces, the company provided the following guarantees:

- a lender's lien and subrogation in the seller's lien for the purchase amount of the building,
- a mortgage on the construction budget.

The company also made two term deposits of €1.5 million each as security for the two lines of credit provided by two banks to finance the legal costs related to the applications for arbitration against Lilly.

Bonus shares, ordinary stock warrants and start-up company stock warrants

Information regarding grants of bonus shares, start-up company stock warrants, stock options and ordinary stock warrants is provided in section 5.1.5 of this registration document.

4.3.3.7 Statutory auditors' fees

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

	Ernst & Young		Odicéo	
In € thousands french gaap	**12/31/2017**	12/31/2016	**12/31/2017**	12/31/2016
Statutory auditor services, certification, review of individual and consolidated financial statements	41	41	42	41
Other services and due diligence directly related to the statutory audit assignement	3			3
Subtotal audit services	44	**41**	42	**44**
Tax				
Others				
Subtotal other services	0	**0**	0	**0**
TOTAL	**44**	**41**	**42**	**44**

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4.3.3.8 Events subsequent to year end

In February 2018, the company announced through a press release that it had filed new applications for arbitration against Eli Lilly & Company for Lilly's misuse of confidential information and discoveries belonging to Adocia and for its breach of several collaboration and confidentiality agreements. Adocia is claiming more than $200 million in damages as well as other specific compensation. Adocia expects a decision on these new applications for arbitration in the third quarter of 2018.

4.3.3.9 Table showing results over the last five fiscal years

In € thousands french gaap	**12/31/2017**	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Capital during the fiscal year *(in euros)*					
Share capital	691 075	685 976	684 636	621 608	621 188
Number of existing ordinary shares	6 910 753	6 859 763	6 846 363	6 216 076	6 211 876
Number of existing ordinary shares cum dividend	6 910 753	6 859 763	6 846 363	6 216 076	6 211 876
Maximum number of future shares to be created					
by bond conversion					
by exercise of subscription rights	62 900	105 755	61 750	2 800	7 000
Transactions and results for the fiscal year					
Pre-tax revenue	938	11 976	26 189	41 043	(26)
Profit/loss before tax, employee profit-sharing, depreciation, amortization and provisions	(31 424)	(21 096)	(2 131)	24 994	(12 540)
Income tax	(7 535)	(7 812)	(7 101)	617	(3 218)
Employee profit-sharing owed for the year				421	
Profit/loss after tax, employee profit-sharing, depreciation, amortization and provisions	(24 667)	(13 993)	4 478	23 733	(9 689)
Distributed profit	0	0	0	0	0
Earnings per sahre (in euros per share)					
Profit/loss after tax and employee profit-sharing, but before depreciation, amortization and provisions	(3)	(2)	1	4	(2)
Profit/loss after tax, employee profit-sharing, depreciation, amortization and provisions	(4)	(2)	1	4	(2)
Dividend per share					
Staff (in thousands of euros)					
Average number of employees during the year	126	120	95	77	72
Total payroll for the year	(7 372)	(7 622)	6 410	4 982	3 745

Total employee benefits paid for the year (social security, social agencies, etc.)	3 593	3 502	2 953	2 329	1 669

4.4 Statutory auditors' report on the corporate financial statements

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115, boulevard de Stalingrad
CS 52038
69616 Villeurbanne Cedex
S.A. au capital de € 275.000
430 130 393 RCS Lyon

Commissaire aux Comptes
Membre de la compagnie
régionale de Lyon

ERNST & YOUNG et Autres
Tour Oxygène
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S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Adocia
Year ended December 31, 2017

Statutory auditors' report on the financial statements

To the Annual General Meeting of Adocia,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Adocia for the year ended December 31, 2017.

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 December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' responsibilities for the audit of the financial statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

Emphasis of Matter

We draw attention to the following matter described in the "Change of Method" section of Note 4.3.3.1 to the annual financial statements regarding the impact of the application of regulation 2015-05 of the *Autorité des Normes Comptables* (French Accounting Standards Authority) concerning the recognition of foreign exchange gains and losses. Our opinion is not modified in respect of this matter.

Justification of assessments - Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Going concern

Risk identified	Our response
At year-end, your company presented a loss-making result of M€ 24.7, cash consumption of M€ 23.2 and a closing cash position of M€ 34.7. The beginning of 2017 was marked by Eli Lilly's decision to terminate the licensing and cooperation agreement signed in December 2014 for development of an ultra-rapid BioChaperone lispro insulin analog. As set out in Note 4.3.3.1 "Accounting rules and methods" to the annual financial statements, the going concern assumption was applied at year-end in view of (i) the measures to select expenses relating to high-priority projects and activities for your Company and (ii) the ability to anticipate the collection of the research tax credit (*credit d'impôt recherche*). We considered the application of this principle to be a key audit matter as it is based on cash flow forecasts, which present a risk of not being achieved.	As part of our audit of the annual financial statements, we analysed the cash flow forecasts prepared by the executive management and approved by the Board of Directors for the period from January 1, 2018 to June 30, 2019. Our analyses consisted in: ► assessing the consistency of the forecasts with the historical data; ► evaluating the assumptions used by management; ► for selection of planned outflows in respect of external expenditures for which your Company had made contractual commitments, reconciling the amounts applied with the agreements concerned; ► for a selection of outflows relating to external expenses on studies for which your Company has not yet entered into agreements with suppliers, comparing the amounts applied with the data underlying the budgets approved by your Board of Directors and with the historical data relating to studies of the same type, to assess the frequency of invoicing; ► analyzing the main data and assumptions (personnel expenses, external and internal expenditures) on which your Company's calculation of the research tax credit is based, and the expected date on which it will be received.

Lastly, we evaluated whether the information provided in Notes 4.3.3.1 "Accounting rules and methods" and 4.3.3.2 "Highlights of the fiscal year" to the annual financial statements were representative of your Company's situation.

Verification of the Management Report and of the Other Documents Provided to the Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

- **Information provided in the Management Report and in the Other Documents Provided to the Shareholders with respect to the financial position and the financial statements**

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

- **Report on Corporate Governance**

We attest that the Board of Directors' report on Corporate Governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 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 controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

- **Other 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 or holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

- **Appointment of the Statutory Auditors**

We were appointed as statutory auditors of Adocia by Decision of the Sole Shareholder on December 10, 2011 for ODICEO and by the Annual General Meeting held on October 24, 2011 for ERNST & YOUNG et Autres.

As at December 31, 2017, ODICEO and ERNST & YOUNG et Autres were in the 7th year of total uninterrupted engagement, including six years since securities of the Company were admitted to trading on a regulated market respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Villeurbanne and Lyon, April 17, 2018

The Statutory Auditors
French original signed by

ODICEO	ERNST & YOUNG et Autres
Agnès Lamoine	Mohamed Mabrouk

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Chapter 5

5 INFORMATION ON THE COMPANY AND THE CORPORATE CAPITAL

5.1 Corporate capital

5.1.1. Amount of corporate capital

As of December 31, 2017, the Company's capital was €691,075.30, divided into 6,910,753 fully paid-in common shares, with a par value of €0.10 each.

5.1.2. Shares not representing capital

None.

5.1.3. Company shares pledged as collateral, guarantees or security

None.

5.1.4. Acquisition by the Company of its own shares

The combined general meeting of the Company' shareholders held on June 27, 2017 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 (*Code de commerce*) and in accordance with the General Regulation of the *Autorité des marchés financiers* (AMF) under the conditions described below. This authorization supersedes the authorization granted on June 21, 2016 for the same purpose, under the same terms and conditions as those adopted on June 27, 2017.

5.1.4.1. Features of the contract:

Maximum number of shares that may be purchased: 10% of the corporate capital on the share buyback date. If the shares are acquired for the purpose of stimulating the market and increasing liquidity, 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 shares under a liquidity agreement to be entered into with an investment services provider, in accordance with the code of conduct recognized by the AMF;
- To honor obligations under stock option, bonus share or employee savings plans or other allocations of shares to employees and managers 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 27, 2017.

Maximum purchase price: €200 per share. This purchase price will be adjusted, if necessary, to reflect transactions involving the capital (including capitalization of reserves and bonus issues, 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.

5.1.4.2. Report on the liquidity contract with Kepler Cheuvreux

	FY 2017	FY 2016
Number of shares purchased	59 254	54 700
Average price of the purchases (euros)	22.59	54.98
Number of shares sold	51 498	58 125
Average price of the sales (euros)	19.71	55.23
Number of shares used during the year	néant	néant
Number of shares owned at year end and percentage of control	7 516 0.10% of capital	760 0.01% of capital
Value estimated at the average price of the purchases (euros)	113 708.71	39 592.40
Total trading fees (euros)	22 500	22 500

As of December 31, 2017, in connection with this contract, the Company held 7,516 shares and €26,247.01 in cash. Excluding the liquidity contract, the Company does not hold any treasury shares.

5.1.5. Potential capital

As of the filing date of this reference document, there were four types of shares conferring equity rights.

5.1.5.1. BSA stock warrants plan

	BSA 06-2011	BSA 09-2011	BSA 12-2013	BSA 03-2017
Date of shareholders' meeting	06/17/2011	06/17/2011	06/18/2013	11/12/2015
Date of board of directors' decision	06/17/2011	09/27/2011	12/13/2013	03/07/2017
Number of BSA stock warrants authorized	140	70	20 000	40 000
Number of BSA stock warrants issued	140	70	20 000	40 000
Total number of shares that may be subscribed (1)	1 400	700	20 000	40 000
Of which, number that may be subscribed by corporate officers	-	-	20 000	-
Earliest BSA stock warrant exercise date	06/17/2011	09/27/2011	01/01/2014	03/07/2017
BSA stock warrant expiration date	06/17/2021	09/27/2021	12/13/2023	03/07/2027
BSA stock warrant issue price (euros)	free	free	0.588	1
BSA stock warrant strike price (euros)	8.571 (1)	8.571 (1)	5.88	20.65
Exercise conditions	(2)	(2)	(2)	(3)
Number of subscribed shares at the filing date of this registration document	0	700	0	0
Number of lapsed or cancelled warrants at the filing date of this registration document	0	0	0	0
Remaining warrants at the filing date of this registration document	140	0	20 000	40 000
Total number of shares that may be subscribed at the filing date of this registration document	1 400	0	20 000	40 000

(1) The exercise conditions for the BSA stock warrants have been adjusted to reflect the 10-for-1 stock split approved by the general 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) All BSA12-2013 stock warrants may be exercised as of the date of this reference document and for a period of 10 years.

(4) The BSA 03-2017 stock warrants may be exercised provided the terms and conditions and performance objectives set out in the "Warrants Agreement" and approved by the board of directors have been met.

As of the filing date of this reference document, fully exercising all BSA stock warrants granted would result in the creation of 61,400 shares with a par value of €0.10.

5.1.5.2. Bonus shares

	2008 Plans		2009 Plan	2010 Plans	
	managers		managers	managers	
Date of shareholders' meeting	01/23/2008	06/06/2008	12/15/2009	03/05/2010	12/07/2010
Recipients	Employees	Employees	Employees	Employees	Employees
Vesting date	01/23/2012 (1)	06/06/2012 (1)	12/15/2013 (1)	03/05/2015 (3)	12/07/2015 (3)
End of retention period	01/23/2014 (2)	06/06/2014 (2)	12/15/2015 (2)	03/05/2017 (2)	12/07/2017 (2)
Total number of bonus shares	42 000	5 600	5 600	5 600	5 600
Number of cancelled bonus shares at the end of the year	2 100	0	0	0	0
Number of shares with ongoing vesting at the end of the year	0	0	0	0	0

	2015 Plans			
	n°1 10 years	n°2.1 managers	n°2.2 employees	corporate officer
Date of shareholders' meeting	12/10/2015	12/16/2015	12/16/2015	12/16/2015
Recipients	Employees	Employees	Employees	Olivier Soula
Vesting date	12/10/2017 (4)	12/16/2016 (5)	12/16/2019 (1)	12/16/2016 (5)
End of retention period	12/10/2017 (4)	12/16/2017 (5)	12/16/2020 (6)	12/16/2017 (5)
Total number of bonus shares	39 150	5 000	12 600	5 000
Number of cancelled bonus shares at the end of the year	2 860	0	1 800	0
Number of shares with ongoing vesting at the end of the year	0	0	5 400	0

	2016 Plans			2017 Plan
	corporate officers	corporate officers	employees	managers
Date of shareholders' meeting	03/15/2016	03/15/2016	12/15/2016	12/14/2017
Recipients	Olivier Soula	Olivier Soula	Employees	Employees
Vesting date	03/15/2020 (1)	03/15/2018 (7)	12/15/2020 (1)	12/15/2021 (1)
End of retention period	03/15/2021 (6)	03/15/2018 (7)	12/15/2021 (6)	12/15/2022 (2)
Total number of bonus shares	8 000	12 000	40 000	9 500
Number of cancelled bonus shares at the end of the year	0	0	0	0
Number of shares with ongoing vesting at the end of the year	6 000	12 000	30 000	9 500

(1) The vesting period is four years, with a block of one-quarter vesting on each anniversary date. The date stated is the latest date for the last one-quarter block.

(2) The retention period is two years from the vesting date.

(3) The vesting period is five years, with a block of one-quarter vesting on each anniversary date starting from the second anniversary. The date stated is the latest date for the last one-quarter block.

(4) The vesting period is two years, without retention period (ten-year plan only).

(5) Vesting is conditioned on meeting the performance objectives set for the year. The vesting date is the date the board of directors validates these objectives. Thereafter, a one-year retention period ensues.

(6) The retention period is one year from the vesting date.

(7) Vesting is conditioned on meeting the performance objectives set for a two-year period. The vesting date is the date the board of directors validates these objectives. There is no retention period.

As of the filing date of this reference document, 62,900 bonus shares were in the process of being acquired, which may result in the creation of 62,900 shares with a par value of €0.10.

5.1.5.3. BSPCE founders' warrants

	2013 Plans		2014 Plans		
	n°1 managers	n°2 managers	n°1 managers	n°2 managers	corporate officers
Date of shareholders' meeting	06/18/2013	06/18/2013	06/24/2014	06/24/2014	06/24/2014
Date of board of directors' decision	12/13/2013	12/13/2013	09/25/2014	09/25/2014	09/25/2014
Number of BSPCE stock warrants authorized	28 000	22 400	14 000	5 600	100 000
Number of BSPCE stock warrants issued	28 000	22 400	14 000	5 600	100 000
Total number of shares that may be subscribed	28 000	22 400	14 000	5 600	100 000
Of which by Gérard Soula	-	-	-	-	*20 000*
Of which by Olivier Soula	-	-	-	-	*45 000*
Earliest BSPCE stock warrant exercise date	12/13/2014 (1)	12/13/2015 (1)	06/24/2015 (1)	06/24/2015 (1)	Fulfillment of performance criterias approved by the Board of directors meeting of 12/23/2014
BSPCE stock warrant expiration date	12/13/2023	12/13/2023	09/25/2024	09/25/2024	09/24/2024
BSPCE stock warrant issue price (euros)	free	free	free	free	free
BSPCE stock warrant strike price (euros)	5.76	5.76	34.99	34.99	34.99
Exercise conditions	(1)	(1)	(1)	(1)	Immediate vesting upon fulfillment of relevant performance criteria
Number of subscribed shares at the end of the year	4 900	700	0	0	0
Number of lapsed or cancelled warrants at the end of the year	0	0	2 800	5 600	0
Remaining warrants at the end of the year	23 100	21 700	11 200	0	100 000

	BSPCE coporate officers 2015	BSPCE coporate officers 2016	**BSPCE corporate offciers 2017**
Date of shareholders' meeting	11/12/2015	11/12/2015	11/12/2015
Date of board of directors' decision	12/16/2015	03/15/2016	09/08/2017
Number of BSPCE stock warrants authorized	40 000	40 000	150 000
Number of BSPCE stock warrants issued	40 000	40 000	150 000
Total number of shares that may be subscribed	40 000	40 000	150 000
Of which by Gérard Soula	*40 000*	*40 000*	*75 000*
Of which by Olivier Soula	-	-	*75 000*
Earliest BSPCE stock warrant exercise date	Fulfillment of performance criterias approved by the Board of directors meeting of 12/16/2015	Fulfillment of performance criterias approved by the Board of directors meeting of 12/13/2016	upon fulfillment of relevant performance criteria, defined for 3 years
BSPCE stock warrant expiration date	16/12/2025	15/03/2026	08/09/2027
BSPCE stock warrant issue price (euros)	free	free	free
BSPCE stock warrant strike price (euros)	74.60	61.73	16.00
Exercise conditions	Immediate vesting upon fulfillment of relevant performance criteria	Immediate vesting upon fulfillment of relevant performance criteria	Immediate vesting upon fulfillment of relevant performance criteria
Number of subscribed shares at the end of the year	0	0	0
Number of lapsed or cancelled warrants at the end of the year	0	16 000	150 000
Remaining warrants at the end of the year	40 000	24 000	150 000

As of the filing date of this reference document, 370,000 BSPCE founders' warrants are exercisable (provided the performance objectives are met), and the exercise of all of these BSPCE founders' warrants would lead to the creation of 370,000 shares of 0.10 par value.

5.1.5.4. Stock options

	SO Plan 2015 n°1	SO Plan 2015 n°2	**SO Plan 2017 n°1**	**SO Plan 2017 n°2**
Date of shareholders' meeting	06/18/2013	11/12/2015	11/12/2015	11/12/2015
Date of allotment	03/31/2015	12/16/2015	04/14/2017	07/19/2017
Total number of stock options issued	20 000	4 000	13 000	40 000
Of which corporate officers	-	-	-	-
Earliest stock options exercise date			04/14/2017	07/19/2017
Stock options expiration date			04/14/2017	07/19/2017
Stock options strike price (euros)	55.64	71.12	18.00	19.00
Number of subscribed shares at the end of the year				
Number of lapsed or cancelled stock options at the end of the year	20 000	4 000		
Remaining stock options at the end of the year	0	0	13 000	40 000

As of the filing date of this reference document, 53,000 stock options are exercisable, which, if fully exercised, would result in the creation of 53,000 shares with a par value of €0.10.

5.2 Authorized capital

5.2.1 Delegations of authority in effect and uses thereof

Type of delegation or autorization	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 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	(1)	The board used this authorization by awarding : 4,000 options on 12/16/2015 13,000 options on 04/14/2017 40,000 options on 07/19/2017
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	(1)	The board used this authorization by awarding : 39,150 actions on 12/10/2015 22,600 actions on 12/16/2015 20,000 actions on 03/15/2016 40,000 actions on 12/13/2016 9,500 actions on 12/14/2017
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	(1)	The board used this authorization by awarding 150,000 BSPCE on 09/08/2017
General shareholders' meeting of June 27, 2017				
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 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	18 months December 26, 2018	100,000 BSA conferring the right to 100,000 shares (3)	(1)	The board did not use this authorization
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 August, 26, 2019	€210,000	(1)	The board did not use 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 August, 26, 2019	€137,000	(1)	The board did not use 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, 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 August, 26, 2019	€137,000	(1)	The board did not use this authorization
Délégation au conseil à l'effet d'augmenter le nombre de titres 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 August, 26, 2019	15% of the original issue	Same price as the original issue price	The board did not use this authorization

Type of delegation or autorization	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 27, 2017				
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 limitations set by the general shareholders' meeting	26 months August, 26, 2019	up to 10% of the capital	(1)	The board did not use this authorization
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 August, 26, 2019	€68,000	(1)	The board did not use this authorization
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 August, 26, 2019	€68,000 up to 10% of the capital per year	(1)	The board did not use 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	26 months August, 26, 2019	€68,000	(1)	The board did not use this authorization
Delegation of authority to the board to increase capital by capitalizing premiums, reserves, profits or other funds	26 months August, 26, 2019	€100,000	(1)	The board did not use this authorization

1) The sum of (i) the shares that may be issued or acquired by exercising options granted, (ii) the shares that may 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 the 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 provisions, to preserve the rights of holders of securities and other rights conferring access to shares.

(2) 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 lowest euro, nor, in the case of stock options, 80% of the average purchase price of treasury shares held by the Company, rounded to the next lowest euro.

(3) 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 highest of following three values:

- The closing sale price of one share on the regulated market the day before the board's decision to award the BSPCE founders' warrants;
- Ninety-five percent (95%) of the average share price over the twenty trading days before the board's decision to award the BSPCE founders' warrants;
- If one or more capital increases are carried out less than six months before the board of directors' 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.

(4) 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 before the date on which the board awards the BSA stock warrants. The subscription price of one common share of the Company pursuant to the exercise of one BSA stock warrant will be determined by the board of directors when the BSA stock warrants are awarded, and shall be at least equal to the highest of following two values:

- The closing sale price of one share on the regulated market the day before the date of 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;

(5) These amounts cannot be combined. The maximum total amount 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 in the Company may not exceed €30,000,000.

(6) 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 the 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.

(7) 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 common shares and/or marketable securities conferring immediate or future access to equity rights 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 before 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 of 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.

(8) 15% or any other percentage that may be set by decree.

(9) 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, less 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.

5.2.2 Information about the Company's capital which is under option or subject to a conditional or unconditional agreement to be placed under option

To the 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.

5.1.6. History of the corporate capital

5.1.6.1. 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 general shareholders' meeting from October 24, 2011 to November 15, 2011. From that date, the data reflect 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
Dec. 05	Incorporation (i)	€ 4 000 000	-	400 000	400 000	€ 10	€ 4 000 000	€ 10.00
May 06	Capital reduction (ii)	€ (3 000 000)	-	(300 000)	100 000	€ 10	€ 1 000 000	-
July 06	Capital reduction (iii)	€ (200 000)	-	(20 000)	80 000	€ 10	€ 800 000	-
July 06	Issue of shares (iv)	€ 600 000	€ 200 000	60 000	140 000	€ 10	€ 1 400 000	€ 10.00
Oct. 07	Conversion of common shares into class B preferred shares	-	-	0	140 000	€ 10	€ 1 400 000	-
Oct. 07	Issue for cash of Class A preferred shares with ratchet BSA stock warrants attached	€ 933 390	€ 7 066 696	93 339	233 339	€ 10	€ 2 333 390	€ 85.71
Dec. 07	Issue for cash of Class A preferred shares with ratchet BSA stock warrants attached	€ 466 680	€ 3 533 234	46 668	280 007	€ 10	€ 2 800 070	€ 85.71
Oct. 09	Capital reduction (v)	€ (2 520 063)	-	0	280 007	€ 1	€ 280 007	-
Oct. 09	Issue for cash of Class A preferred shares to Tranche 2 BSA stock warrants and attached ratchet BSA stock warrants	€ 43 056	€ 3 647 274	43 056	323 063	€ 1	€ 323 063	€ 85.71
Nov. 09	Exercise of Tranche 2 BSA stock warrants	€ 3 616	€ 306 311	3 616	326 679	€ 1	€ 326 679	€ 85.71
Dec. 09	Issue for cash of Class A preferred shares to Tranche 4 BSA stock warrants and attached ratchet BSA stock warrants	€ 15 556	€ 1 317 749	15 556	342 235	€ 1	€ 342 235	€ 85.71
Dec. 09	Exercise of Tranche 2 BSA stock warrants	€ 2 333	€ 197 628	2 333	344 568	€ 1	€ 344 568	€ 85.71
Dec. 09	Exercise of Tranche 4 BSA stock warrants	€ 7 778	€ 658 874	7 778	352 346	€ 1	€ 352 346	€ 85.71
Dec. 09	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	46 668	399 014	€ 1	€ 399 014	€ 85.71
Mar. 10	Vesting of bonus shares	€ 1 050	€ (1 050)	1 050	400 064	€ 1	€ 400 064	-
Apr. 10	Exercise of Oreo BSA stock warrants	€ 5 424	€ 459 467	5 424	405 488	€ 1	€ 405 488	€ 85.71
June 10	Vesting of bonus shares	€ 140	€ (140)	140	405 628	€ 1	€ 405 628	-
June 10	Exercise of Tranche 2 BSA stock warrants	€ 1 283	€ 108 683	1 283	406 911	€ 1	€ 406 911	€ 85.71
Dec. 10	Exercise of Tranche 2 BSA stock warrants	€ 14 296	€ 1 211 014	14 296	421 207	€ 1	€ 421 207	€ 85.71
Dec. 10	Exercise of Tranche 2 BSA stock warrants	€ 23 334	€ 1 976 623	23 334	444 541	€ 1	€ 444 541	€ 85.71
Mar. 11	Exercise of Tranche 4 BSA stock warrants	€ 1 050	€ (1 050)	1 050	445 591	€ 1	€ 445 591	-
June 11	Vesting of bonus shares	€ 140	€ (140)	140	445 731	€ 1	€ 445 731	-
Oct. 11	Vesting of bonus shares				4 457 310	€ 0.1	€ 445 731	-
Dec. 11	Vesting of bonus shares	€ 140	€ (140)	1 400	4 458 710	€ 0.1	€ 445 871	-
Feb. 12	Share issue - public offering	€ 159 280	€ 23 104 452	1 592 798	6 051 508	€ 0.1	€ 605 151	€ 15.88
Mar. 12	Vesting of bonus shares	€ 1 050	€ (1 050)	10 500	6 062 008	€ 0.1	€ 606 201	-
Mar. 12	Share issue – public offering (overallotment clause)	€ 13 027	€ 2 055 629	130 268	6 192 276	€ 0.1	€ 619 228	€ 15.88
June 12	Vesting of bonus shares	€ 280	€ (280)	2 800	6 195 076	€ 0.1	€ 619 508	-
Dec. 12	Vesting of bonus shares	€ 280	€ (280)	2 800	6 197 876	€ 0.1	€ 619 788	-
Mar. 13	Vesting of bonus shares	€ 840	€ (840)	8 400	6 206 276	€ 0.1	€ 620 628	-
June 13	Vesting of bonus shares	€ 280	€ (280)	2 800	6 209 076	€ 0.1	€ 620 908	-
Dec. 13	Vesting of bonus shares	€ 280	€ (280)	2 800	6 211 876	€ 0.1	€ 621 188	-
Apr. 14	Vesting of bonus shares	€ 140	€ (140)	1 400	6 213 276	€ 0.1	€ 621 328	-
Dec. 14	Vesting of bonus shares	€ 280	€ (280)	2 800	6 216 076	€ 0.1	€ 621 608	-
Feb. 15	Exercise of BSA stock warrants	€ 70	€ 5 930	700	6 216 776	€ 0.1	€ 621 678	€ 8.57
Mar. 15	Exercise of BSPCE founders' warrants	€ 70	€ 3 962	700	6 217 476	€ 0.1	€ 621 748	€ 5.76
Mar. 15	Exercise of BSPCE founders' warrants	€ 140	€ 7 924	1 400	6 218 876	€ 0.1	€ 621 888	€ 5.76
Mar. 15	Private placement	€ 62 189	€ 29 750 897	621 887	6 840 763	€ 0.1	€ 684 076	€ 47.94
Mar. 15	Vesting of bonus shares	€ 140	€ (140)	1 400	6 842 163	€ 0.1	€ 684 216	-
July 15	Exercise of BSPCE founders' warrants	€ 280	€ 15 848	2 800	6 844 963	€ 0.1	€ 684 496	€ 5.76
Dec. 15	Vesting of bonus shares	€ 140	€ (140)	1 400	6 846 363	€ 0.1	€ 684 636	-
June 16	Exercise of BSPCE founders' warrants	€ 70	€ 3 962	700	6 847 063	€ 0.1	€ 684 706	€ 5.76
Dec. 16	Vesting of bonus shares	€ 1 270	€ (1 270)	12 700	6 859 763	€ 0.1	€ 685 976	-
June 17	Vesting of bonus shares	€ 200	€ (200)	2 000	6 861 763	€ 0.1	€ 686 176	-
Dec. 17	Vesting of bonus shares	€ 3 629	€ (3 629)	36 290	6 898 053	€ 0.1	€ 689 805	-
Dec. 17	Vesting of bonus shares	€ 270	€ (270)	2 700	6 900 753	€ 0.1	€ 690 075	-
Dec. 17	Vesting of bonus shares	€ 1 000	€ (1 000)	10 000	6 910 753	€ 0.1	€ 691 075	-

(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-quarter 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.

- Share price performance – Risk of price fluctuations

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, giving the Company 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, giving the Company a market capitalization of €418 million.

In 2017, the share traded at a high of €60.14 on January 2, 2017 and a low of €13.76 on December 27, 2017. On December 31, 2017, the share price was €14.35, i.e., giving the Company a market capitalization of €99.2 million.

In the early months of 2018, the share price rose from €14.35 on January 1, 2018 to €14.54 on April 6, 2018, giving the Company a market capitalization of €100 million.

5.3 Articles of incorporation

5.3.1 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 or personal property transactions and in any civil, commercial or industrial companies that may come within the scope of the corporate purposes, or any similar, related or complementary purpose.

5.3.2 Management and supervisory bodies

5.3.2.1 Board of directors

- **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 individuals or legal entities whose number shall be determined by an ordinary general 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 and that is 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 the directors in office.

The number of directors over the age of 70 may not exceed one-third of the 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.

- **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 submits to it for its opinion. The board observers shall attend board of directors' meetings and shall take part in deliberations in a nonvoting capacity. However, their absence shall not affect the validity of the board's decisions.

They shall be given notice of board meetings in the same manner as the directors.

The board of directors may compensate the board observers by allocating an amount from the directors' fees granted annually to the directors by a general shareholders' meeting.

- ## Meetings of the board of directors (Article 12 of the articles of incorporation)

The board of directors shall meet as often as the 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 request that the chairman convene 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 French 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 location 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 made by a majority of votes; in the event of a tie, the chairman of the meeting shall cast the deciding vote.

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 by 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 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, a director temporarily appointed to act as chairman or an agent duly authorized for such purpose.

- ## 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.

5.3.2.2 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. However, the chief executive officer's term of office shall continue until the next board of directors' meeting at which a new chief executive officer is 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 remove the chief executive officer at any time. If the chief executive officer is removed from office without just cause, he 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 this section.

Shareholders and third parties shall be informed of this decision in accordance with statutory and regulatory requirements.

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 a deputy chief executive officer is removed from office without just cause, he 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.

5.3.3 Rights, privileges and restrictions pertaining to the Company's shares

5.3.3.1 Forms of the shares (Article 7 of the articles of incorporation)

Shareholders may choose to hold their fully paid-in shares in registered or bearer form, subject, however, to application of the legal provisions relating to the form of shares held by certain individuals or legal entities. Shares that are not fully paid-in 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.

The ownership of shares issued in registered form shall be effective upon their registration in a registered account.

5.3.3.2 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 has a number of voting rights and may cast a number of votes at shareholders' meetings equal to the number of fully paid-in shares he owns. 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 equal to twice the voting right attributed to other shares, based on the proportion of the corporate capital they represent, is granted to all fully paid-in 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.

5.3.3.3 Rights to dividends and profits (excerpted from Articles 9, 21 and 22 of the articles of incorporation)

Each share confers ownership rights to a share of the corporate assets, profits and liquidation surplus in proportion to the number and par value of 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 pooling 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 "legal 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 that, 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 general shareholders' meeting convened 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 general shareholders' meeting, acting in accordance with the requirements of 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 the choice between receiving the interim dividend in cash or in shares. (...)

5.3.3.4 Preemptive rights

Shares in the Company carry a preemptive right to subscribe to capital increases in accordance with the requirements of the French Commercial Code.

5.3.3.5 Restrictions on voting rights

No provision of the articles of incorporation restricts the voting rights attached to shares.

5.3.3.6 Identifiable bearer shares

The Company may, in accordance with applicable statutory and regulatory requirements, at any time and at its own expense, request from any authorized body the name or, in the case of a legal entity, the corporate name, nationality and address of holders of shares that confer 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.

5.3.3.7 Buyback by the Company of its own shares

See section 5.1.4 "Acquisition by the Company of its own shares."

5.3.4 Requirements for amending shareholders' rights

The rights of shareholders as described in the Company's articles of incorporation may only be amended by an extraordinary general meeting of the Company's shareholders.

5.3.5 General shareholder's meetings

5.3.5.1 Holding of shareholder's 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 is governed by the applicable statutes and regulations and requires, in particular, registration of the shares in the name of the shareholder or of the intermediary registered on his behalf, by midnight, Paris time, on the second business day before the meeting, either in the registered securities accounts held by the Company or in the bearer share accounts held by the authorized intermediary.

Shareholders who do not attend a general shareholders' meeting personally may choose one of three following options:

- appointing a proxy under the conditions permitted by the statutes and regulations;
- voting by mail; or
- sending a proxy form to the Company without naming a proxy;

- in accordance with the requirements prescribed by the laws and regulations.

In accordance with the requirements prescribed by the statutes 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 by 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 that, the shareholders' meeting shall elect its own chairman.

The duties of vote counter shall be performed by the two participants at 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 is not required to 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.

5.3.5.2 Powers of shareholders' meetings

Ordinary and extraordinary general shareholders' meetings shall exercise their respective powers in accordance with the requirements prescribed by law.

5.3.6 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.

5.3.7 Specific provisions governing changes in the capital

The Company's articles of incorporation contain no specific provisions governing changes in its capital.

5.4 Major shareholders

5.4.1 Change in the Company's capital structure over the past three years on an undiluted basis

	Situation as of December 31, 2017			Situation as of December 31, 2016			Situation as of December 31, 2015		
	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	**1 519 483**	**22.0%**	**31.6%**	**1 513 933**	**22.1%**	**31.4%**	**1 525 933**	**22.3%**	**31.8%**
Gérard Soula	898 463	13.0%	18.7%	898 463	13.1%	18.8%	898 463	13.1%	18.8%
Olivier Soula	299 490	4.3%	6.2%	297 490	4.3%	6.2%	307 490	4.5%	6.3%
Rémi Soula	304 040	4.4%	6.3%	300 490	4.4%	6.1%	302 490	4.4%	6.3%
Laure Soula	17 490	0.3%	0.4%	17 490	0.3%	0.4%	17 490	0.3%	0.4%
Financial Investors	**1 133 138**	**16.4%**	**23.5%**	**1 168 209**	**17.0%**	**24.4%**	**1 166 639**	**17.0%**	**24.4%**
Innobio *(a)*	625 923	9.1%	13.1%	625 923	9.1%	13.1%	625 923	9.1%	13.1%
Fonds BioAM *(b)*	112 716	1.6%	2.4%	112 716	1.6%	2.4%	112 716	1.6%	2.4%
Subtotal (a)+(b)	738 639	10.7%	15.4%	738 639	10.8%	15.4%	738 639	10.8%	15.4%
Fonds Amundi	1 570	0.0%	0.0%	1 570	0.0%	0.0%	0	0.0%	0.0%
Fonds Viveris	32 368	0.5%	0.6%	67 439	1.0%	1.4%	67 439	1.0%	1.4%
Oréo Finance	40 561	0.6%	0.8%	40 561	0.6%	0.8%	40 561	0.6%	0.8%
SHAM (1)	320 000	4.6%	6.7%	320 000	4.7%	6.7%	320 000	4.7%	6.7%
Employees	**89 310**	**1.3%**	**1.3%**	**43 870**	**0.6%**	**0.8%**	**40 270**	**0.6%**	**0.8%**
Scientific committees (BSA)	700	0.0%	0.0%	700	0.0%	0.0%	700	0.0%	0.0%
Directors (BSA)	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
Treasury shares	7 516	0.1%	0.0%	760	0.0%	0.0%	4 185	0.1%	0.0%
Other shareholders (2)	**4 160 606**	**60.2%**	**43.5%**	**4 132 291**	**60.2%**	**43.4%**	**4 108 636**	**60.0%**	**43.1%**
TOTAL	**6 910 753**	**100.0%**	**100.0%**	**6 859 763**	**100.0%**	**100.0%**	**6 846 363**	**100.0%**	**100.0%**

(1) SHAM: Société Hospitalière d'Assurance Mutuelles

(2) 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).

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, 2017.

5.4.2 Distribution of capital and voting rights as of December 31, 2016 on a fully diluted basis

	Situation as of December 31, 2017 (non diluted basis)			Situation as of December 31, 2017 (diluted basis) (1)		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Soula Family	**1 519 483**	**22.0%**	**31.6%**	**1 851 483**	**24.8%**	**33.1%**
Gérard Soula	898 463	13.0%	18.7%	1 057 463	14.2%	19.3%
Olivier Soula	299 490	4.3%	6.2%	437 490	5.9%	7.2%
Rémi Soula	304 040	4.4%	6.3%	339 040	4.5%	6.3%
Laure Soula	17 490	0.3%	0.4%	17 490	0.2%	0.3%
Financial Investors	**1 133 138**	**16.4%**	**23.5%**	**1 133 138**	**15.2%**	**22.3%**
Innobio *(a)*	625 923	9.1%	13.1%	625 923	8.4%	12.4%
Fonds BioAM *(b)*	112 716	1.6%	2.4%	112 716	1.5%	2.2%
Subtotal (a)+(b)	738 639	10.7%	**15.4%**	738 639	9.9%	14.6%
Fonds Amundi	1 570	0.0%	0.0%	1 570	0.0%	0.0%
Fonds Viveris	32 368	0.5%	0.6%	32 368	0.4%	0.5%
Oréo Finance	40 561	0.6%	0.8%	40 561	0.5%	0.8%
SHAM (1)	320 000	4.6%	**6.7%**	320 000	4.3%	6.3%
Employees	**89 310**	**1.3%**	**1.3%**	**243 210**	**3.3%**	**2.8%**
Scientific committees (BSA)	**700**	**0.0%**	**0.0%**	**42 100**	**0.6%**	**0.4%**
Directors (BSA)	**0**	**0.0%**	**0.0%**	**20 000**	**0.3%**	**0.2%**
Treasury shares	**7 516**	**0.1%**	**0.0%**	**7 516**	**0.1%**	**0.0%**
Other shareholders (2)	**4 160 606**	**60.2%**	**43.5%**	**4 160 606**	**55.8%**	**41.2%**
TOTAL	**6 910 753**	**100.0%**	**100.0%**	**7 458 053**	**100.0%**	**100.0%**

(1) As of December 31, 2017, the dilutive instruments issued by the Company consist of (i) 62,900 shares (after accounting for the 10-for-1 stock split decided by the general 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 5.1.5 of this reference document; (ii) 41,400 BSA stock warrants conferring the right to subscribe for 41,400 shares (after accounting for the 10-for-1 stock split decided by the general 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) 370,000 BSPCE founders' warrants conferring the right to subscribe for 370,000 shares; and (v) 53,000 stock options conferring the right to subscribe for 53,000 shares.

(2) Including any shares held in bearer form by the Company's historical financial investors.

5.4.3 Major shareholders not represented on the board of directors

The Innobio and Bioam Funds are major shareholders of the Company, holding 10.7% of the capital and 15.4% of the voting rights as of December 31, 2017. They are represented on the board of directors by Bpifrance Investments.

Société Hospitalière d'Assurance Mutuelles (SHAM) holds 4.6% of the Company's capital and 6.7% of its voting rights. It is not represented on the board of directors.

5.4.4 Voting rights of major shareholders

A voting right equal to twice the voting right attributed to other shares, based on the proportion of the corporate capital they represent, is granted to all fully paid-in 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.

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.

5.4.5 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 are members of 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 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.

5.4.6 Agreements that may lead to a change in control

No specific provision of the issuer's articles of incorporation, or of any charter or rules of procedure could have the effect of delaying, deferring or preventing a change in its control.

5.4.7 Pledges of the Company's shares

None.

5.5 Regulated agreements

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.

5.5.1 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, 2017 is limited. Expenses totaling €1 million are for the payroll costs of two employees and their travel and entertainment expenses.

5.5.2 Related-party transactions

None.

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5.5.3 Statutory auditors' report on regulated agreements made in the fiscal year ended December 31, 2017

ODICEO
115, boulevard de Stalingrad
CS 52038
69616 Villeurbanne Cedex
S.A. au capital de € 275.000
430 130 393 RCS Lyon

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
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

5

Adocia

Annual General Meeting held to approve the financial statements for the year ended December 31, 2017

Statutory auditors' report on related party agreements and commitments

To the Annual General Meeting of Adocia,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)*, to assess the relevance of these agreements and commitments prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)* of the continuation of the implementation, during the year ended December 31, 2017, of the agreements and commitments previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement.

Agreements and commitments submitted for approval to the Annual General Meeting

We hereby inform you that we have not been notified of any agreements or commitments authorized and concluded during the year ended December 31, 2017 to be submitted to the Annual General Meeting for approval in accordance with Article L. 225-38 of the French Commercial Code *(Code de commerce)*.

Agreements and commitments previously approved by the Annual General Meeting

We hereby inform you that we have not been notified of any agreements or commitments previously approved by the Annual General Meeting, whose implementation continued during the year ended December 31, 2017.

Villeurbanne and Lyon, April 17, 2018

The Statutory Auditors
French original signed by

ODICEO	ERNST & YOUNG et Autres
Agnès Lamoine	Mohamed Mabrouk

Chapter 6

6 COMPLEMETARY INFORMATIONS

6.1 Persons responsible

6.1.1 Persons responsible for the registration document

Gérard Soula, Chairman and Chief Executive Officer

6.1.2 Responsibility statement

"Having taken all reasonable measures to this effect, I hereby certify that the information contained in this registration 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 in paragraph 6.5.2 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 registration document regarding the financial position and financial statements, and that they have read the registration document as a whole.

April 18th, 2018.

Gérard Soula

Chairman and Chief Executive Officer

6.1.3 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

6.2 Statutory Auditors

6.2.1 Principal Statutory Auditors

ODICEO

represented by Mrs. Agnes Lamoine, 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. Mohamed Mabrouk, 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. This term of office was renewed by the shareholders' meeting held on June 27, 2017 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, 2022.

6.2.1.2 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.

6.3 Information form third parties, experts' statements and declaration of interests

None

6.4 Documents available to the public

Copies of this registration 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).

6.5 Cross Reference tables

6.5.1 Annual financial report cross reference table

	Annual financial report	Chapter(s)/Section(s)
1	Responsability statement	6.1
2	Corporate annual financial statements -French GAAP	4.3
3	Consolidated annual financial statements –IFRS	4.1
4	Management report	see index below
5	Chairman's report on internal control	See index below
6	Annual information document	1.4
7	Information on statutory auditors' fee	4.3.3.7
8	Statutory auditors' report on the annual financial statements prepared under French GAAP and IFRS	4.2 et 4.4

6.5.2 Management report cross reference table

	Annual management report	Chapter(s)/Section(s)
1	Position and business of the Company during the past fiscal year	1.4
2	Review of financial statements and results	Chapter 4
	Appropriation of income -Information on dividends distributed	4.3.3.4
	Non -tax deductible expenses	4.3.3.5
3	Information on supplier payment term	4.3.3.3 Note 11
4	Progress made or difficulties encountere	1.3
5	Major risks and uncertainties faced by the Company / Use of financial instruments by the Company	1.5
6	Research and development activities	1.3
7	Foreseeable changes and outlook	1.3
8	Significant events since the fiscal year-end	4.3.3.8
9	Equity interests held by employees	2.2.1.2 et 5.1.5
10	Acquisition of significant equity interests in, or control of, companies headquartered in France; disposals of such equity interest	1.2.3.2
11	Activities of subsidiaries and controlled entities	Chapter 4 et 1

12	Information on shareholder structure and treasury shares – Share buyback program	5.1.4
13	Changes in the shareholder structure during the fiscal year	5.2.3
14	Changes in the share price –Risk of price change	5.2.3
15	Summary of transactions in the Company's securities during the past fiscal year by executives and persons referred to in Article L.621-18-2 of the French Monetary and Financial Code	3.2.3
16	Employment and environmental information	Chapter 2
17	Table showing results over the last five fiscal years	4.3.3.9
18	Internal control and risk management procedures implemented by the Company	3.3

6.5.3 Report on the corporate governance

	Report on the corporate governance	Chapter(s)/Section(s)
1	Members of the Board of Directors	3.1.2
2	List of the other corporate offices for each executive director	3.1.3
3	Gender balance of the Board of Directors	3.1.2.2
4	Methods of corporate governance	3.1.1
5	Conditions for the preparation and organization of the work of the Board	3.1.5
6	Agreements between a director or a significant shareholder and a subsidiary	3.1.6
7	Compensation and benefits of the executive directors	3.2
8	Matters submitted to shareholders in accordance with Article L225-37-2 of the French Commercial Code	3.2.4
9	Resolutions submitted for an initial vote	3.2.4.2
10	Approval of compensation owed or awarded to the Chairman and Chief Executive Officer and the Deputy General Manager for the 2017 fiscal year	3.2.4.3
11	Information that is likely to have an impact in the event of a public offering	3.1.8
12	Capital increases delegations chart	5.2.1
13	Shareholders participation to general shareholder's meetings	5.3.5
14	Internal control and risk management procedures implemented by the Company on preparation and treatment of accounting and financial data	3.3

6.5.4 Cross reference table

	Sections of the appendix 1 of European regulation N°809/2004/CE	Chapter(s)/Section(s)
1.	RESPONSIBLE PERSONS	Chapter 6
1.1	Person responsible for the Reference Document	6.1.1
1.2	Responsability statement	6.1.2
1.3	Person responsible for financial information	6.1.3
2	STATUTORY AUDITORS	6.2.1
3	SELECTED FINANCIAL INFORMATION	1.1
4	RISK FACTORS	Chapter 1
4.1	Risks associated with implementation of the Company's strategy	1.5.1, 1.5.3
4.2	Risks associated with the Company's business	1.5.2
4.3	Financial Risks	1.5.5
4.4	Legal Risks	1.5.4
4.5	Insurance and risk coverage	1.5.7

4.6	Regulatory Risks	1.5.4
4.7	Extraordinary events and disputes	1.5.8
5	ABOUT THE COMPANY	Chapter 1
5.1	History and Evolution of the Comapny	1.2.2
5.1.1	Corporate and business name	1.2.1
5.1.2	Place and registration number	1.2.1
5.1.3	Date of incorporation and length of life	1.2.1
5.1.4	Headquarter, legal form and applicable legislation	1.2.1
5.1.5	Marking events in the development of the activities of the Company	1.2.2.2
5.2	Investments	1.2.4
6	OVERVIEW OF ACTIVITIES	Chapter 1
6.1	Main activities	1.3
6.2	Main markets	1.3.3
6.3	Extraordinary Events	1.5.8
6.4	Reliance on patents, licenses and trademarks	1.3.7
6.5	Competitive advantages	1.3.1, 1.3.3
7	ORGANIGRAM	Chapter 1
7.1	Organization of the Company	1.2.3.1
7.2	Subsidiaries, branches and secondary establishments	1.2.3.2
8	REAL ESTATE, FACTORIES AND EQUIPMENT	Chapters 1 and 2
8.1	Description of Real Estate	1.2.4
8.2	Environment	2.3
9	REVIEW OF RESULTS AND FINANCIAL POSITION	Chapter 1
9.1	Generalities	1.4.2
9.2	Main accounting prinicples	1.4.2
9.3	Financial situation	1.4.3
10	CASH AND EQUITY	1.4.4
11	RESEARCH AND DEVELOPMENT, PATENTS, AND LICENSES	1.3.6
12	TRENDS	1.4.5
13	BENEFITS FORECASTS AD ESTIMATES	1.4.5
14	ADMINISTRATIVE AND EXECUTIVE MANAGEMENT BODIES	Chapter 3
14.1	Composition	3.1.2
14.2	Conflicts of interest at the level of the company's management bodies and executive management	3.1.6
14.3	Statement relative to the company's management bodies and executive management	3.1.6
15	ADVANTAGES AND WAGES	Chapter 3
15.1	Compensation of the corporate officers	3.2.1
15.1	Amounts that the Company has provisioned for payment of pensions, retirement allowances and other benefits to corporate officers	3.2.2
16	FUNCTIONNING OF THE ADMINISTRATIVE AND EXECUTIVE MANAGEMENT BOGIES	Chapter 3
16.1	Dates and expiration of the mandates	3.1.2
16.2	Contracts between the Company and the members of the board	3.1.2
16.3	Audit and compensations committees	3.1.5
16.4	Statement on corporate governance	3.1.1
17	EMPLOYEES	Chapter 2
17.1	Workforce	2.2.3
17.2	Stocks options	5.1.5.4
17.3	Equity interests in the Company held by employees	5.1.5.2

17.4	Employee savings plans	2.2.1.3
18	MAJOR SHAREHOLDERS	Chapter 5
18.1	Distribution of capital and voting rights	5.4.1
18.2	Voting rights of major shareholders	5.4.4
18.2	Agreements that may lead to a change in control	5.4.6
19	RELATED- PARTY TRANSACTIONS	5.5
20	FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS, FINANCIAL POSITION AND EARNINGS	Chapter 4
20.1	Historical financial information	4.1, 4.3
20.1.1	Consolidated financial statements and appendix	4.1
	Statutory auditors' report on consolidated financial statement	4.2
20.1.2	Corporate annual financial statements	4.3
	Statutory auditors' report on the corporate annual financial statements	4.4
20.2	Pro forma financial information	n/a
20.3	Historical financial statements	4
20.4	Verification of the annual financial information	4.2, 4.4
20.5	Date of the last financial information	4
20.6	Interim financial information	n/a
20.7	Dividend distribution policy	4.3.3.4
20.8	Legal and arbitration proceedings	1.3.6, 1.5.8
20.9	Material changes in the Company's financial or commercial position	1.4.5
21	ADDITIONAL INFORMATION	Chapter 5
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21.2	Aurhorized Capital	5.2
22	MAJOR AGREEMENTS	1.3.7
23	INFORMATION FROM THIRD PARTIES, EXPERTS' STATEMENTS AND DECLARATIONS OF INTERESTS	6.3
24	DOCUMENTS AVAILABLE TO THE PUBLIC	6.4
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6.6 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.
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.

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