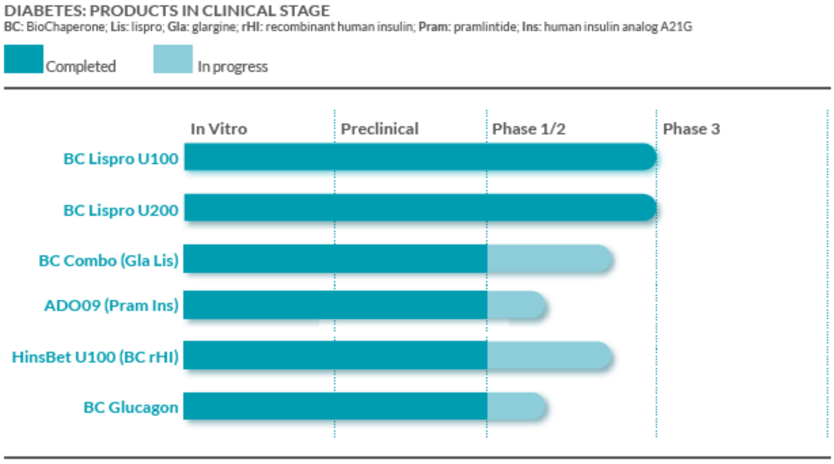
Half year financial report June 30th, 2019

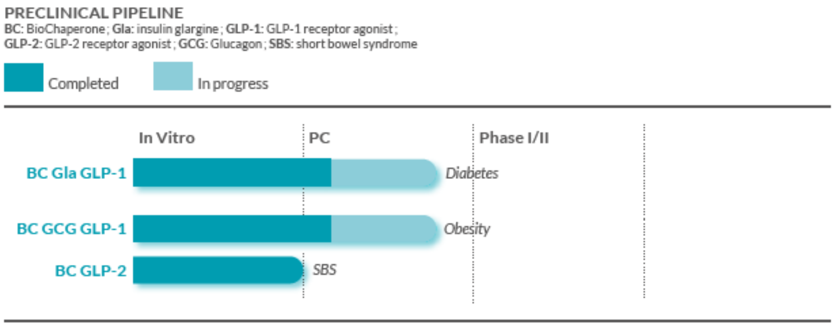
INNOVATIVE MEDICINE FOR EVERYONE EVERYWHERE

Photo Lotte Meijer

ADOCIA

SINCE 2005, ADOCIA HAS DEVELOPED A UNIQUE EXPERIENCE IN THE DIABETES FIELD AND A LARGE PROPRIETARY PORTFOLIO OF INJECTABLE TREATMENTS BASED ON THE BIOCHAPERONE® TECHNOLOGY. TODAY ADOCIA IS RECOGNIZED AS A LEADER IN THE INNOVATIVE FORMULATION OF INJECTABLE PRODUCTS FOR THE TREATMENT OF METABOLIC DISEASES





ADOCIA, LEADER IN THE TREATMENT OF DIABETES BY INNOVATIVE INJECTABLE PRODUCTS

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 expanded its preclinical portfolio to include the development of treatments of obesity and short bowel syndrome.

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 combination of prandial insulin with amylin analog pramlintide (ADO09- Pramlintide Insulin) and a rapid-acting formulation of human insulin (HinsBet® U100).

It also includes an aqueous formulation of human glucagon (BioChaperone® Glucagon) for the treatment of hypoglycemia.

Adocia's 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.

2019

ADOCIA CARRIES ON ITS STRATEGIC PARTNERSHIP WITH TONGHUA DONGBAO, THE CHINESE LEADER IN HUMAN INSULIN, TO FURTHER DEVELOP BC LISPRO AND BC COMBO IN CHINA AND IN THE REST OF THE WORLD

In April 2018, Following the signature of the partnership, Adocia has received 50 million dollars upfront (40 million dollars for BC Combo and 10 million dollars for BC Lispro).

Adocia is eligible to receive milestone payments of up to 85 million dollars, (50 million dollars for BC Combo and 35 million dollars for BC Lispro). Furthermore, Adocia should receive double-digit royalties on sales of both products on territories concerned.

First semester 2019 Events

January 3

Launch of a clinical trial
evaluating
BioChaperone® Lispro
in the
iLet™ Bionic Pancreas
(BetaBionics)

February 23

Oral Presentations of
Clinical results of
BioChaperone® Lispro,
and BioChaperone®
Pramlintide Insulin
(ATTD 2019, Berlin, Germany)

April 9

Positive preliminary
results of the first
clinical study of ADO09
(Pram Ins),
in 24 subjects with
Type 1 diabetes

June 4

Oral Presentation
of the first clinical results
of BioChaperone® Pramlintide
Insulin;
Poster Presentation of
BioChaperone® Glucagon GLP-1
(79th Scientific Sessions of the
American Diabetes Association®
San Francisco, CA, USA)

June 6

Launch of a 3-week
Phase 1b study
of ADO09 (Pram Ins),
in 24 subjects with
type 1 diabetes

ADA 2019, June 4th : Présentation orale de Dr. Grégory Meiffren : BioChaperone® Pramlintide Insulin (BCPramIns), A New Co-formulation Of Pramlintide And Human Insulin, Improves Post-prandial Blood Glucose Versus Both Separate Injections Of Pram+Ins And Insulin Lispro in Subjects With Type 1 Diabetes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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, 2019 and June 30, 2018:

In (€) thousands, Consolidated financial statements, IAS/IFRS	06/30/2019 (6 months)	06/30/2018 (6 months)
Revenue	1 710	32 801
Grants, research tax credits and others	3 044	3 303
Operating revenue	**4 752**	**36 105**
Operating expenses	**(18 142)**	**(21 784)**
OPERATING INCOME	**(13 388)**	**14 321**
FINANCIAL INCOME (LOSS)	**404**	**453**
Tax expense	(9)	(4 135)
NET INCOME	**(12 994)**	**10 639**

The financial results of the Company at June 30, 2019 are characterized by :

- **Revenues of 1.7 million euros**, mostly deriving from the licensing agreements signed with Tonghua Dongbao (THDB) end of April 2018, for the development, manufacturing and commercialization of BioChaperone® Lispro and BioChaperone® Combo in China and other territories.

  The non-refundable upfront payment provided for in the contract, for an amount of 50 million dollars or 41.1 million euros, was partially recognized as revenue (37.1 million euros) in 2018. The remaining non-amortized amount of the initial payment is being recognized upon provision of research and development services by Adocia, related to the transfer and development of the products. Adocia recognized 1.7 million euros of revenues over the first semester of 2019.

- **Operating expenses** for the first six months of 2019 amount to 18.1 million euros, a decrease of 3.6 million euros compared to the first six months of 2018. The decrease is due, for 2.1 million euros, to legal expenses related to the ongoing legal procedures previously initiated against Eli Lilly, and, for 1.4 million euros, by lower staff expenses (last year this line was impacted by performance bonuses granted to the employees in June 2018, as a result of the signature of the partnership with Tonghua Dongbao).

- **A net loss before tax** of 13 million euros.

- **A cash position of 20.7 million euros:** the Company has a cash position close to 21 million euros as of 30 June 2019, compared to 39.8 million euros as of 1st January 2019**.**

  Excluding the cash payment received from Tonghua Dongbao and the legal fees, the net cash flow over the six first months of 2019 amounted to 15.7 million euros, compared to 13.5 million euros first six months of 2018. The increase in use of cash was mainly driven by research and development activities, including expenses related to the preparation and conduct of clinical trials, associated with active support to our partner Tonghua Dongbao for the development of the licensed programs.

  The cash position as of end of June does not include the payment due by Lilly following the favorable ruling on the first part of the arbitration. The payment of the 11.6 million dollars plus accrued interests is expected after the decision on the second part of the arbitration.

  Besides, the payment of the research and tax credit ("Crédit d'Impôt Recherche") generated from 2018 expenses, for an amount of 6.4 million euros, is expected in the second half 2019.

- **Financial debts** as of 30 June 2019 amount to 8.1 million euros, which represents a net increase of 1 million euros compared to the beginning of the year. This increase resulted from the 1.2 million euros debt financing of renovation expenses conducted this year on the main building. This is partially offset by the payments of the loans contracted to finance the acquisition and renovation of that very building bought in 2016.

1.2 Key events for the first half of 2019

The first semester of 2019 was marked by important technical and clinical advances on two of Adocia's key programs: BioChaperone Lispro, the ultra-rapid insulin, and ADO09, the combination of prandial insulin and pramlintide.

In **January 2019**, Adocia announced the initiation of a Phase 1 clinical trial evaluating BioChaperone Lispro and two prandial insulin analogs in the iLet™ automated insulin deliver system (also commonly called « artificial pancreas ») from BetaBionics. This randomized, cross-over study performed in the United States of America will recruit up to 30 subjects with type 1 diabetes to participate to 3 arms of 7 days comparing the pharmacokinetic and pharmcodynamic profiles of insulins lispro, aspart and BioChaperone Lispro in the iLet™ bionic pancreas, inter- and intra- subjects.

In parallel, Adocia and its partner Tonghua Dongbao (THDB) carry on their activities of qualification of the insulin lispro manufactured by THDB, in order to enable the upcoming start of Phase 3 trials of BioChaperone Lispro in China and in other territories.

In **April 2019**, Adocia announced the first positive topline results of ADO09, a combination of prandial insulin with pramlintide. ADO09 was developed to improve post-prandial glucose control and long-term outcomes for people requiring prandial insulin treatment by enabling the synergistic combination of two complementary hormones: the amylin-analog pramlintide and prandial insulin. Indeed, in a person without diabetes, insulin and amylin are co-secreted and act synergistically to control glycemic excursions after a meal. In this randomized, double-blind, cross-over study, which enrolled 24 participants with type 1 diabetes, treatment with ADO09 resulted in a statistically significant 85% reduction of blood glucose excursions over the first two hours after the meal compared to Humalog® (p<0,0001) and comparable postprandial glycemic control to that of the separate injections of Humulin and Symlin. Of note, in December 2018, Adocia had announced positive first-in-human clinical data for BioChaperone® Pramlintide Insulin (BC Pram Ins), a neutral pH co-formulation of pramlintide and human insulin based on Adocia's proprietary BioChaperone® technology. Based on similar clinical results and a development plan considered to be faster for ADO09, Adocia decided to prioritize the development of ADO09.

In the wake of these very encouraging clinical results, Adocia announced, early in **June 2019**, the launch of a 3-week Phase 1b clinical trial of ADO09 in people with type 1 diabetes. This study aims to assess safety and efficacy of ADO09 in subjects with type 1 diabetes using a multiple daily injection regimen over a 24-day period of treatment, including an outpatient period. The primary endpoint is to compare post-meal glucose profiles after bolus injections of ADO09 and Novolog®, injected immediately before a standardized mixed meal, at the end of a 24-day multiple daily injection treatment period. Results from this study are expected during Q4 2019.

Finally, and consistent with the evolution of our portfolio towards more mature stages of development, Adocia recently **strengthened its organisation** by recruiting M. Marc Vouillamoz for the role of Director of Pharmaceutical Operations. His experience in large pharmaceutical organization in manufacturing processes, quality and regulatory affairs is an asset to support our Company in its evolution.

On the **legal front**, the first phase of the Arbitration procedure initiated by Adocia against Eli Lilly & co (« Lilly ») concluded in favor of Adocia in **August 2018**. The Arbitration Tribunal awarded Adocia USD 11.6 million, as well as interests. Adocia's additional claims against Lilly for a revalued amount of USD 1.3 billion and the counterclaims of Lilly for an amount of USD 188 million, remain pending, with a decision of the court expected in the course of Q3 2019.

Furthermore, in October 2018, Lilly filed a civil complaint against Adocia in the United States District Court of the Southern District of Indiana to seek a declaratory judgment for two of its US patents regarding ultra-rapid insulin formulation (Lilly's United States Patent Nos. 9,901,623 and 9,993,555 entitled "Rapid-acting insulin compositions"). Lilly contends in its complaint that it filed the action because Adocia has asserted that Lilly's patents reflect Adocia's inventive contribution. Adocia does not expect the matter to be resolved during this fiscal year.

1.3 Events subsequent to June 30, 2019

None

1.4 Financial results as June 30, 2019

1.4.1 Operating revenue

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

In (€) thousands	06/30/2019 (6 months)	06/30/2018 (6 months)
Revenue (a)	**1 710**	**32 801**
Research and collaborative agreements	0	0
Licencing revenues	1 710	32 801
Grants, public financing, others (b)	**3 044**	**3 303**
OPERATING REVENUE (a) + (b)	**4 754**	**36 105**

Operating revenue mainly resulted from the licensing and research agreements and also from the public financing of research and development expenses. At June 30, 2019, they amounted to 4.8 million euros versus 36.1 million euros last year over the same period.

Revenue of 1.7 million euros at June 30, 2019 resulted primarily from the licensing agreements signed with Tonghua Dongbao (THDB) in April 2018, for the development, manufacturing and commercialization of BioChaperone® Lispro and BioChaperone® Combo in China and other territories.

The non-refundable upfront payment provided for in the contract, for an amount of 50 million dollars or 41.1 million euros, was partially recognized as revenue (37.1 million euros) in 2018. The remaining non-amortized amount of the initial payment is being recognized upon provision of research and development services by Adocia, related to the transfer and development of the products. Adocia recognized 1.7 million euros of revenues over the first semester of 2019.

Other operating income consisted primarily of the French research and development tax credit amounting to 3 million euros for the first half of 2019, compared to 3.2 million during the first half of 2018. This decrease reflects lower qualifying payroll 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	06/30/2019 (6 months)	06/30/2018 (6 months)
Research and development expenses	(12 322)	(13 134)
General and administrative expenses	(5 820)	(8 650)
CURRENT OPERATING EXPENSES	**(18 142)**	**(21 784)**

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. These expenditures amounted to 12.3 million euros for the first half of 2019, a decrease of 0.8 million euros compared to the first half of 2018. This is mainly due to a decrease in personel expenses, as the financial accounts as of June 2018 were impacted by the grant of performances bonuses following the signature of the partnership with

Tonghua Dongbao. No bonuses have been granted over the first half 2019. These Research and developement expenses represent 77% of the total operational expenses as of end of June 2019 (excluding the fees related to the legal procedures).

General and administrative expenses primarily include expenses for employees not directly working on research and development, as well as services related to management, legal and business development of the Company and its subsidiary in the US. They amounted to 5.8 million euros at June 30, 2019 versus 8.7 million euros at June 30, 2018. The 2.8 million euros decrease is explained for 2.1 million euros by the decrease of legal expenses supporting the ongoing arbitrations and for 0.5 million euros by the decrease in payroll expenses (2018 performance bonuses).

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

In (€) thousands	06/30/2019 (6 months)	06/30/2018 (6 months)
Purchases used in operations	(786)	(1 122)
Payroll expense	(6 235)	(7 668)
Share-based payments	(464)	(658)
External expenses	(9 985)	(11 477)
Taxes and contributions	(123)	(234)
Depreciation, amortization & provisions	(548)	(623)
OPERATING EXPENSES	**(18 142)**	**(21 784)**

Purchases used in operations decreased by nearly 30% to reach 0.8 million euros. This decrease is primarily due to significant raw material expenses occurred over the six first months of 2018 necessary to the production of clinical batches.

Payroll expenses totaled 6.2 million euros at June 30, 2019 compared to 7.7 million euros at June 30, 2018. The average workforce increased slightly, at 125.1 Full Time Equivalents (FTE) in 2018 and 130.1 FTE in 2019. The decrease of payroll expense is primarily due to the payment of performance bonuses to employees in June 2018, resulting from the signing of the partnership with Tonghua Dongbao.

The 0.5 million euros share-based payments item at June 30, 2019 includes the impact of the plans introduced in previous years as no plan has been granted over the first six months of 2019. The 0.2 million euros decrease is explained by the vesting of several share-based plans in 2018. 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 10 million euros at June 30, 2019, decreasing by 1.5 million euros compared to the same period in 2018. It is primarily explained by the lower amount of legal services incurred for the procedures against Eli Lilly.

Taxes totaled 0.1 million euros at June 30, 2019 compared to 0.2 million euros at June 30, 2018.

Depreciation and amortization amounted to 0.5 million euros at June 30, 2019 compared to 0.6 million euros at June 30,2018.

1

1.4.3 Balance sheet items

In (€) thousands, Consolidated financial statements, IAS/IFRS	06/30/2019	12/31/2018
Net cash and cash equivalents	20 690	34 778
Total assets	55 705	53 761
Equity	32 806	36 857
Financial debts	8 089	7 336

The amount of cash and cash equivalents held by the Company was close to 21 million euros at June 30, 2019 compared to 39.8 million euros at January 1, 2019.

Consolidated shareholder's equity decreased from 45.8 million euros at January 1, 2019 to 55.7 million euros at June 30, 2019. The decrease reflects the negative result at the end of June 2019.

Financial liabilities amount to 8.1 million euros at June 30, 2019 which represents a net increase of1 million euros compared to the beginning of the year. This increase resulted from the 1.2 million euros debt financing of renovation expenses conducted this year on the main building. This is partially offset by the payments of the loans contracted to finance the acquisition and renovation of that very building bought in 2016.

1.5 Risks and uncertainties relating to the Company's activities in the second half of 2019

Risk factors impacting the Company are described in paragraph 1.5 of the registration document for the fiscal year 2018, which was filed with the Autorité des Marchés Financiers (the « AMF ») on April 12, 2019. Main risks and uncertainties relating to the Company's activities in the second half of 2019 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 18 of paragraph 2.3 of this half-year report.

Chapter 2

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2 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.1 Consolidated financial statements

2.1.1 Consolidated balance sheet, IFRS

Assets IFRS

In (€) thousands	Notes	06/30/2019	12/31/2018
Current assets		**45 358**	**60 984**
Inventories		94	131
Trade and similar receivables	3	362	3
Deferred tax	2	0	0
Other current assets	4	24 212	21 009
Cash and cash equivalents	5	20 690	39 841
Ecarts d'acquisition		0	0
Non-current assets		**10 347**	**9 058**
Other non-current assets		83	115
Land	1	2 032	2 032
Land development	1	151	157
Buildings and constructions	1	3 618	3 725
Laboratory equipment	1	776	942
Other property, plant and equipment	1	3 407	1 870
Non-current financial assets		279	217
TOTAL ASSETS		**55 705**	**70 043**

Liabilities and Equities IFRS

In (€) thousands	Notes	06/30/2019	12/31/2018
Current liabilities		**12 368**	**14 854**
Short-term financial debt	7	2 519	2 224
Trade and similar payables	9	6 260	7 546
Other current liabilities	9	3 588	5 084
Non-current liabilities		**10 531**	**9 340**
Long-term financial debt	7	5 570	4 892
Long-term provisions	8	3 533	2 756
Other non-current liabilities		1 428	1 692
Equity	6	**32 806**	**45 848**
Share capital		694	693
Share premium		78 772	78 849
Group translation gains and losses		(1)	(2)
Group reserves		(33 666)	(41 306)
Group net profit/loss		(12 994)	7 615
TOTAL LIABILITIES		55 705	70 043

2.1.2 Consolidated income statement, IFRS

In (€) thousands	Notes	06/30/2019 (6 months)	06/30/2018 (6 months)
Operating revenue		**4 754**	**36 105**
Revenue	11	1 710	32 801
Grants, research tax credits and others	12	3 044	3 303
Operating expenses excluding additions and reversals	**13-14**	**(17 594)**	**(21 161)**
Additions to and reversals of depreciation, amortization and provisions	**15**	**(548)**	**(623)**
PROFIT (LOSS) FROM OPERATING ACTIVITIES	**10**	(13 388)	14 321
Financial income		491	663
Financial expense		(87)	(210)
FINANCIAL INCOME (LOSS)	**16**	404	453
PROFIT (LOSS) BEFORE TAX		(12 984)	14 774
Tax expense		(9)	(4 135)
NET PROFIT (LOSS)		(12 994)	10 639
Base earnings per share (€)	17	(1,9)	1,5
Diluted earnings per share (€)		(1,9)	1,4
GROUP NET PROFIT (LOSS)		(12 994)	10 639
Actuarial adjustments on defined pension liabilities		(556)	0
Unclassified elements in the Group net profit (loss)		**(556)**	**0**
TOTAL PROFIT (LOSS) FOR THE YEAR		(13 549)	10 639

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 12/31/2018	6 931 244	693	78 849	(39 971)	(1 338)	7 615	45 848
Profit for the year 2019						(12 994)	12 994
Gain (losses) on actuarial adjustments on defined pension liabilities					(556)		(556)
Comprehensive income for the period					**(556)**	**(12 994)**	**(13 549)**
Allocation of profit for the year 2018				7 615		(7 615)	
Exercise of equity instruments (warrants)	8 075	1	(1)				
Share-based payment			0	479			479
Liquidity Contract - Elimination of treasury shares			(76)	103			27
Others				3			3
Total shareholder relations	8 075	1	(77)	8 199		(7 615)	509
BALANCE AT 06/30/2019	6 939 319	694	78 772	(31 773)	(1 893)	(12 994)	32 806

2.1.4 Consolidated statement of cash-flow, IFRS

In (€) thousands	06/30/2019 (6 months)	06/30/2018 (6 months)
Net profit	(12 994)	10 639
Net depreciation, amortization & provisions (excl. current assets)	521	623
Capital gains and losses on non-current assets	10	0
Calculated income and expenses	316	173
Tax paid	0	(2)
Cash flow from operations before cost of net financial debt and tax	**(12 146)**	**11 433**
Cost of gross financial debt	413	579
Change in deferred revenues	**(1 703)**	**8 291**
Change in working capital requirement (including employee benefits)	**(5 122)**	**609**
NET CASH FLOW RELATED TO OPERATING ACTIVITES	**(18 558)**	**20 912**
Acquisitions of property, plant and equipment & intangible assets	(1 514)	(137)
Disposals of property, plant and equipment & intangible assets	0	0
Acquisitions of non-current financial assets	(35)	0
Disposals of non-current financial assets	0	0
Other cash flows related to investing activities	0	(250)
NET CASH FLOW RELATED TO INVESTING ACTIVITES	**(1 549)**	**(387)**
Capital increase	0	2
New loans and reimbursable advances	1 351	887
Repayments of loans and reimbursable advances	(394)	(305)
Other cash flows related to financing activities	0	0
NET CASH FLOW RELATED TO FINANCING ACTIVITES	**956**	**583**
	0	0
CHANGE IN NET CASH AND EQUIVALENTS	**(19 151)**	**21 107**
Opening cash	39 841	34 778
Closing cash	20 690	55 885

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

In (€) thousands	Variation 2019 / 2018
Inventories	(37)
Trade and similar receivables	359
Other receivables and advances	3 392
Pre-paid expenses / other receivables	(189)
Trade and similar payables	1 540
Other debt	57
CHANGE IN WORKING CAPITAL REQUIREMENT	**5 122**

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

In (€) thousands	06/30/2019	12/31/2018
Short-term investment securities (due in < 3 months)	7 122	7 093
Cash on hand	13 569	32 748
NET CASH AND CASH EQUIVALENTS	**20 690**	**39 841**

2

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

2.2.1 Basis of preparation

Adocia's 2019 half-year consolidated financial statements were approved by the board of directors on July 17, 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 2018 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 12, 2019.

The company supports the development of the projects licensed to Tonghua Dongbao and pursues its research and development activities while nevertheless focusing its expenses on projects and priority activities. The recovery of damages awarded under the first part of the arbitration proceeding against Lilly (11.6 million dollars plus interest) is expected after the conclusion of the second part of the arbitration procedure. Pending the cash receipt of this amount, the Company has the possibility to monetise the damages and interests already awarded under the first part of the arbitration (First Tranche Payment) and to mobilise the research tax credit which would allow the Company to finance the defined operational plan and thus to meet its financial commitments for at least the next 12 months. Therefore, the going concern assumption has been retained.

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, 2018, 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, 2019 :

Standards, standard amendments and interpretations applicable from open fiscal year at January 1, 2019

- IFRS 16 - Leases
- IFRIC 23 - Uncertainty over income tax treatments
- Amendments to IFRS 9 - Prepayment features with negative compensation
- Amendments to IAS 28 - Long-term interests in associates and joint ventures
- Annual improvements to IFRS standards (2015-2017 cycle)
- Amendments to IFRS 3 - Business combinations & IFRS 11 Partnerships
- Amendments to IAS 12 - Income taxes
- Amendments to IAS 23 - Borrowing costs

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 2019 interim financials

- None

Standards and interpretations applied by IASB but not yet applied by the European Union au June 30, 2019

- IFRS 17 – Insurance contracts
- Amendments to IFRS 3 – Definition of a business
- Amendments to IAS 1 and IAS 8 - Definition of material

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.

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, 2018. These assumptions fall of IFRS 2 (« Share-based payment ») and 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 ».

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2.3 Notes to the consolidated financial statements as of June 30, 2019

NOTE 1	Tangible assets
NOTE 2	Additional information regarding deferred taxes
NOTE 3	Receivables
NOTE 4	Other current assets
NOTE 5	Classification and fair value of financial assets
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NOTE 7	Financial debts
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NOTE 1 Tangible assets

In (€) thousands	12/31/2018	Acquisitions / Additions	Disposals / reversals	06/30/2019
Land	2 032	0	0	2 032
Land development	175	3	0	178
Building	4 276	0	0	4 276
Laboratory equipment	3 658	74	(2)	3 729
Fixtures and facilities	2 410	1 469	0	3 879
Furniture, office equipment	1 369	242	0	1 611
GROSS AMOUNT	**13 920**	**1 788**	**(2)**	**15 706**
Land	0	0	0	0
Land development	18	9	0	27
Building	550	107	0	657
Laboratory equipment	2 716	245	(7)	2 954
Fixtures and facilities	924	79	(3)	1 001
Furniture, office equipment	981	100	(2)	1 078
DEPRECIATION AND IMPAIRMENT	**5 189**	**540**	**(12)**	**5 716**
Land	2 032	0	0	2 032
Land development	157	(6)	0	151
Building	3 725	(107)	0	3 618
Laboratory equipment	942	(171)	5	776
Fixtures and facilities	1 484	1 390	3	2 876
Furniture, office equipment	386	142	2	531
NET AMOUNT	**8 727**	**1 248**	**10**	**9 985**

Net tangible fixed assets increased by 1.3 million euros between December 2018 and June 2019 reflecting the development work on 1,000 m² of the building (1.8 million euros) partially offset by the depreciation of existing assets over the period (0.5 million euros).

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, 2019 amounts to 115.5 million euros. This loss carryforward is not limited in time.

NOTE 3 Trade receivables

In (€) thousands	06/30/2019	12/31/2018
Gross amount	362	3
Impairment		
TOTAL NET VALUE	**362**	**3**

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NOTE 4 Other current assets

In (€) thousands	06/30/2018	12/31/2017
Research tax credit	9 328	6 368
Accrued income - arbitration against Eli Lilly	12 383	11 915
VAT claims	1 059	1 001
Receivables from suppliers	151	247
Pre-paid expenses	857	1 046
Carry-back	333	333
Miscellaneous	101	100
TOTAL NET VALUE	**24 212**	**21 009**

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

The first phase the arbitration proceedings initiated by Adocia against Eli Lilly outcame favorably for the Company. The Arbitration Tribunal ordered Lilly to pay the disputed milestone payment of 11.6 million dollars, or 10.3 million euros, plus interests, accrued end of June 2019 for 2.1 million euros. As of end of June 2019, Lilly owes Adocia 12.4 million euros from the first phase of the arbitration, amount which includes interest. This amount is to be paid after the closure of the second stage of arbitration.

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, 2019, the balance of Research Tax Credit receivables includes 3 million euros of tax credit generated by the research and development spendings of the first half of 2019. The amount of 6.4 million euros corresponding to the tax credit generated by the spendings of the fiscal year 2018 is also included in the balance of receivables at the end of June 2019, as the reimbursment for that part is expected on the second semester 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.

The miscellaneous item includes social security claims and other creditors.

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 - Exercice of stock-options	91	91			9
13/12/2018 - Grant of bonus shares	9 325	9 325			933
14/12/2018 - Grant of bonus shares	2 375	2 375			238
16/12/2018 - Grant of bonus shares	2 700	2 700			270
08/02/2019 - Grant of bonus shares	675	675			68
15/03/2019 - Grant of bonus shares	2 000	2 000			200
17/05/2019 - Grant of bonus shares	5 400	5 400			540

	Number of shares (*)	Ordinary shares	Preferred shares - cat. A	Preferred shares - cat. B	Nominal amount (euros)
AT JUNE 30, 2019	6 939 319	6 939 319	0	0	693 932

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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 2018 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 0.1 million euros at the end of June 2019 compared to 0.4 million euros for the first half year of 2018.

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 exercised warrants	Warrants not yet vested	Warrants not yet vested	Initial value (in € thousands)
BSPCE 2013 N°1	28 000		4 900	23 100		107
BSPCE 2013 N°2	22 400		700	21 700		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			15 000	25 000	307
SO 2017 N°1	13 000			9 750	3 250	375
SO 2017 N°2	40 000	39 909	91			375
BSPCE 2017	150 000			50 000	100 000	579
SO 2018	23 000			11 000	12 000	217
TOTAL	560 000	88 309	5 691	325 750	140 250	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	8 100	2 700
Plan 2015 Dirigeant	5 000		5 000	
Plan 2016 Dirigeant	20 000	8 000	10 000	2 000
Plan 2016 N°2	40 000	2 025	19 325	18 650
Plan 2017	9 500		2 375	7 125
Plan 2018 N°1	2 700		675	2 025
Plan 2018 N°2	19 050	1 430	4 000	13 620
Plan 2018 N°3	5 600		1 400	4 200
Plan 2018 N°4	5 600			5 600
Plan 2018 N°5	11 600			11 600
TOTAL	**240 200**	**18 215**	**154 465**	**67 520**

Movements in bonus shares are as follows :

Number of shares	1st half year 2019	FY 2018
Number os shares with ongoing vesting at the beginning of the year	75 695	62 900
Shares granted during the year	0	44 550
Shares vested during the year	8 075	20 400
Shares cancelled during the year	100	11 355
Number of shares with ongoing vesting at the end of the period	**67 520**	**75 695**

The cost of services rendered is recognized as a payroll expense over the vesting period. This expense amounted to 0.3 million euros for the first half year 2019 compared to €0.4 million d'euros for the same period in 2018.

Dividends

The company has not paid out any dividends in the first half year of 2019.

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 2019, 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, 2019, 10,510 shares have been accounted for in deduction of equity and 242 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.

During the first half year 2019, the Company obtained a 1.2 million euros loan to finance some part of the development work of 1,000 m^2 of the building, dedicated to the analysis service.

At the end of June 2019, the outstanding amount of these bank loans is 5.8 million euros, including 5.1 million euros for the long-term part.

A line of credit in dollars was contracted in December 2018 to finance some part of the legal costs related to the applications for arbitration against Eli Lilly. At June 30, 2019, this short-term debt amounts to 1.5 million dollars (1.3 million euros).

At the end of June 2019, the classification as current and non-current was as follows :

In (€) thousands	Current	Non-current	Total	Bank overdrafts
Reimbursable advances	197	306	503	0
Bank Loan	2 028	5 108	7 136	0
Other financial debts	294	156	450	0
TOTAL FINANCIAL ASSETS	**2 519**	**5 570**	**8 089**	**0**

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Details about advances granted and repaid for the first half year 2019 :

In (€) thousands	Amount	Historical cost	
VALUE AT DECEMBER 31, 2018	**496**	**520**	
Long term portion	302		
Short term portion	194		
Grant during the year			
Repayment during the year	0		
Discount on grant during the year			
Financial expenses	7		
VALUE AT JUNE 30, 2019	**503**	**520**	(*)
Long term portion	306		
Short term portion	197		

(*) in € thousands	06/30/2019	Less than 1 year	1 to 5 years	More than 5 years
Insuline advance (2012)	520	200	320	0
TOTAL	520	**200**	**320**	**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.

As the contract stipulates, in the event of a commercial failure of the program, even partial, the Company reimbursed 280,000 euros to OSEO in 2017 and 2018, corresponding to the technical acquis.

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, 2018	2 756	0	0	2 756
Additions	778	0	0	778
Reversal of used provisions				0
Reversal of unused provisions				0
VALUE AT JUNE 30, 2019	3 533	0	0	3 533

2

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 »). This provision increased, over the first half of 2019, by 0.8 million euros of which 0.6 million euros are due to the variation of the discount rate between the end of December 2018 (1.55%) and the end of June 2019 (0.77%).

Note 9 Trade payables and other current liabilities

The company's current liabilities are as follows :

In (€) thousands	06/30/2019	12/31/2018
Trade payables	**6 260**	**7 546**
Subsidiary accounts	1 886	3 657
Invoices pending	4 374	3 889
Other current liabilities	**3 588**	**5 084**
Tax and social security liabilities	2 687	2 750
Other debt	26	20
Unearned income	875	2 314
TOTAL CURRENT OPERATING LIABILITIES	9 848	12 630

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 recognization of 1.7 million euros of revenue accordingly to the development of the projects licensed to Tonghua Dongbao, that was accounted for as unearned income since the signing of the partnership with Tonghua Dongbao.
- The decrease by 1.3 million euros of subsidiary accounts reflecting the intense activity at the end of 2018 with, mainly, the Arbitration Tribunal hearings that held in December 2018 as part of the arbitration procedure launched against Eli Lilly.

Pending invoices relate to current expenses.

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Note 10 Operating profit / loss

In (€) thousands	Notes	06/30/2019 (6 months)	06/30/2018 (6 months)
Operating revenue		**4 754**	**36 105**
Revenue	11	1 710	32 801
Grants, research tax credits and others	12	3 044	3 303
Operating expenses		**(18 142)**	**(21 784)**
Purchases used in operations		(786)	(1 122)
Payroll expense	14	(6 699)	(8 327)
External expenses	13	(9 985)	(11 477)
Taxes and contributions		(123)	(234)
Dotation aux amortissements et provisions	15	(548)	(623)
PROFIT (LOSS) FROM ORDINARY OPERATING ACTIVITIES		**(13 388)**	**14 321**

Breakdown of expenses by function:

In (€) thousands	06/30/2019 (6 months)	06/30/2018 (6 months)
Research and development expenses	(12 322)	(13 134)
General and administrative expenses	(5 820)	(8 650)
OPERATING EXPENSES	**(18 142)**	**(21 784)**

Research and development costs were as follows:

In (€) thousands	06/30/2019 (6 months)	06/30/2018 (6 months)
Purchases used in operations	(786)	(1 122)
Payroll expense	(4 319)	(5 238)
Share-based payments	(283)	(215)
External expenses	(6 478)	(5 917)
Taxes and contributions	(48)	(146)
Depreciation, amortization & provisions	(407)	(496)
OPERATING EXPENSES	**(12 322)**	**(13 134)**

Note 11 Revenue

In (€) thousands	06/30/2019 (6 months)	06/30/2018 (6 months)
Research and collaborative agreements	0	0
Licencing revenues	1 710	32 801
REVENUE	**1 710**	**32 801**

The Company's revenue exclusively 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 outstanding amount of the 50 million dollars, or 41.1 million euros, not recognized as revenue at December 31, 2018, is 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. The Company's revenue, at June 30, 2019, amounts to 1.7 million euros compared to 32.8 million euros at June 30, 2019.

Note 12 Other income

In (€) thousands	06/30/2019 (6 months)	06/30/2018 (6 months)
Research tax credit	2 960	3 216
Other	84	87
OTHER INCOME	3 044	3 303

The research Tax Credit amounted to 3 million euros at June 30, 2019 compared to 3.2 million euros at June 30, 2018.

Part of the building, which is owned by Adocia, is leased to several companies. Therefore, Adocia recognized leasing revenue for 84 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 10 million euros at June 30, 2019, decreasing by 1.5 million euros compared to the same period in 2018. It is primarily explained by the less important legal services incurred for the procedures against Eli Lilly.

Note 14 Payroll expense

Payroll expense was as follows:

In (€) thousands	06/30/2019 (6 months)	06/30/2018 (6 months)
Wages and salaries	4 434	5 424
Social contributions	1 801	2 244
Share-based payment	464	658
PAYROLL EXPENSE	6 699	8 327

	06/30/2019	12/31/2018
Technicians	60	58
Management personnel	78	74
STAFF	138	132

At June 30, 2019, the company had 54 postdoctoral researchers in science, medicine or pharmacy, nearly 40% of the staff. More than 75% of employees are directly assigned to research and development activities.

Payroll expenses, share-based payments excluded, amounted to 6.2 million euros at June 30, 2019 compared to 7.7 million euros at June 30, 2018. The average workforce increased by 6%, from 124.2 full time equivalents (FTE) in 2018 to 132.1 FTE in 2019. The decrease of the payroll expenses is primarily explained by the grant of performance bonuses to employees, in June 2018, 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	06/30/2019 (6 months)	06/30/2018 (6 months)
Depreciation, amortization and provisions for fixed assets	**542**	**516**
Depreciation of property, plant and equipment	381	382
Amortization of intangible assets	13	9
Depreciation of leased assets	148	125
Depreciation, amortization and provisions for fixed assets	**6**	**107**
Provisions for current assets (additions)	6	107
DEPRECIATION, AMOTIZATION AND IMPAIRMENT	548	623

Note 16 Financial income / loss

The cost of net financial debt was as follow:

In (€) thousands	06/30/2019 (6 months)	06/30/2018 (6 months)
Cost of net financial debt	**391**	**579**
Cash and cash equivalents income	469	19
Interest on conditional advances	(78)	(84)
Other financial income and expenses	**5**	**(5)**
FINANCIAL INCOME (LOSS)	404	453

The positive financial result of 0.4 million euros at June 30, 2019 is primarily explained by the accrued interests awarded by the Arbitration Tribunal in the first phase of the Arbitration procedure initiated by Adocia against Lilly. They amount to 2.1 million euros at the end of June 2019. The positive financial result of 0.5 million euros at June 30, 2018 was 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

	06/30/2019 (6 months)	06/30/2018 (6 months)
CONSOLIDATED NET PROFIT / LOSS (in euros thousands)	(12 994)	10 639
Average number of shares	6 934 269	6 914 313
NET EARNINGS (LOSS) PER SHARE (in euros)	(1,87)	1,54
NET EARNINGS (LOSS) PER SHARE FULY DILUTED (in euros)	(1,87)	1,43

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	06/30/2019 (6 months)	06/30/2018 (6 months)
Short-term benefits	329	331
Posterior employment benefits	54	46
Other long term benefits	0	0
Termination benefits employment contract	0	0
Share-based payment	92	349
TOTAL COMPENSATION PAID TO COPORATE OFFICERS	**475**	**726**

Note 19 Off-balance sheet commitments

When obtaining the loans used to purchase the building and parking spaces and to carry out the development of the building, 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 a term deposit of 1.5 million euros as security for the line of credit provided by a bank to finance some part of the legal costs related to the applications for arbitration against Lilly.

Chapter 3

3 STATUTORY AUDITOR'S REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS 40

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

ODICEO　　　　ERNST & YOUNG et Autres

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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, 2019

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

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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Adocia

For the period from January 1 to June 30, 2019

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 of Adocia for the period from January 1 to June 30, 2019,
- 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 « 2.2.1 Basis for preparing financial statements » to the condensed half-yearly consolidated financial statements which sets out the hypothesis underlying the principle of the going concern.

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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 18, 2019

The Statutory Auditors
French original signed by

ODICEO	ERNST & YOUNG et Autres
Agnès Lamoine	Mohamed Mabrouk

Chapter 4

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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, 2019 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.

On July 18th, 2019

Gérard Soula
Chief Executive Officer

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for everyone, everywhere

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