HALF YEAR FINANCIAL REPORT

June 30, 2018

ADOCIA

innovative medicine
for everyone, everywhere

Half Year Financial Report

June, 30 2018

French *société anonyme* (corporation) with € 691 684.40 in share capital

Registered office: 115 avenue Lacassagne 69003 Lyon, France

Registered with the Company and Trade Register of Lyon under number 487 647 737

Interim financial situation as of June 30, 2018

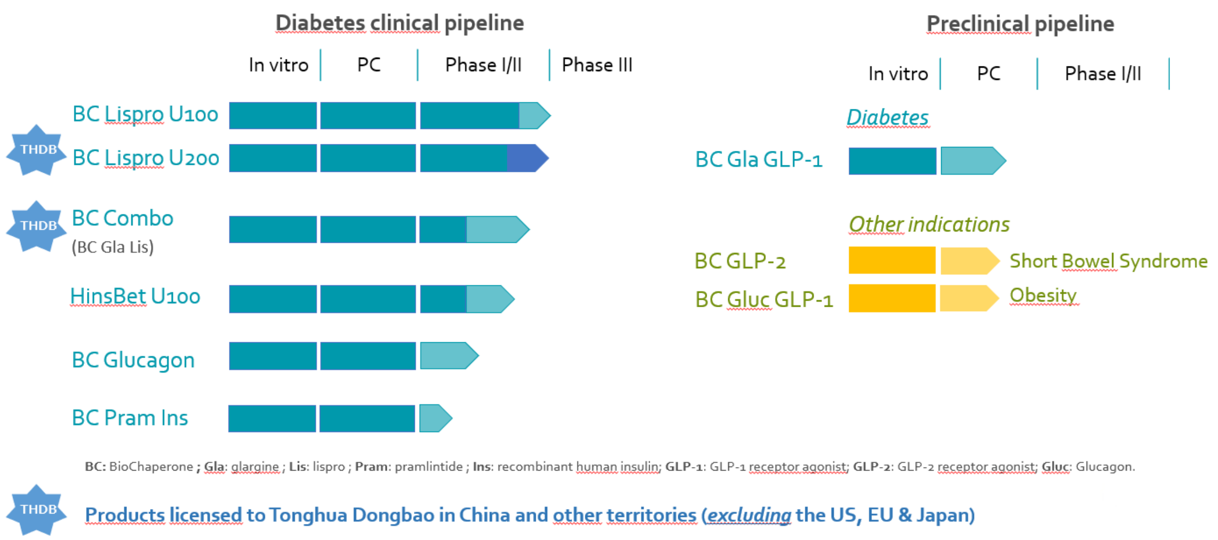
The following interim consolidated financial statements have been approved by the Executive Board of July 18, 2018, and have been subject to a limited review by our statutory auditors. They have been examined by the Audit Committee on July 17, 2018.

This is a free translation into English of Adocia 2018 interim financial report issued in the French language for informational purposes only

ABOUT ADOCIA

Adocia is a clinical-stage biotechnology company that specializes in the development of innovative formulations of already-approved therapeutic proteins and peptides for the treatment of diabetes and other metabolic diseases. In the diabetes field, Adocia's portfolio of injectable treatments is among the largest and most differentiated of the industry, featuring six clinical-stage products. Additionally, Adocia recently expanded its portfolio to include the development of treatments of obesity and short bowel syndrome.

The proprietary BioChaperone® technological platform is designed to enhance the effectiveness and/or safety of therapeutic proteins while making them easier for patients to use. Adocia customizes BioChaperone to each protein for a given application. Adocia's clinical pipeline includes five novel insulin formulations for the treatment of diabetes: two ultra-rapid formulations of insulin analog lispro (BioChaperone® Lispro U100 and U200), a combination of basal insulin glargine and rapid-acting insulin lispro (BioChaperone® Combo), a rapid-acting formulation of human insulin (HinsBet® U100), and a prandial combination of human insulin with amylin analog pramlintide (BioChaperone® Pramlintide Insulin). It also includes an aqueous formulation of human glucagon (BioChaperone® Glucagon) for the treatment of hypoglycemia. Adocia preclinical pipeline includes combinations of insulin glargine with GLP-1 receptor agonists (BioChaperone® Glargine GLP-1) for the treatment of diabetes, a ready-to-use combination of glucagon and a GLP-1 receptor agonist BioChaperone® Glucagon GLP1) for the treatment of obesity and a ready-to-use aqueous formulation of teduglutide (BioChaperone® Teduglutide) for the treatment of short bowel syndrome.



Adocia and Chinese insulin leader Tonghua Dongbao recently entered into a strategic alliance. In April 2018, Adocia granted Tonghua Dongbao licenses to develop and commercialize BioChaperone Lispro and BioChaperone Combo in China and other Asian and Middle-Eastern territories. The licensing included 50 million dollars upfront and up to 85 million dollars development milestones, plus double-digit royalties on sales. In June 2018, Tonghua Dongbao agreed to manufacture and supply active pharmaceutical ingredients insulin lispro and insulin glargine to Adocia globally, excluding China, to support Adocia's portfolio development in these territories.

Adocia aims to deliver "Innovative medicine for everyone, everywhere.."

To learn more about Adocia, please visit us at www.adocia.com

Located in Lyon, France and listed on Euronext Paris, Adocia totaled 129 employees at June 30, 2018.

KEY EVENTS FOR THE FIRST HALF YEAR 2018

>January 4th

Expanded BioChaperone® product portfolio beyond diabetes : BC GLP-2, BC Glucagon GLP-1

>January 18th

Positive topline data from a dose-proportionality study of BioChaperone® Combo in people with type 2 diabetes

>April 16th

First-in-human clinical study of BioChaperone® Pramlintide Insulin in people with type 1 diabetes

>April 26th

Adocia and Tonghua Dongbao announce a strategic alliance for BioChaperone® Combo and BioChaperone® Lispro in China

>June 1st

Adocia and Tonghua Dongbao announce global supply agreements for insulin lispro and insulin glargine

>June 22nd-26th

Adocia to present six abstracts at the American Diabetes Association® 78th Scientific Session

CONTENTS

Chapter 1

1 INTERIM MANAGEMENT REPORT

1.1 Selected financial information

The table below summarizes the condensed consolidated financial statements prepared for the six months periods ended June 30, 2018 and June 30, 2017 :

In (€) thousands, Consolidated financial statements, IAS/IFRS	**06/30/2018 (6 months)**	**06/30/2017 (6 months)**
Revenue	32 801	19 469
Grants, research tax credits and others	3 303	3 652
Operating revenue	**36 105**	**23 121**
Operating expenses	**(21 784)**	**(15 840)**
OPERATING INCOME	**14 321**	**7 281**
FINANCIAL INCOME (LOSS)	**453**	**(210)**
Tax expense	(4 135)	(21)
NET INCOME	**10 639**	**7 050**

The financial results of the Company at June 30, 2018 are characterized by :

- **Revenue of 32.8 million euros** mostly deriving from the licencing agreements signed with Tonghua Dongbao (THDB) end of April 2018.

  The non-refundable upfront payment provided for in the contract, for an amount of 50 million dollars or 41.1 million euros, is partially recognized as revenue (32.8 million euros) over the first six months. It reflects the rights thus granted to THDB to develop, manufacture, and commercialize BioChaperone® Lispro and BioChaperone® Combo in China and other territories. The remaining non-amortized amount of the initial payment will be recognized upon provision of research and development services by Adocia, related to the transfer and development of the products .

  Last year, revenue for the first half-year of 2017 had been impacted by the end of the collaboration with Eli Lilly and had resulted in the recognition of the not yet amortized balance of the 50 million dollars upfront payment received in 2014.

- **Operating expenses** for the first six months of 2018 amount to 21.8 million euros, an increase of 6 million euros compared to the first six months of 2017. The increase is due, for 3.8 million euros, to legal expenses related to the two ongoing arbitrations procedures previously initiated against Eli Lilly, and, for 2 million euros, to increased payroll expenses.

- **Net profit before tax** reaches 10.6 million euros, leading to tax expenses of 4.1 million euros.

- **Solid financial situation**: with the receipt in April 2018 of payment from Tonghua Dongbao, to the amount of 45 million dollars or 37.1 million euros (net of withholding taxes), the Company has a cash position close to 56 million euros as of 30 June 2018, compared to 34.8 million euros as of 1st January 2018.

  Net cash flow, excluding the cash payment received from Tonghua Dongbao, was 16 million euros for the first six months of 2018, compared to 13.6 million euros for the first six months of 2017 (once deducted 7.8 million euros of research tax credit generated during the 2016 fiscal year). The increase in use of cash was mainly driven by the legal fees incurred as a result of the two ongoing arbitrations.

The collection of the research and tax credit ("Crédit d'Impôt Recherche") generated from 2017 expenses, for an amount of 7.5 million euros, is expected in Q3 2018.

- **Financial debt** as of 30 juin 2018 amount to 7.9 million euros, which represents a net increase of 0.6 million euros compared to the beginning of the year. This increase stems from a 0.8 million euros increase in the credit line originally established to finance legal costs deriving from ongoing legal procedures and is partially offset by the payments of the loans contracted to finance the acquisition and renovation of the building bought in 2016.

« The upfront payment received from Tonghua Dongbao in April strengthens our cash position and provides us with greater financial visibility," said Valérie Danaguezian, Chief Financial Officer of Adocia "By maintaining our rigorous expense management, our solid financial situation enables us to invest in our portfolio development, in order to rapidly achieve the targeted milestones. »

1.2 Key events for the first half of 2018

The first half of 2018 was very eventful for Adocia; the Company not only further advanced its key diabetes programs, but also entered a strategic alliance with Tonghua Dongbao, including both licensing and insulin supply agreements. The Company also expanded the use of BioChaperone® technology to new therapeutic indications.

In January 2018, Adocia reported positive topline results of a dose-proportionality study of BioChaperone Combo, the combination of basal insulin glargine with prandial insulin lispro. These positive data are a key regulatory milestone for the development of this innovative insulin combination. To date, BioChaperone Combo has been tested in 5 Phase 1/2 clinical trials in people with type 1 and type 2 diabetes and has consistently shown a faster prandial action and longer basal action than standard premix insulin (Humalog® Mix25, Eli Lilly).

In early April 2018, Adocia launched the first-in-human clinical trial of BioChaperone Pramlintide Insulin, a breakthrough combination of the amylin analog pramlintide (approved in the USA for the treatment of diabetes under the brand name Symlin®, AstraZeneca) and recombinant human insulin. In people without diabetes, amylin is co-secreted with insulin and has a synergetic effect to manage blood glucose. While insulin acts by promoting glucose uptake from the blood into the cells, amylin acts at different levels to regulate the appearance of glucose in the blood; indeed, amylin promotes satiety, slows down gastric emptying and inhibits glucagon secretion. By combining an amylin analog and a prandial insulin in the same therapy, Adocia aims to provide much tighter prandial glucose control for people with diabetes than can be achieved with insulin alone, without adding to the daily injection burden. Topline results for this study, which enrolled 24 people with type 1 diabetes, are expected in Q3 18.

In late April 2018, Adocia announced that it was entering a strategic alliance with the Chinese insulin leader Tonghua Dongbao (THDB), whereby Adocia granted to THDB the exclusive rights to develop and commercialize BioChaperone Combo, its fixed-ratio combination of insulin glargine and insulin lispro, and BioChaperone Lispro, its ultra-rapid prandial insulin formulation, in China and other territories of interest for THDB. Under the terms of the licensing agreements, THDB is responsible for the future development, manufacturing, and commercialization of BioChaperone Combo and BioChaperone Lispro in China and other territories. The agreement provides for a total upfront payment of 50 million dollars, including 40 million dollars for BioChaperone Combo and 10 million dollars for BioChaperone Lispro. Additionally, Adocia is entitled to receive development milestone payments of up to 85 million dollars, including 50 million dollars for BioChaperone Combo and 35 million dollars for BioChaperone Lispro. Finally, Adocia is expected to receive double-digit royalties on the sales of both products in the agreed territories. THDB will also reimburse some of Adocia's expenses for research and development activities performed during the term of the agreements. Adocia remains responsible for the development and the manufacturing of BioChaperone® pharmaceutical excipients.

Adocia retains the rights to develop and license BioChaperone Lispro and BioChaperone Combo in worldwide markets outside of the territories covered by these agreements, including the United States, Europe and Japan.

In June 2018, Adocia announced an expansion of the strategic alliance with THDB to include the global supply of insulin lispro and insulin glargine active pharmaceutical ingredients (API) from THDB to Adocia to support the development of Adocia's products in territories outside China. As the local leader in the Chinese insulin market, THDB commercializes human-insulin-based products and also develops multiple insulin analogs. Notably, THDB's insulin glargine has been filed for commercial approval in China and insulin lispro is expected to shortly enter Phase 3 testing there. THDB insulin lispro is manufactured in the same plant as the human insulin in its currently marketed products. Importantly, this manufacturing facility passed a GMP audit enabling Phase 3 studies of THDB human insulin in Europe .

Early in January 2018, Adocia had also announced the expansion of the BioChaperone technology platform to enable the development of innovative treatments in the gastrointestinal (BioChaperone GLP-2) and obesity (BioChaperone Glucagon GLP-1) fields. Both preclinical projects leverage the expertise the Company has developed in protein formulation through its diabetes programs.

On the legal front, Adocia proceeded with the two arbitrations previously initiated against Eli Lilly & Co (“Lilly”). The first arbitration proceeding seeks an award of approximately 11 million dollars, and other specific relief, relating to Lilly’s change of the product development plan during the collaboration. The procedure is completed, and the Company is awaiting the decision.

The second set of arbitration claims against arise out of Lilly's misappropriation and improper use of confidential information and discoveries owned by Adocia, as well as Lilly's breaches of development and confidentiality agreements. Adocia seeks damages of over 200 million dollars, as well as other specific remedies. Adocia now expects a decision in the second quarter of 2019.

1.3 Events subsequent to June 30, 2018

None

1.4 Financial results as June 30, 2018

1.4.1 Operating revenue

The table below provides details on operating revenue for each period:

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Revenue (a)	**32 801**	**19 469**
Research and collaborative agreements	0	650
Licencing revenues	32 801	18 819
Grants, public financing, others (b)	**3 303**	**3 652**
OPERATING REVENUE (a) + (b)	**36 105**	**23 121**

Operating revenue mainly resulted from the licensing and research agreements and also from the public financing of research and development expenses. At June 30, 2018, it amounted to 36.1 million euros versus 23.1 million euros last year over the same period.

Revenue of 32.8 million euros at June 30, 2018 resulted primarily from the licensing agreements signed with Tonghua Dongbao (THDB) in April 2018.

The non-refundable upfront payment of 50 million dollars, or 41.1 million euros, upon signature of the contract was partially recognized as revenue (32.8 million euros) over the first semester. It reflects the rights of use granted to THDB for the development, manufacturing and commercialization of BioChaperone Lispro and BioChaperone Combo in China and other designated countries. The remaining part of the upfront payment will be recognized upon provision of research and development services by Adocia, related to the transfer and development of the products.

Last year, revenue for the first half-year of 2017 was impacted by the end of the collaboration with Eli Lilly and resulted in the recognition of the not yet amortized balance of the 50 million dollars upfront payment received in 2014.

Other operating income consisted primarily of the French research and development tax credit amounting to 3.3 million euros for the first half of 2018, compared to 3.7 million during the first half of 2017. This decrease reflects lower operational expenses compared to the same period last year.

1.4.2 Operating expenses

The table below provides details on operating expenses by function for each period :

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Research and development expenses	(13 134)	(12 547)
General and administrative expenses	(8 650)	(3 293)
CURRENT OPERATING EXPENSES	**(21 784)**	**(15 840)**

Research and development costs mainly include payroll costs assigned to research and development operations, subcontracting costs (including preclinical and clinical studies), intellectual property rights expenses, purchases of materials (reagents and other consumables), of pharmaceutical products and other raw materials. This expenditure remains stable compared to the same period 2017 totaling approximately 13 million euros. Excluding legal fees spent for the two on-going arbitrations, the research and development costs represent close to 75% of the total operating expenses over the first six months of 2018.

General and administrative expenses primarily include expenses for employees not directly working on research and development, as well as services related to management and business development of the Company and its subsidiary in the US. They amounted to 8.7 million euros at June 30, 2018 versus 3.3 million euros at June 30, 2017. The 5.4 million euros increase is mainly explained by the increase of legal services supporting the ongoing arbitrations, with an impact of 3.8 million euros, and by the increase of the payroll expenses of 1 million euros due primarily to the payment of performance bonuses to employees, following the license agreements signed with Tonghua Dongbao. At the end of 2017, considering the Company's financial situation and the context of a careful wage policy, salaries and bonuses were frozen.

The table below provides details on operating expenses by nature for each period:

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Purchases used in operations	(1 122)	(909)
Payroll expense	(7 668)	(5 441)
Share-based payments	(658)	(1 051)
External expenses	(11 477)	(7 824)
Taxes and contributions	(234)	(100)
Depreciation, amortization & provisions	(623)	(515)
OPERATING EXPENSES	**(21 784)**	**(15 840)**

Purchases used in operations increased by nearly 24% to reach 1.1 million euros. This increase is primarily due to raw material expenses necessary to the production of clinical batches.

Payroll expenses totaled 7.7 million euros at June 30, 2018 compared to 5.4 million euros at June 30, 2017. The average workforce remained at a similar level, at 126.1 Full Time Equivalents (FTE) in 2017 and 125.1 FTE in 2018. The increase of payroll expense is primarily due to the payment of performance bonuses to employees, resulting from the signing of the partnership with Tonghua Dongbao.

The 0.7 million euros share-based payments item at June 30, 2018 mainly includes the impact of the plans introduced in previous years. The 0.4 million euros decrease is explained by the vesting of several share-based plans in 2017. In accordance with IFRS 2, share-based payments are recognized at the fair value of the equity instruments granted to the executives 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 11.5 million euros at June

30, 2018, increasing by 3.7 million euros compared to the same period in 2017. It is primarily explained by the intensification of legal services incurred for the procedures against Eli Lilly.

Taxes totaled 0.2 million euros at June 30, 2018 compared to 0.1 million euros at June 30, 2017.

Depreciation and amortization amounted to 0.6 million euros at June 30, 2018, increasing by 0.1 million compared to the first half of 2017 because of the reclassification of the provision for unrealized foreign exchange in the operating expenses.

1.4.3 Balance sheet items

In (€) thousands, Consolidated financial statements, IAS/IFRS	06/30/2018	12/31/2017
Net cash and cash equivalents	55 885	34 778
Total assets	81 889	53 761
Equity	48 045	36 857
Financial debts	7 876	7 336

Given the collection in April 2018 of the payment made by Tonghua Dongbao for 45 million dollars or 37.1 million euros (withholding tax excluded), the amount of cash and cash equivalents held by the Company was close to 56 million euros at June 30, 2018 compared to 34.8 million euros at January 1, 2018.

Consolidated shareholder’s equity decreased from 36.9 million euros at January 1, 2018 to 48 million euros at June 30, 2018. The increase reflects the positive result at the end of June 2018.

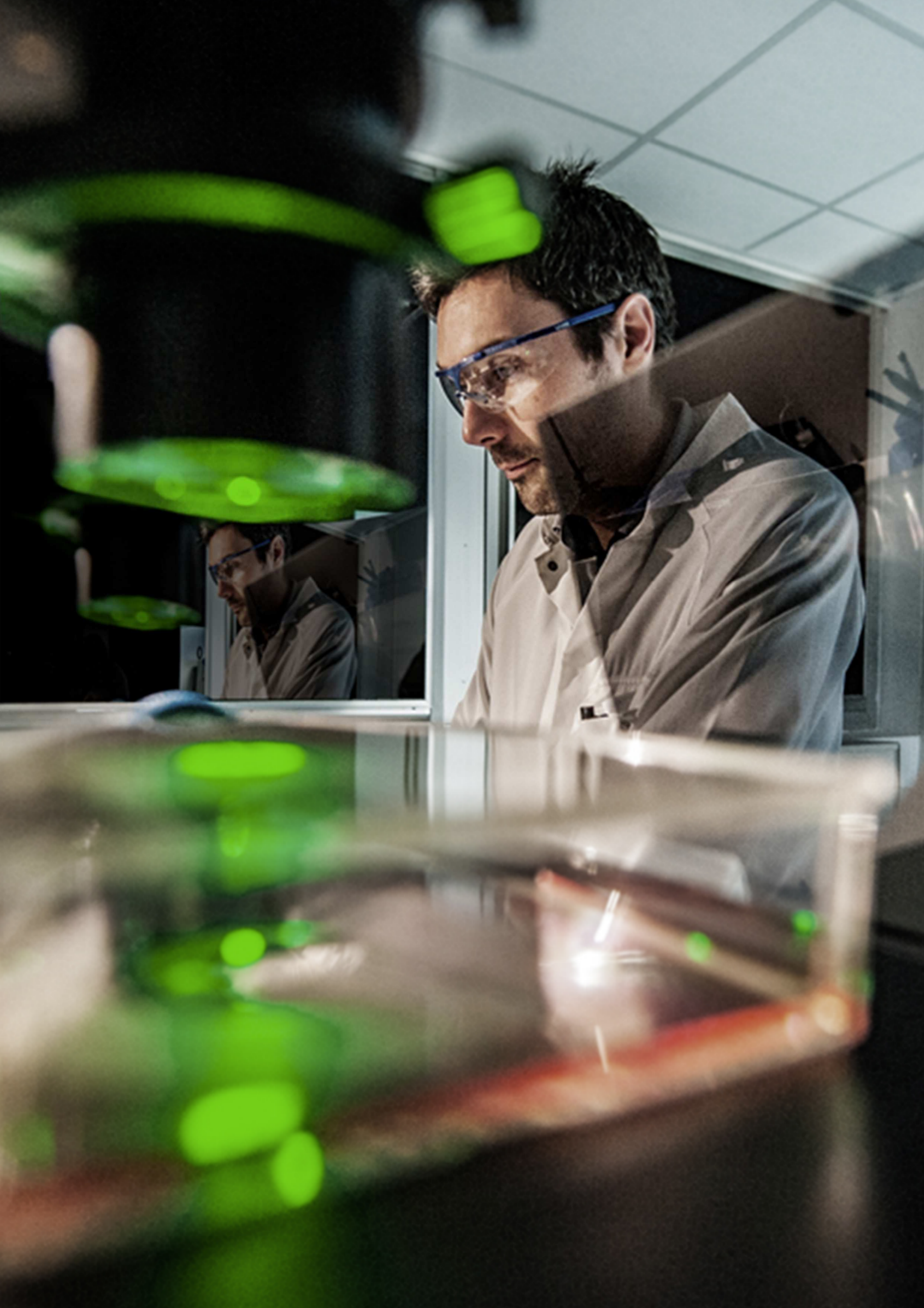
Financial liabilities of 7.9 million euros at June 30, 2018, increasing by 0.5 million euros compared to the end of 2017, reflect the increase by 0.8 million euros of the credit lines in dollar to finance some of the legal expenses in connection with the two on-going arbitrations. It is partially offset by the reimbursement of the loan contracted in 2016 to finance the acquisition and the renovation of the building.

1.5 Risks and uncertainties relating to the Company’s activities in the second half of 2018

Risk factors impacting the Company are described in paragraph 1.5 of the registration document for the fiscal year 2017, which was filed with the Autorité des Marchés Financiers (the « AMF ») on April 19, 2018. Main risks and uncertainties relating to the Company’s activities in the second half of 2018 are the same as those described in the registration document availaible on the Company’s website.

1.6 Relations with related parties

Relations with related parties during the period are presented in note 19 of paragraph 2.3.



Chapter 2

2 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.1 Consolidated financial statements

2.1.1 Consolidated balance sheet, IFRS

Assets IFRS

In (€) thousands	Notes	06/30/2018	12/31/2017
Current assets		**73 167**	**44 692**
Inventories		81	99
Trade and similar receivables	3	1	30
Deferred tax	2	4 109	
Other current assets	4	13 091	9 785
Cash and cash equivalents	5	55 885	34 778
Non-current assets		**8 722**	**9 069**
Other non-current assets		77	65
Land	1	2 032	2 032
Land development	1	163	169
Buildings and constructions	1	3 832	3 939
Laboratory equipment	1	1 048	1 253
Other property, plant and equipment	1	1 532	1 582
Non-current financial assets		38	28
TOTAL ASSETS		**81 889**	**53 761**

Liabilities and Equities IFRS

In (€) thousands	Notes	06/30/2018	12/31/2017
Current liabilities		**23 425**	**8 882**
Short-term financial debt	7	2 441	1 555
Other current financial liabilities	7	165	236
Trade and similar payables	9	7 434	4 931
Other current liabilities	9	13 384	2 160
Non-current liabilities		**10 420**	**8 022**
Long-term financial debt	7	5 435	5 781
Long-term provisions	8	2 420	2 241
Other non-current liabilities		2 564	
Equity	**6**	**48 045**	**36 857**
Share capital		692	691
Share premium		78 558	78 868
Group translation gains and losses		61	(14)
Group reserves		(41 904)	(34 138)
Group net profit/loss		10 639	(8 550)
TOTAL LIABILITIES		**81 889**	**53 761**

2.1.2 Consolidated income statement, IFRS

In (€) thousands	Notes	06/30/2018 (6 months)	06/30/2017 (6 months)
Operating revenue		**36 105**	**23 121**
Revenue	11	32 801	19 469
Grants, research tax credits and others	12	3 303	3 652
Operating expenses excluding additions and reversals	**13-14**	**(21 161)**	**(15 326)**
Additions to and reversals of depreciation, amortization and provisions	**15**	**(623)**	**(515)**
PROFIT FROM OPERATING ACTIVITIES	**10**	**14 321**	**7 281**
Financial income		663	81
Financial expense		(210)	(291)
FINANCIAL INCOME (LOSS)	**16**	**453**	**(210)**
PROFIT BEFORE TAX		**14 774**	**7 071**
Tax expense		(4 135)	(21)
NET PROFIT		**10 639**	**7 050**
Base earnings per share (€)	17	1,5	1,0
Diluted earnings per share (€)		1,4	1,0
GROUP NET PROFIT		**10 639**	**7 050**
Actuarial adjustments on defined pension liabilities		0	0
Deferred taxes		0	0
Unclassified elements in the Group net profit (loss)		**0**	**0**
TOTAL PROFIT FOR THE YEAR		**10 639**	**7 050**

2.1.3 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 12/31/2017	**6 910 753**	**691**	**78 868**	**(32 971)**	**(1 181)**	**(8 550)**	**36 857**
Profit for the year 2018						10 639	10 639
Gain (losses) on actuarial adjustments on defined pension liabilities							
Comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**10 639**	**10 639**
Allocation of profit for the year 2017	0	0	0	(8 550)		8 550	
Exercise of equity instruments (warrants)	6 091	1	1	0			2
Share-based payment				784			784
Liquidity Contract - Elimination of treasury shares			(311)	68			(243)
Others				8			8
Total shareholder relations	6 091	1	(310)	(7 691)		8 550	550
BALANCE AT 06/30/2018	**6 916 844**	**692**	**78 558**	**(40 662)**	**(1 181)**	**10 639**	**48 045**

2.1.4 Consolidated statement of cash-flow, IFRS

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Net profit	10 639	7 050
Net depreciation, amortization & provisions (excl. current assets)	623	515
Capital gains and losses on non-current assets	0	0
Calculated income and expenses	173	1 638
Tax paid	(2)	(16)
Cash flow from operations before cost of net financial debt and tax	**11 433**	**9 187**
Cost of gross financial debt	579	(26)
Change in deferred revenues	**8 291**	**(18 819)**
Change in working capital requirement (including employee benefits)	**609**	**5 092**
NET CASH FLOW RELATED TO OPERATING ACTIVITES	**20 912**	**(4 566)**
Acquisitions of property, plant and equipment & intangible assets	(137)	(1 309)
Disposals of property, plant and equipment & intangible assets	0	43
Acquisitions of non-current financial assets	0	
Disposals of non-current financial assets	0	
Other cash flows related to investing activities	(250)	
NET CASH FLOW RELATED TO INVESTING ACTIVITES	**(387)**	**(1 266)**
Capital increase	2	40
New loans and reimbursable advances	887	268
Repayments of loans and reimbursable advances	(305)	(233)
Other cash flows related to financing activities	0	
NET CASH FLOW RELATED TO FINANCING ACTIVITES	**583**	**76**
	0	
CHANGE IN NET CASH AND EQUIVALENTS	**21 107**	**(5 756)**
Opening cash	34 778	58 037
Closing cash	55 885	52 280

2.1.5 Detailed analysis of changes in working capital requirements (WCR)

In (€) thousands	Variation 2018 / 2017
Inventories	(14)
Trade and similar receivables	(29)
Other receivables and advances	7 316
Pre-paid expenses / other receivables	99
Trade and similar payables	(2 482)
Other debt	(5 498)
CHANGE IN WORKING CAPITAL REQUIREMENT	**(609)**

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

In (€) thousands	06/30/2018	12/31/2017
Short-term investment securities (due in < 3 months)	7 089	8 090
Cash on hand	48 796	26 687
NET CASH AND CASH EQUIVALENTS	**55 885**	**34 778**

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

2.2.1 Basis of preparation

Adocia's 2018 half-year consolidated financial statements were approved by the board of directors on July 18, 2018 They were prepared in compliance with IAS 34 standard, « Interim financial reporting » as part of the IFRS standards as adopted by the European Union. The accounting principles applied the interim condensed consolidated financials are the same as the ones applied for fiscal year 2017 as described in paragraph 4.1.6.2 of the 2018 registration document, which was filed with the Autorité des Marchés Financiers (the « AMF ») on April 19, 2018, apart from the application of the IFRS 15 standard described in the paragraph 2.2.2 below.

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

2.2.2 Accounting standards

Main comment

The accounting principles and methods used by the Company for the interim financial statements are the same as those used in the financial statements for the year ended December 31, 2017, except for the following application of new standards, standard amendments and interpretations applied by the European Union, which application is mandatory for the Company starting January 1, 2018 :

Standards, standard amendments and interpretations applicable from open fiscal year at January 1, 2018

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from contracts with customers
  Considering the absence of significant impact due to the application of this standard, the Company chose to apply the partial restrospective method. Refer to the following paragraph « Application of IFRS 15 » for more information.
- Clarifications to IFRS 15
- IFRIC 22 - Foreign currency transactions and advance consideration
- Amendments to IFRS 2 – Classification and measurement of share based payment transactions
- Amendments to IFRS 4 – Application of IFRS 9 with IFRS 4
- Amendments to IAS 40 – Transfers of investment property
- Annual improvements to IFRS standards (2014-2016 cycle)

These new texts applied by the European Union do not have a significant impact on the Company's financial statements.

Standards, standard amendments and interpretations not yet applied by the Company

Standards, standard amendments and interpretations applied by the European Union but not yet mandatory for 2018 interim financials

- IFRS 16 – Leases

- Amendments to IFRS 9 – Prepayment features with negative compensation

Standards and interpretations applied by IASB but not yet applied by the European Union au June 30, 2018

- IFRS 14 – Regulatory deferral accounts
- IFRS 17 – Insurance contracts
- IFRIC 23 – uncertainty over income tax treatments
- Amendments to IAS 28 – Long-term interests in associates and joint ventures
- Amendments to IAS 19 – Plan amendment, curtailment or settlement
- Annual improvements to IFRS standards (2015-2017 cycle)

The Company is currently under assessment of consequential impacts of the first application of these new texts. It does not anticipate any significant impact on its financial statements, except for IFRS 16.

Application of the IFRS 15 standard from January 1, 2018

Starting from January 1, 2018, the Company adopts the IFRS 15 standard « Revenue from contracts with customers ». The IFRS 15 standard replaces the IAS 11 standard « Construction contracts » and the IAS 18 standard « Revenue from ordinary activities », as well as the corresponding interpretations (IFRIC 13, IFRIC 15, IFRIC 18 et SIC 31).

The application of this new standard required no accounting restatement at January 1, 2018 as there were no ongoing contract at that date.

The Company's revenue primarily originates from the sale of licences and of research and development services.

The licences sold by the Company correspond to rights of use. As a consequence, the revenue generated from these licences is recognized immediately from the date the customer can start using the licence.

When the payment of a licence is a milestone payment depending on the achievement of a development, regulatory or commercial objective, the corresponding revenue is recognized when the objective achievement becomes highly probable.

When the payment of a licence is royalties calculated on sales made by the customer, the Company applies the exception to the general principle provided by the IFRS 15 standard on variable payments. Royalties are recognized as revenue when the customer sales occur.

The Company provides research and development services to customers as part of development projects which final objective is the grant of a marketing authorization. The revenue from these services is recognized according to the percentage of completion of the project, as the customer benefits from the services progressively. The percentage of completion is calculated from costs.

If the licence and the services are sold together, the contract price is allocated to the different elements of the contract proportionally to their fair value.

If the costs of one of the contract elements are not completely offset by the revenue calculated from fair values, the Company applies the residual method.

2.2.3 Basis of preparation of the financial statements

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

In preparing its half-year statements, the main judgments made by the management and the main assumptions used are the same as those used to prepare the financial statements for the fiscal year ended December 31, 2017. These assumptions fall of IFRS 2 (« Share-based payment ») and, for the first year, IFRS 15 (« Revenue from contracts with customers »).

2.2.4 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 June 2018.

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 balances sheet items and on the income statement, are included in equity under « translation differences ».

2.3 Notes to the consolidated financial statements as of June 30, 2018

NOTE 1 Intangible assets

In (€) thousands	12/31/2017	Acquisitions / Additions	Disposals / reversals	06/30/2018
Land	2 032	0	0	2 032
Land development	170	3	0	172
Building	4 276	0	0	4 276
Laboratory equipment	3 514	28	(2)	3 540
Fixtures and facilities	1 970	72	0	2 041
Furniture, office equipment	1 202	37	0	1 239
GROSS AMOUNT	**13 164**	**139**	**(2)**	**13 301**
Land	0	0	0	0
Land development	1	9	0	9
Building	336	107	0	443
Laboratory equipment	2 262	233	(2)	2 493
Fixtures and facilities	782	70	0	853
Furniture, office equipment	804	88	0	893
DEPRECIATION AND IMPAIRMENT	**4 184**	**507**	**(2)**	**4 690**
Land	2 032	0	0	2 032
Land development	169	(6)	0	163
Building	3 939	(107)	0	3 833
Laboratory equipment	1 253	(205)	0	1 048
Fixtures and facilities	1 187	2	0	1 189
Furniture, office equipment	396	(51)	0	343
NET AMOUNT	**8 976**	**(368)**	**0**	**8 608**

Net intangible assets decreased by 0.4 million euros between December 2017 and June 2018 reflecting the the depreciation of existing assets and the low level of investiment over the period.

NOTE 2 Additional information regarding deferred taxes

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

As a reminder, the amount of tax losses carried forward at January 1, 2018 amounts to 95.9 million euros. This loss carryforward is not limited in time.

However, the withholding tax related to the Tonghua Dongbao upfront payment generated a tax credit that the Company plans to use on 2018 income tax. As a consequence, the Company recognized a deferred tax current asset of 4.1 million euros in the half-year financial statements.

NOTE 3 Trade receivables

In (€) thousands	06/30/2018	12/31/2017
Gross amount	1	30
Impairment		
TOTAL NET VALUE	**1**	**30**

NOTE 4 Other current assets

In (€) thousands	06/30/2018	12/31/2017
Research tax credit	10 752	7 535
VAT claims	842	861
Receivables from suppliers	229	298
Pre-paid expenses	748	649
Carry-back	333	333
Miscellaneous	187	108
TOTAL NET VALUE	**13 091**	**9 785**

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 period. At June 30, 2018, the balance of Research Tax Credit receivables includes 3.2 million euros of tax credit generated by the research and development spendings of the first half of 2018. The amount of 7.5 million euros corresponding to the tax credit generated by the spendings of the fiscal year 2017 is also included in the balance of receivables at the end of June 2018, as the reimbursment for that part is expected on the third quarter of 2018.

Prepaid expenses relate to current expenses.

The carryback receivable was born from the allocation of part of the Company's 2015 fiscal deficit on the result of the previous year, generating a tax receivable of 0.3 million euros.

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

Note 5 Classification and fair value of financial assets

The only financial assest 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 constitue level 1 financial assets at fair value.

Note 6 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.

Share capital

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

The company owns treasury shares under the liquidity agreement.

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

The table bellow provides the evolution of the share capital during the period.

	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
03/15/2018 - Grant of bonus shares	6 000	6 000			600
06/04/2018 - Exercise of stock-options	91	91			9
AT JUNE 30, 2018	**6 916 844**	**6 916 844**	**0**	**0**	**691 684**

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 independants 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 reference year 2017 document reference.

Operating expenses related to the stock option plans are calculated on the basis of a Black-Sholes 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 €0.4 million at the end of June 2018 compared to no charge for the first half year of 2017.

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
SO 2018	Employees	No	Until 05/02/2022	17.00

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		10 000	30 000	307
SO 2017 N°1	13 000		6 500	6 500	375
SO 2017 N°2	40 000	30 000	10 000		375
BSPCE 2017	150 000		30 000	120 000	579
SO 2018	23 000		1 500	21 500	217
TOTAL	**560 000**	**78 400**	**303 600**	**178 000**	**10 168**

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
Plan 2008 N°1	42 000	2 100	39 900	
Plan 2008 N°2	5 600		5 600	
Plan 2009	5 600		5 600	
Plan 2010 N°1	5 600		5 600	
Plan 2010 N°1	5 600		5 600	
Plan 2015 N°1 - 10 ans	39 150	2 860	36 290	
Plan 2015 N°2.1	5 000		5 000	
Plan 2015 N°2.2	12 600	1 800	5 400	5 400
Plan 2015 Dirigeant	5 000		5 000	
Plan 2016 Dirigeant	20 000	8 000	8 000	4 000
Plan 2016 N°2	40 000	2 025	10 000	27 975
Plan 2017	9 500			9 500
Plan 2018 N°1	2 700			2 700
Plan 2018 N°2	19 050	150		18 900
Plan 2018 N°3	5 600			5 600
TOTAL	**223 000**	**16 935**	**131 990**	**74 075**

Movements in bonus shares are as follows :

Number of shares	1st half year 2018	FY 2017
Number oF shares with ongoing vesting at the beginning of the year	62 900	105 755
Shares granted during the period	27 350	9 500
Shares vested during the period	6 000	50 990
Shares cancelled during the period	10 175	1 365
Number of shares with ongoing vesting at the end of the period	**74 075**	**62 900**

The cost of services rendered is recognized as a payroll expense over the vesting period. This expense amounted to 0.4 million euros for the first half year 2018 compared to €1.6 million d'euros for the same period in 2017.

Dividends

The company has not paid out any dividends in the first half year of 2018.

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 aggrement with DSF Markets. Adocia allocated 15,026 Adocia shares and 300,000 euros 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 euros. On September 10, 2015, the resources made available under the liquidity agreement with Kepler Capital Markets S.A. were increased by 200,000 euros and by 250,000 euros on February 12, 2018.

Over the course of 2018, 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.

At June 30, 2018, 22,047 shares have been accounted for in deduction of equity and 36 thousand euros in cash appeared in the non-current financial assets.

Note 7 Financial debts

Financial debts include bank loans, repayable advances as other financial debts (leases).

Bank loan in the amount of 5.5 million euros were obtained in 2016 to finance the purchase of the building in which the Company's research center and head office are located. At the end of June 2018, the outstanding amount of these bank loans is 5.1 million euros, including 4.6 million euros for the long-term part.

Two lines of credit in dollars were contracted in December 2017 to finance the legal costs related to the applications for arbitration against Eli Lilly. At June 30, 2018, this short-term debt amounts to 2 million dollars (1.7 million euros) compared to 1 million dollars (0.8 million euros) at the end of 2017.

At the end of June 2018, the classification as current and non-current was as follows :

In (€) thousands	Current	Non-current	Total	Bank overdrafts
Reimbursable advances	165	488	653	0
Bank Loan	2 191	4 621	6 812	0
Other financial debts	250	326	576	0
TOTAL FINANCIAL ASSETS	**2 606**	**5 435**	**8 041**	**0**

Details about advances granted and repaid for the first half year 2018 :

In (€) thousands	Amount	Historical cost
VALUE AT DECEMBER 31, 2017	**717**	**761**
Long term portion	481	
Short term portion	236	
Grant during the year		
Repayment during the year	(75)	
Discount on grant during the year		
Financial expenses	11	
VALUE AT JUNE 30, 2018	**653**	**761**
Long term portion	488	
Short term portion	165	

in € thousands	06/30/2018	Less than 1 year	1 to 5 years	More than 5 years
Insuline advance (2012)	563	74	488	0
Coface advance (2013)	91	91	0	0
TOTAL	**653**	**165**	**488**	**0**

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

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

In 2018, the Company reimbursed 0.1 million euros.

As part of its business development in new markets (India and China), the Company signed **a business development agreement with Coface** (French insurance company for foreign trade) on October 26, 2012 in return for the payment of a premium equivalent to 2% of the annual budget.

Under the terms of the agreement, Coface guarantees the reimbursement of 75% of the expenses incurring during the four-year guarantee period, which runs from October 1, 2012 to September 30, 2016 and was extended for 2 years through 2018.

For expenses incurred during the first insured period, ie from October 1, 2012 to September 30, 2013, the company received the sum of 91 thousand euros on December 17, 2013.

Considering the signing of the Tonghua Dongbao agreement and according to the contract, the received advance will be reimbursed during the second half of 2018

Note 8 Provisions

In (€) thousands	Employee benefits	Other long-term provisions	Provisions for risks and charges - less than one year	TOTAL
VALUE AT DECEMBER 31, 2017	**2 241**	**0**	**0**	**2 241**
Additions	179	0	0	179
Reversal of used provisions				0
Reversal of unused provisions				0
VALUE AT JUNE 30, 2018	**2 420**	**0**	**0**	**2 420**

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

Note 9 Trade payables and other current liabilities

The company's current liabilities are as follows :

In (€) thousands	06/30/2018	12/31/2017
Trade payables	**7 434**	**4 931**
Subsidiary accounts	2 450	1 617
Notes payable		
Invoices pending	4 985	3 314
Other current liabilities	**13 384**	**2 160**
Customer credit balances		
Tax and social security liabilities	7 638	2 122
Other debt	19	39
Unearned income	5 727	0
TOTAL CURRENT OPERATING LIABILITIES	**20 819**	**7 091**

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

The « tax and social security liabilities « include social and fiscal accruals.

The current operating liabilities variation primarily relates to :

- the accounting of 5.7 million euros of unearned revenue relating to the upfront payment made by Tonghua Dongbao in April 2018, which will be recognized as revenue according to the percentage of completion of the project
- the income tax accrual accounted for at June 30, 2018 for 4.1 million euros
- the increase of social debts by 1.3 million euros mainly explained by the grant of bonuses to employees in June 2018

Pending invoices relate to current expenses.

Note 10 Operating profit / loss

In (€) thousands	Notes	06/30/2018 (6 months)	06/30/2017 (6 months)
Operating revenue		**36 105**	**23 121**
Revenue	11	32 801	19 469
Grants, research tax credits and others	12	3 303	3 652
Operating expenses		**(21 784)**	**(15 840)**
Purchases used in operations		(1 122)	(909)
Payroll expense	14	(8 327)	(6 492)
External expenses	13	(11 477)	(7 824)
Taxes and contributions		(234)	(100)
Dotation aux amortissements et provisions	15	(623)	(515)
PROFIT FROM ORDINARY OPERATING ACTIVITIES		**14 321**	**7 281**

Breakdown of expenses by function:

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Research and development expenses	(13 134)	(12 547)
General and administrative expenses	(8 650)	(3 293)
OPERATING EXPENSES	**(21 784)**	**(15 840)**

Research and development costs were as follows:

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Purchases used in operations	(1 122)	(909)
Payroll expense	(5 238)	(4 196)
Share-based payments	(215)	(615)
External expenses	(5 917)	(6 330)
Taxes and contributions	(146)	(81)
Depreciation, amortization & provisions	(496)	(416)
OPERATING EXPENSES	**(13 134)**	**(12 547)**

Note 11 Revenue

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Research and collaborative agreements	0	650
Licencing revenues	32 801	18 819
REVENUE	**32 801**	**19 469**

The Company's revenue primarily originates from the licence agreements signed with Tonghua Dongbao in April 2018. These agreements concern combinations BioChaperone Lispro and BioChaperone Combo in China and other designated countries.

These contracts concern projects, with independant developments, considered as distincts.

According to them, the Company :

- receives upfront payments amounting to 40 million dollars (BC Combo) and 10 million dollars (BC Lispro), paying for licenses and exclusive rights granted to Tonghua Dongbao as well as the transfer of know-how and related services,
- could benefit from the reimbursement of specific research and development expenses initiated at the request of Tonghua Dongbao,
- is entitled to receive development milestone payments up to 50 million dollars for BC Combo and 35 million dollars for BC Lispro,
- is expected to receive royalties on the sale of both products in the territories.

The Company analyzes the licence and the transfer of know-how as two distinct performance obligations :

The licences granted by the Company are rights of use. Indeed, as soon as the contract signature, Tonghua Dongbao can assimilate the production process of both combinations, adapt it to its productive equipment and lead the clinical development of BC Combo and BC Lipsro.

As static licences, the performance obligation is satisfied immediately. As a consequence, the revenue from licences is recognized immediately from the date the customer can start using the licence.

The transfer of know-how and the related services aim at facilitating the progress of the project by allowing Tonghua Dongbao to benefit from the Company's expertise by providing a technical and regulatory support.

The expected services :

- Will not impact the granted patents
- Could be done by Tonghua Dongbao independantly of the Company. However, Adocia's experience and skills enable an optimum efficiency in the development of the projects with shorter deadlines.

This performance obligation is satisfied progressively during the services execution.

The revenue from these services is recognized according to a percentage of completion, calculated by comparison between the costs incurred and the total estimated budget for the contract period.

The price of each contract corresponds to the upfront payment only. Milestone payments will be included to the price of the contract when they become highly probable.

Regarding the royalties calculated on sales made by Tonghua Dongbao, the Company applies the exception to the general principle provided by the IFRS 15 standard on variable payments. Royalties will be recognized as revenue when the Tonghua Dongbao's sales occur.

Each performance obligation fair value was estimated by an NPV calculation for licences and by an expenses budget for the services provided by the Company. However, in the context of the contracts signed with Tonghua Dongbao, an allocation of the contract price, for which the variable payments were excluded, to each performance obligation proportionally to their fair value does not allow to completely offset the costs of services provided by the Company to Tonghua Dongbao. As a consequence, in the half-year financial statements, the Company applies the residual method to allocate the upfront payment to both performance obligations.

The Company's revenue, at June 30, 2018, amounts to 32.8 million euros. The outstanding amount of the 50 million dollars, or 41.1 million euros, will be recognized according to the percentage of completion of the research and development services provided by the Company as part of the products transfer and development.

Last year, half-year revenue was impacted by the termination of the collaboration with Eli Lilly which led to the recognition of the non-amortized part of the 50 million dollars upfront payment, received in 2014.

Note 12 Other income

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Research tax credit	3 216	3 566
Other	87	86
OTHER INCOME	**3 303**	**3 652**

The research Tax Credit amounted to 3.2 million euros at June 30, 2018 compared to 3.6 million euros at June 30, 2017.

Part of the building, which is owned by Adocia, is leased to several companies. Therefore, Adocia recognized leasing revenue for 87 thousand euros which appear on the « other » line of the chart above.

Note 13 Other purchases and external charges

Other purchases and external charges mainly include preclinical studies, clinical trials, subcontracting expenses, intellectual property costs, professional fees and administrative expenses.

These expenses amounted to 11.5 million euros at June 30, 2018, increasing by 3.7 million euros compared to the same period by 2017. It is primarily explained by the intensification of legal services incurred for the procedures against Eli Lilly.

Note 14 Payroll expense

Payroll expense was as follows:

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Wages and salaries	5 424	4 185
Social contributions	2 244	1 256
Share-based payment	658	1 051
PAYROLL EXPENSE	**8 327**	**6 492**
	06/30/2018	**12/31/2017**
Technicians	56	59
Management personnel	73	70
STAFF	**129**	**129**

At June 30, 2018, the company had 48 postdoctoral researchers. Nearly 80% of employees are directly assigned to research and development activities.

Payroll expenses, share-based payments excluded, amounted to 7.7 million euros at June 30, 2018 compared to 5.4 million euros at June 30, 2017. The average workforce remained at a comparable level, from 126.1 full time equivalents (FTE) in 2017 to 125.1 FTE in 2018. The increase of the payroll expenses is primarily explained by the grant of performance bonuses to emplyees, following the signing of the licence agreements with Tonghua Dongbao.

Note 15 Depreciation, amortization and impairment losses

Net depreciation, amortization and provisions are as follows:

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Depreciation, amortization and provisions for fixed assets	**516**	**515**
Depreciation of property, plant and equipment	382	391
Amortization of intangible assets	9	5
Depreciation of leased assets	125	119
Depreciation, amortization and provisions for fixed assets	**107**	**0**
Provisions for current assets (additions)	107	0
DEPRECIATION, AMOTIZATION AND IMPAIRMENT	**623**	**515**

Note 16 Financial income / loss

The cost of net financial debt was as follow:

In (€) thousands	06/30/2018 (6 months)	06/30/2017 (6 months)
Cost of net financial debt	**579**	**26**
Cash and cash equivalents income	663	81
Interest on conditional advances	(84)	(56)
Other financial income and expenses	**(126)**	**(236)**
FINANCIAL INCOME (LOSS)	**453**	**(210)**

The financial result improvement by 0.6 million euros between June 30, 2017 and June 30, 2018 is primarily explained by foreign exchange gains over the first half of 2018, due to the change of the conversion rate between euro and dollar as well as the collection of the upfront payment from Tonghua Dongbao.

Note 17 Earnings per share

	06/30/2018 (6 months)	06/30/2017 (6 months)
CONSOLIDATED NET PROFIT (in euros thousands)	**10 639**	**7 050**
Average number of shares	6 914 313	6 859 796
NET EARNINGS PER SHARE (in euros)	**1,54**	**1,03**
NET EARNINGS PER SHARE FULY DILUTED (in euros)	**1,43**	**0,97**

Note 18 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	06/30/2018 (6 months)	06/30/2017 (6 months)
Short-term benefits	331	688
Posterior employment benefits	46	36
Other long term benefits		
Termination benefits employment contract		
Share-based payment	349	259
TOTAL COMPENSATION PAID TO COPORATE OFFICERS	**726**	**984**

At June 30, 2018, the bonuses granted to the executive officers after the signing of the licensing agreement with Tonghua Dongbao were recognized as a provision but not paid.

Note 19 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 respectively 1 million euros and 1.5 million euros 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.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Chapter 3

3 STATUTORY AUDITOR'S REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ODICEO ERNST & YOUNG et Autres

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Adocia
For the period from January 1 to June 30, 2018

Statutory Auditors' Review Report on the Half-yearly Financial Information

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S.A. au capital de € 275.000
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Commissaire aux Comptes
Membre de la compagnie
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Adocia

For the period from January 1 to June 30, 2018

Statutory Auditors' Review Report on the Half-yearly Financial Information

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code ("code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements for the period from January 1 to June 30, 2018,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note « 2.2.2 Accounting standards » to the condensed half-yearly consolidated financial statements which sets out the impact of the first-time application of IFRS 15 as from January 1, 2018.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the (condensed) half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the (condensed) half-yearly consolidated financial statements.

Villeurbanne and Lyon, July 19, 2018

The Statutory Auditors
French original signed by

ODICEO	ERNST & YOUNG et Autres
Agnès Lamoine	Mohamed Mabrouk

Chapter 4

4 RESPONSABILITY STATEMENT IN RESPECT OF THE INTERIM FINANCIAL REPORT

I hereby certify that, to my knowledge, the consolidated condensed financial statements for the six months ended June 30, 2018 have been prepared in accordance with applicable accounting standards and give a true and fair view of the Company and its subsidiaries included in the consolidated account assets and liabilities, financial position and income, and that the accompanying interim management report gives a true and fair view of the significant events of the first six months of the year, their impact on the financial statements, major related-party transactions and a description of the major risks and uncertainties for the remaining six months of the year.

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ADOCIA

innovative medicine
for everyone, everywhere

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