



PRESS RELEASE

Adocia Announces its Financial Results for 2018: Higher Revenue and Reinforced Cash Position

- Cash position of approximately €40 million on December 31st, 2018 compared to €35million on December 31st, 2017
- A turnover of €47.4 million, including €37.1 million related to the partnership signed with the Chinese company Tonghua Dongbao and €10.3 million following the judgment rendered in favor of Adocia in the first phase of the arbitration against Eli Lilly & Co

Lyon, France, March 12th, 2019 - 6:00 pm CET - ADOCIA (Euronext Paris: FR0011184241 – ADOC – the “Company”) announced today its financial results for 2018. The financial statements have been approved by the board of directors on March 11th, 2019 and will be submitted to the shareholders for approval at the next general shareholder’s meeting on May 16th, 2019.

“In 2018, we are very happy to have concluded a strategic alliance with Chinese insulin leader Tonghua Dongbao. This alliance’s objective is, on the one hand, to commercialize our leading assets BioChaperone Lispro and BioChaperone Combo in China, with milestone payments totaling up to \$135 million and on the other hand, to supply Adocia with insulin lispro and glargine for global commercialization of our two products. Our companies are actively preparing the launch of clinical trials in China and Adocia is working towards a BioChaperone Lispro bridging study in Europe”, commented Gérard Soula, President and CEO of Adocia. “We’re also very satisfied with the promising results obtained by our Pramlintide Insulin combination in its first clinical trial and we plan to initiate a second, multi-week repeated administration trial, during the second quarter. Finally, it is important to note that the Arbitration Tribunal ruled in favor of Adocia regarding the first phase of the arbitration proceeding against Eli Lilly, awarding us \$11.6 million plus interests. We are expecting the ruling for the second phase of the arbitration in Q3 2019.”

Financial Highlights

The following table summarizes the financial statements under IFRS for the years ended December 31st, 2017 and December 31st, 2018:

<i>In (€) thousands</i>	FY 2018 (12 months)	FY 2017 (12 months)
Revenue	47 389	19 469
Grants, Research tax credit and others	6 541	7 708
Operating revenue	53 930	27 177
Research and development expenses	(25 760)	(27 074)
General and administrative expenses	(18 463)	(8 284)
Operating expenses	(44 223)	(35 358)
OPERATING INCOME (LOSS)	9 707	(8 180)
FINANCIAL INCOME (LOSS)	2 051	(335)
Tax	(4 144)	(35)
NET INCOME (LOSS)	7 615	(8 550)

The consolidated financial statements on December 31st, 2018 as well as detailed explanations on the evolution of accounts are presented in the Appendix.

Key results of the Company for 2018 are:

- **A net gain of €7.6 million in 2018**, compared to a net loss of €8.6 million in 2017, mainly constituted of:
 - Revenue of €47.4 million in 2018 (compared to €19.5 million in 2017) which is for €37.1 million the result of the licenses agreements signed with Tonghua Dongbao Pharmaceuticals Co. Ltd (THDB) at the end of April 2018;
Licensing revenues also include \$11.6 million (€10.3 million) as a milestone payment initially contested by Eli Lilly & co ("Lilly"), for which Adocia obtained a favorable judgement in August 2018. The payment is expected in 2019;
 - Other operating income of €6.5million, come mainly from the research tax credit (CIR) generated on 2018 expenses;
 - €44.2 million operating expenses, an €8.9 million increase compared to 2017. If we exclude the expenses related to the legal proceedings, which impacted 2017 and, more significantly, 2018, other operating expenses were stable compared to 2017;
 - A fiscal tax profit (by French standards) resulted in a reduced rate tax of €4.1million. This tax has no impact on the cash as the Company will use the withholding tax paid in China when receiving the initial payment from THDB to clear that tax payment.
- **A cash position of €39.8 million**, impacted by the payment of €37.2 million by THDB and up €5 million compared to December 31st, 2017 position.
 - Over the full year 2018, the net amount of cash needed to finance operations amounted to €32 million. If we exclude the expenses related to the legal proceedings, cash flow amounted to €23.1 million compared to €21.1 million over the same period in 2017.
 - The cash position by the end of December 2018 does not include the payment due by Lilly following the favorable ruling received by Adocia in the first phase of the arbitration. The payment of \$11.6 million (or €10.3 million) as well as the interests accrued of €1.6 million, is expected in 2019, after the conclusion of the second phase of the arbitration.

- Financial debts at the end of December 2018 totaled €7.1 million (compared to €7.6 million by the end of 2017) and consisted essentially of the loan contracted in 2016 to finance the acquisition of the building in which the headquarters and the research center of the Company are located.

“The cash position at the end of 2018 increased by €5 million compared to the previous year thanks to the initial upfront payment of \$50 million received from Tonghua Dongbao », said Valérie Danaguezian, Chief Financial Officer of Adocia. “ In 2018, the ongoing two phases of the arbitration procedure against Eli Lilly had an exceptional impact on our general and administrative expenses. At the end of December 2018, with a cash position close to €40 million, the Company has greater financial visibility and has the means to continue its development plan.”

Key events in 2018 and perspectives for 2019:

2018 was marked by the signature of a strategic alliance with the company Tonghua Dongbao Pharmaceuticals Co. Ltd (« THDB »), Chinese leader of the production and commercialization of insulin. In April 2018, Adocia and THDB announced the signature of two licenses to develop and commercialize BioChaperone® Lispro and BioChaperone® Combo in China and other Asian and Middle-East territories. 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 certain other covered territories. Adocia received a total upfront payment of \$50 million and is entitled to receive development milestone payments up to \$85 million, as well as double-digit royalties on the sale of both products in the territories. Since the signature, the two companies actively worked on technology transfer to enable the manufacturing of the two products. THDB envisaged in 2019 to start a Phase 3 for BioChaperone Lispro in 2019 and a first clinical study for BioChaperone Combo at the end of 2019.

In June 2018, the partnership with THDB, was reinforced by two global supply agreements for insulin lispro and insulin glargine. Under the terms of the Supply Agreements, THDB will manufacture and supply insulin lispro and insulin glargine (APIs) to Adocia worldwide, excluding China. These agreements offer Adocia the opportunity to further develop the BioChaperone Lispro and BioChaperone Combo projects and open additional collaboration opportunities. Adocia is preparing a « bridging » clinical study to qualify the insulin lispro from THDB as a source equivalent to Lilly’s insulin lispro. This study should be the only one required by regulatory agencies to enable BioChaperone Lispro to enter in phase 3.

From a clinical perspective, in 2018 Adocia initiated a first-in-human clinical trial of BioChaperone® Pramlintide Insulin (BC Pram Ins). This trial in people with type 1 diabetes, which positive topline results were announced in September 2018, showed a significant 97% decrease in blood glucose excursion over the first two hours after the meal with BC Pram Ins compared to Humalog®. The product was well tolerated. Adocia plans to initiate a second, repeated administration trial in Q2 2019.

The development of our varied portfolio products to date revealed unique properties of the BioChaperone technology, which notably enables to significantly improve single agents and to combine multiple therapeutic proteins. In order to expand the use of this technology, Adocia announced early in 2018 that BioChaperone® would now be deployed in a selected range of injectable therapeutics across numerous therapeutic areas. Initial programs added to the portfolio include a ready-to-inject version of teduglutide for the treatment of short bowel syndrome and a fixed dose combination of glucagon and exenatide for the treatment of obesity, both in preclinical stage.

Lastly, regarding legal proceedings, the first phase of the arbitration procedure initiated by Adocia against Lilly concluded in favor of Adocia. 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 billion, remain pending, with a decision of the court expected in the course of 2019.

Finally, 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. We do not expect the matter to be resolved during this fiscal year.

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 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



For more information please contact:

Adocia Gérard Soula Chairman and CEO contactinvestisseurs@adocia.com Ph.: +33 4 72 610 610	Adocia Press Relations Europe MC Services AG Raimund Gabriel adocia@mc-services.eu Ph.: +49 89 210 228 0	Adocia Investor Relations USA The Ruth Group Tram Bui tbui@theruthgroup.com Ph.: +1 646 536 7035
--	---	---

Disclaimer

This press release contains certain forward-looking statements concerning Adocia and its business. Such forward-looking statements are based on assumptions that Adocia considers to be reasonable. However, there can be no assurance that the estimates contained in such forward-looking statements will be verified, which estimates are subject to numerous risks including the risks set forth in the "Risk Factors" section of the Reference Document filed with the French Autorité des marchés financiers on April 19, 2018 (a copy of which is available at www.adocia.com) and to the development of economic conditions, financial markets and the markets in which Adocia operates. The forward-looking statements contained in this press release are also subject to risks not yet known to Adocia or not currently considered material by Adocia. The occurrence of all or part of such risks could cause actual results, financial conditions, performance or achievements of Adocia to be materially different from such forward-looking statements.

This press release and the information contained herein do not constitute an offer to sell or the solicitation of an offer to buy Adocia shares in any jurisdiction.

APPENDIX: Full year results for the year ended December 31st, 2018 – IFRS Rules

The following table below summarizes the Company's income statement under IFRS for the fiscal year ended December 31st, 2018 and provides a comparison with fiscal year 2017.

<i>In (€) thousands</i>	FY 2018 (12 months)	FY 2017 (12 months)
Revenue (a)	47 389	19 469
Research and collaborative agreements		650
Licencing revenues	47 389	18 819
Other revenue (b)	6 541	7 708
Research tax credit	6 368	7 535
Grants, public financing, others	173	173
Operating revenue (a) + (b)	53 930	27 177
Research and development expenses	(25 760)	(27 074)
General and administrative expenses	(18 463)	(8 284)
Operating expenses	(44 223)	(35 358)
OPERATING INCOME (LOSS)	9 707	(8 180)
FINANCIAL INCOME (LOSS)	2 051	(335)
Tax	(4 144)	(35)
NET INCOME (LOSS)	7 615	(8 550)
Base earning per share (€)	1,1	(1,2)
Diluted earning per share (€)	1,0	(1,2)
GROUP NET PROFIT (LOSS)	7 615	(8 550)

Operating income

The Company's operating income resulted from collaboration and licensing agreements and public funding of research costs. In 2018, operating income amounted €53.9 million compared to €27.2 million in 2017 based on the following breakdown:

<i>In (€) thousands</i>	FY 2018 (12 months)	FY 2017 (12 months)
Revenue (a)	47 389	19 469
Research and collaborative agreements		650
Licencing revenues	47 389	18 819
Grants, public financing, others (b)	6 541	7 708
OPERATING REVENUE (a) + (b)	53 930	27 177

Revenue of €47.4 million in 2018 resulted up to €37.1 million from the partnership and licensing agreement signed with Tonghua Dongbao Pharmaceuticals Co. Ltd (THDB) in April 2018. The non-refundable upfront payment provided for in the contract in the amount of 50 million dollars, or 41.1 million euros, is partially recognized as revenue (i.e. €37.1 million) in 2018. It reflects the rights thus granted to THDB to develop,

manufacture, and commercialize BioChaperone® Lispro and BioChaperone® Combo in China and other territories in Asia and the Middle-East. 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.

By the end of December 2018, licensing revenues also included an amount of \$11.6 million (€10.3 million) corresponding to a contractual milestone payment contested by Lilly, for which Adocia obtained a favorable arbitration judgement in August 2018. The payment is expected to be received in 2019.

Last year, revenue for 2017 was impacted by the end of the collaboration with Lilly which resulted in the recognition of the not-yet-amortized balance of the \$50 million upfront payment received in 2014 (no cash impact as payment had been received upon contract signature in December 2014).

Other operating income includes the research tax credit in the amount of €6.4 million at December 31st, 2018 compared to €7.5 million at December 31st, 2017. This decrease by €1.1 million is in line with the reduced amount of research and development expenses recorded this year.

Operating expenses

The table below shows a breakdown of operating expenses by function for the fiscal years ended December 31st, 2017 and December 31st, 2018:

<i>In (€) thousands</i>	FY 2018 (12 months)	FY 2017 (12 months)
Research and development expenses	(25 760)	(27 074)
General and administrative expenses	(18 463)	(8 284)
OPERATING EXPENSES	(44 223)	(35 358)

Research and development expenses mainly include payroll costs of research and development employees, subcontracting costs (including preclinical studies and clinical trials), intellectual property costs and purchases of materials (reagents and other consumables), pharmaceutical products and other raw materials. In 2017, these expenses amounted to €25.8 million compared to €27.1 million in 2017.

The activities carried out during the 2018 financial year focused mainly on the preparation of clinical studies and support for the Company's Chinese partner for the development of the two products licensed in April 2018. In 2017, research and development, and more specifically clinical expenses were impacted by the costs of three clinical studies.

General and administrative expenses mainly include payroll costs of non-research and development employees, as well as the cost of services related to the management and business development of the Company and its subsidiary in the United States. They also include fees and expenses related to arbitration procedure launched against Lilly.

These general costs amounted to €18.5 million in 2018 compared to €8.3 million in 2017. This increase of €10.2 million is mainly due, for an amount of €8.3 million, to the legal expenses related to the current litigation proceedings and, for an amount of €1.5 million, to the increase in staff expenses, notably following the

payment of performance bonuses to employees, as a result of the signature of the partnership with THDB. As a reminder, in 2017 salaries and bonuses were frozen due to the termination of the contract with Lilly.

R&D expenses restated for the costs related to the arbitration proceedings against Lilly, represented in 2018, 76.4% of the operating expenses compared to 81% in 2017.

The table below shows a breakdown of operating expenses by type of expense for the fiscal years ended December 31st, 2017 and December 31st, 2018:

<i>In (€) thousands</i>	FY 2018 (12 months)	FY 2017 (12 months)
Purchases used in operations	(2 188)	(1 740)
Payroll expense	(13 327)	(10 843)
Share-based payments	(1 574)	(2 525)
External expenses	(25 537)	(19 019)
Taxes and contributions	(553)	(217)
Depreciation, amortization & provisions	(1 044)	(1 013)
OPERATING EXPENSES	(44 223)	(35 358)

The cost of materials, products and supplies consumed increased in 2018 compared to 2017 up to €2.2 million, as a result of additional purchase of the raw materials needed for the manufacturing of clinical batches. This increase of €0.5 million is mostly due to the increase in raw material purchase necessary to manufacture clinical batches.

Payroll expenses totaled €13.3 million in 2018 compared to €10.8 million in 2017. Given the recruitments conducted last year, the average workforce rose from 126.1 full-time equivalents (FTE) in 2017 to 129.4 FTE in 2018, an increase of nearly 3%. The €2.5 million increase in personnel expenses mainly reflects the payment of performance bonuses to employees, as a result of the signature of the partnership with THDB.

The share-based payments item of €1.6 million in 2018 mainly includes the impact of the plans implemented in previous years. The €0.9million decrease in this item is related to the vesting of several share-based plans in 2018. In accordance with IFRS 2, these expenses correspond to the fair value of the equity instruments granted to managers and employees. These elements had no impact on the Company's corporate financial statements or cash position.

External charges mainly included the costs of preclinical studies, clinical trials, subcontracting expenses, intellectual property costs, professional fees and administrative expenses. These expenses amounted to €25.5 million and increased by € 6.5 million in 2017. This is mainly due to the intensification of the legal fees incurred for the procedures against Lilly. Restated of these fees, external charges amounted to €15 million in 2018, versus €16.8 million in 2017.

Taxes totaled €0.6 million in 2018, versus €0.2 million in 2017.

Depreciation and amortization remained stable over both years totaling more than €1 million.

Net financial income/expense

The net financial result was a profit of €2.1 million in 2018, compared to a loss of €0.3 million in the previous year. This is explained by the recognition of the accrued interest of €1.6 million calculated on the contractual milestone payment of \$11.6 million, which cash payment is expected in 2019 after the second phase of the arbitration procedure against Lilly is concluded.

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

Corporation tax

The 2018 tax amount recorded in the consolidated income statement for €4.1 million refers to the corporate income tax calculated on the fiscal benefit subject to a reduced tax rate of 15%. This tax will be paid in full by charging the withholding tax paid in China on the initial upfront payment.

The amount of carryforward tax losses, after allocation of the fiscal deficit subject to the standard tax rate for the 2018 financial year, was €115.5 million. This carryforward loss is not limited in time. Since the company cannot determine with sufficient reliability when it will be able to absorb its accumulated tax loss, it did not recognize a deferred tax asset for this loss.

Net profit/loss

The net profit for 2018 totaled €7.6 million compared to a loss of €8.6 million in 2017. The net profit per share for 2018 amounts to €1.10, compared to a net loss of €1.25 per share in 2017.

Balance sheet analysis

Non-current assets

Between 2017 and 2018, non-current assets have remained stable at €9.1 million. The investments in 2018 for €0.8 million are mainly due to the ongoing renovation works of the two 450 m² floors by December 31st, 2018 destined to the analytical department (for an amount of €0.4 million), as well as the purchase of scientific and computer hardware material (for €0.3 million). These cumulative investments, added to the increase of the valuation of the liquidity agreement in the financial assets for €0.25 million, are compensated by the depreciation of the year, which amounts to €1 million.

Current assets

Current assets amounted to €61 million at December 31st, 2018 compared to €44.7 million at December 31st, 2017. They consisted of the following items:

"Cash and cash equivalents" increased from €34.8 million at December 31st, 2017 to €39.8 million at December 31st, 2018. The €5 million increase on the year reflects the initial upfront payment of THDB for €37.2 million (\$ 45 million) net of Chinese withholding taxes, as well as a level of expenditure similar to that of last year, after restating expenses related to the legal proceedings against Lilly.

« Other current assets » amounted to €9.8 million at December 31st, 2017 and consisted mainly of the receivable related to the research tax credit (CIR) of €7.5 million. At December 31st, 2018, this item amounted to €21 million. The €11.2 million increase is mainly due to the favorable outcome of the first phase the arbitration proceedings initiated by Adocia against Lilly. The Arbitral Tribunal ordered Lilly to pay the disputed milestone payment of \$11.6 million, or €10.3 million, plus interests (accrued end of December for

\$1.6 million). The payment of this total receivable of €11.9 million at the end of December 2018 is expected in 2019. The research tax credit amounts to €6.4 million at the end of 2018.

Current and non-current liabilities

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

- "Trade payables" under current liabilities in the amount of €7.5 million compared to €4.9 million at end-December 2017, which reflect the intense activity at the end of the year 2018 and the lawyers' fees incurred in connection with the proceedings against Lilly.
- "Financial debt" totaling €7.1 million at end-December 2018, decreasing by €0.5 million compared to the previous year. This decrease related mainly to the repayment of the loans taken out to finance the building. The short-term portion, shown under "Current financial liabilities", totaled €2.2 million at end-December 2018 compared to €1.8 million a year earlier.
- "Long-term provisions" mainly comprise provisions for retirement benefits, which totaled €2.8 million for fiscal year 2018 versus €2.2 million for fiscal year 2017.
- The "other liabilities" item for 2018 mainly includes tax and social security liabilities which amounted to €2.7 million, an increase by €0.6 million from the previous year given the increase of the accrual for paid vacation and the value-added contribution (CVAE) tax. In 2018, other liabilities also included €4 million in deferred revenue related to the agreement signed with THDB in 2018.

Cash and financing

Debt financing

In the past, in order to finance its research activities, the Company benefited from repayable loans obtained from Bpifrance and COFACE, which do not bear interests, for a total amount of €4.1 million. As of December 2018, the outstanding amount of these loans was €0.5 million.

In addition, the Company uses other financial liabilities to finance the acquisition of labs equipment and material. Future obligations under these leasing contracts amounted to €0.4 million as of December 31, 2018.

In 2016, the Company contracted a bank loan to finance the purchase of the building that it has occupied since its creation as well as adjoining parking. At the end of 2018, the outstanding capital amounted to €4.9 million.

Finally, in 2017 the Company funded part of the legal costs incurred in the arbitration against Lilly. This financing, obtained from two banks, took the form of two lines of credit, each in an amount of \$1.5 million each. At December 31, 2018, one of the two cash lines was renewed and Adocia's financial debts were impacted by €1.3 million (\$1.5 million).

As of December 31st, 2018, Adocia's financial debt is €7.1 million, with a short term (less than a year) portion of €2.2 million.

Cash flows

<i>In (€) thousands, Consolidated financial statements, IAS/IFRS</i>	FY 2018 (12 months)	FY 2017 (12 months)
Net cash flow generated by operating activities	6 313	(22 227)
Net cash flow in connection with investment transactions	(1 034)	(1 685)
Net cash flow in connection with financing transactions	(216)	653
Changes in net cash	5 063	(23 259)
Cash and cash equivalents at the start of the year	34 778	58 037
Cash and cash equivalents at year-end	39 841	34 778

Net cash flow from operations

For fiscal year 2018, net cash inflows related to operations amounted to €6.3 million compared to a net cash outflow of €22.2 million in the previous year.

Net cash flow includes the cash proceeds from THDB's initial payment of €37.2 million (or \$45 million), net of Chinese withholding tax.

Net cash flow from investments

Cash consumption related to investment transactions was €1 million, compared to €1.7 million in the previous year.

In 2018, the Company acquired equipment and made some renovation for an amount of €0.8 million. It also increased by €0.25 million the resources made available under the liquidity contract entrusted to Kepler Cheuvreux.

Net cash flow from financing transactions

In 2018, net cash flow from financing transactions resulted primarily from the repayment of the two lines of credit obtained in 2017 to finance the legal costs incurred for legal proceedings against Lilly, as well as the renewal in December 2018 of one of its two lines. At the same time, the Company continued to repay its mortgages as well as its conditioned advances, according to the planned deadlines.