Transcript of the audioconference, June 4, 2018 - 7.30pm CEST

MedinCell participants

Christophe Douat, *CEO*

Jaime Arango, *CFO*

Nicolas Heuzé, *Director of Corporate Development*

Joël Richard, *Head of Technical & Pharmaceutical Operations*

Anh Nguyen, *Chairman*

Introduction

Good evening everyone,

I am Helen, from MedinCell. This conference call is dedicated to the results for the financial year that ended on March 31, 2019. Before we start. On our investor website, you can find the press release that was published as soon as the market closed today. Our annual financial report will be available soon. Over the next few days, you will also find a recording and the transcript of today's conferences, one in French and one in English. There will be two parts to our meeting today. In the first half, the executive management team will present the highlights of the year. Then the second half will be dedicated to answering to your questions. You can post your questions from now in the chat section on the right-hand side of your screen. As our meeting is limited to 45 minutes, questions will be prioritized depending on how many 'likes' they receive. Otherwise, questions will be answered in the order they're received. As our audience will have a varying knowledge of our activity, we will try to make it understandable for everybody. One last thing, I'd like to remind you that our general meeting will now be held on September, 5 in Montpellier. I will now hand over to Christophe Douat, our CEO, who is speaking from the US alongside Nicolas Heuzé, our Director of Corporate Development & Corporate Finance and Joël Richard, our Director of Technical and Pharmaceutical Operations. And dialing in from our headquarter in Jacou will be Jaime Arango, our Chief Financial Officer.

Over to you Christophe.

Christophe Douat

Thank you Helen. Good evening everyone. Before getting started, I would like to thank everyone for connecting today. Our first audioconference in December was a great success, with more than 100 participants who asked some very important questions. It's a pleasure for us to have you all here today, including the new and prospective shareholders who are joining us for the first time. As always, we want our relationship with you, the MedinCell shareholders, to be based on trust, directness and transparency. This is the mindset with which we have approached today's event and with which we will answer your questions. We always begin our shareholder meetings by restating our vision and our values. Our vision is twofold, firstly, MedinCell is a humanist pharma that aims to achieve financial success through the wide-scale adoption of its treatments, throughout the world. Secondly, it is also a company in which employees are actively incentivized as shareholders. All 130 employees are aligned with your interests since they are active shareholders in the company and equally motivated to succeed. MedinCell has strong values including the power of the group, adaptability and innovation. Other values that are of major importance to shareholder relation include transparency, directness, trust and of course, having fun.

So, here are the main highlights for the financial year that ended on March 31, 2019. I would like to start by saying that our portfolio development went as planned, and we achieved all the anticipated product milestones for this period. Our programs are moving forward, notably the most advanced ones in preclinical and clinical. I will talk more about these later. Our programs in formulation research are also moving forward.

Let's go deeper into our portfolio. Our partner Teva is incorporating our technology into several long-acting treatments for disorders of Central Nervous System. The most advanced program, mdc-IRM *[editor's note: code name is TV46000 for Teva]*, has been in clinical phase 3 in the US since June 2018. There is no significant update from Teva and so we expect there are no significant changes and Teva is running the program as designed. You will see on clinicaltrial.gov that the primary completion date remains the same. As we hear more, we will share it with you. This phase 3 study is a key milestone for MedinCell because it's the last step before applying for marketing approval. It's also a major step in terms of the validation of both our technology and our know-how. A second product developed with Teva called mdc-TJK entered the preclinical phase last year. Like all the programs in our portfolio, these 2 products developed with Teva use already marketed molecules with better risky development profiles as compared to the development of new molecules. For example, mdc-IRM was exempted from phase 2 clinical trials. As a reminder, with this deal, Teva compensates MedinCell with milestone payments and royalties on future sales.

Now to our programs targeting pain management. These also moved forward this year. The potential impact of these programs is very important both for patients and for society. The patient receives personal pain relief while our opioid-free products could offer some solution to the deadly opioid crisis in North America. The most advanced of these programs, mdc-CWM, is intended for the treatment of post-op orthopedic pain and inflammation. It involves injecting a depot directly into the joint at the time of knee surgery, to reduce pain and inflammation. We are developing this product in partnership with AIC, a company created by Canadian orthopedic surgeons. AIC finances the development while profit will be shared 50/50 with MedinCell. This program has been in clinical phase 2 since May 2018. Last April, AIC decided to cap the recruitment for their study at 20 patients, out of 50 allowed by the FDA, it should be sufficient for the study. These 20 patients are already enrolled, and interim results will be available this summer once they have all completed their 3-month follow-up visit. Our partner will then meet with the FDA to validate the next clinical development phase. As the study is still active and the results are not yet available, we have no more elements to report at this stage. We will communicate as planned this summer as soon as the results are available. A second program intended for opioid-free post-op pain management entered the preclinical development phase following in vivo validation in March. We are developing this program, mdc-CMV, with the input of professor Xavier Capdevila, president of the French Society of Anesthesia. This is an important product for MedinCell for two reasons. Firstly, because it's our most advanced internal program to date. The internal feature means that we fully own the rights. Secondly, this program could be the first product combining short-term surgical anesthesia and longer term, 3 days, analgesia after a single injection. The potential benefits of these products include significant reduction in the risk of chronic post-operative pain, reduction or elimination of opioid use and reduced hospitalization time.

We plan to start clinical trials in 2020. Finally, our third product for chronic pain management, mdc-NVA, is in the formulation research phase.

Other highlights in the past year, regarding our portfolio, include the progress of our mdc-WWM program which aims to develop an affordable 6-month injectable contraceptive. The Bill & Melinda Gates Foundation supports this program and they recently contributed another $ 1.5 million for the second part of their grant, following our promising in vivo results.

A few words now about our other programs in the formulation research phase, the first step in the development of a product. During the second half of the year we decided to stop our program mdc-ELK, which was in formulation research phase. Keep in mind that our strategy is to be proactive in stopping any project as soon as possible, if the risk of failure becomes too high. Our goal is to ensure the highest likelihood of success for products entering preclinical. All the other programs made good progress, especially mdc-GRT, which uses an API intended for patients receiving organ transplants. We aim to start the preclinical phase for this anti-rejection drug in 2020. During the past year we also started a new program in urology, mdc-DOM, with an undisclosed API.

These were the highlights for our program portfolio. To summarize, we currently have 2 products in the clinical phase, 2 in preclinical and 5 in formulation research for a total of 9 programs; 5 with partners, 4 internal.

On the financial side, we have successfully completed several major fundraising projects in the past year, and these have allowed us to benefit from unprecedented financial resources. Our CFO, Jaime Arango, will provide more details in a few minutes.

Before handing over to Jaime, I'd like to give you a short overview of the upcoming year, one that should be very exciting for MedinCell. Firstly, we are expecting some important results from our ongoing studies in the US. These include results from Phase 2 mdc-CWM which will be available by the end of the summer as well as results from phase 3 mdc-IRM, our most advanced program. Secondly, at least one program will move to preclinical and one to clinical in 2020. Thirdly, we anticipate the addition of new programs in the formulation phase. These could be internal programs, or programs launched with the support of new partners. MedinCell's recent IPO, along with having our technology now in phase 3 studies, has increased both our visibility and credibility. This brings more development opportunities with new potential partners. Finally, MedinCell's know-how and technology allow us to consider applications in the field of animal health, which offers strong commercial and financial potential. MedinCell has taken the initiative to move in this direction without impacting its core activities in human health or its financial resources. As you can see, many positive things should be coming, and it is great for us all to be part of this exciting journey.

Jaime your turn.

Jaime Arango

Thank you, Christophe. Hello everyone, I'm delighted to be here with you today. I'm going to present to you the financial highlights of our fiscal year ending on March 31 2019. As Christophe just said, this year we have successfully completed several major fundraising projects, that allowed us to reinforce our cash visibility.

At the end of March, we had a strong cash balance. € 21.3 million in cash & cash equivalent and € 0.7 million in current non-risky financial assets. In addition, there are also € 3.9 million in non-current financial assets. This position is also reinforced with the potential € 12.5 million available from the loan from the European Investment Bank. So that gives a total potential of € 38.5 million. To achieve this, we completed the following financing activities during the year. First, we issued a new set of € 3.2 million convertible bonds which were subscribed by major French institutions. As a reminder, we had previously issued € 4 million of these bonds. Second, we signed a loan of € 20 million with the European Investment Bank in March 2018. We received an initial drawdown of € 7.5 million back in June and MedinCell can now ask for the payment of the 2nd tranche of € 7.5 million, since some milestones have already been met. Third, we successfully completed the IPO in October 2018 with € 31.4 million in gross proceeds. The IPO was backed by the company's financial investors, CM-CIC Innovation, Seventure Partners, BNP Paribas Developpement. In the IPO we also had Teva participating, and international funds, some specialized in life science and others in socially responsible investments. The net proceeds of the IPO were € 28.6 million, with costs of € 2.8 million. The proceeds were also reduced by € 6.0 million corresponding to TEVA's repayment debt, as announced at that time.

Regarding our income statement, our revenue reached € 4 million this year versus € 8.3 million the previous year. This revenue is composed of services of formulation research that we render to our partners and the Research Tax Credit that we can benefit in France. Services revenue was of € 1.4 million or -56%. The variance in revenue compared to the previous year reflects, paradoxically, the progress made by products conducted with Teva. As our partner takes over the preclinical and clinical development activities once we complete the formulation phase for them, the services that we render and the level of payments we receive are therefore reduced. Revenue earned from our collaboration with the Bill & Melinda Gates Foundation partially offset this service revenue decline. In addition, this year there were no revenues related to milestones for partnership programs. Milestones for mdc-IRM and mdc-TJK were received during the previous exercise. Our revenue will therefore vary significantly from one year to another due to the product development cycle and depending on the contractual conditions of our partnerships. Looking ahead, the first revenues coming from product sales, should be the royalties generated by the initial commercialization of products using our technology. The Research Tax credit increased significantly by 40% to € 2.6 million, thanks to the investments we did in R&D.

Now, let's have a look at our operating expenses, which reached € 19.6 million this year, an increase of 29%, driven by R&D. These R&D expenses reached € 11.9 million, an increase of 35%, which reflects perfectly the company's strategy of moving forward the products in its portfolio. This increase allowed us to expand in 2 main areas. First, we were able to strengthen the scientific teams, especially the one that evaluates and validates the compatibility of molecules with our technology and help create the products that we plan to develop with the aim to increase the chances of success of each program, very early in the process. And second, we were also able to engage materials and also services, such as CRO contracts, which are strictly necessary to move forward the products in our pipeline. Regarding Business Development & Marketing expenses, they increased by 42% to reach € 2.7 million. We strengthened the Strategic Marketing and Market Access teams. Their role is to identify possible controlled release treatments that we could develop and assess both the medical need and their commercial potential. In addition, G&A expenses reached € 4.9 million, an increase of 15% to support the company's operations. This increase was driven by the financing operations undertaken this past year. Also, part of the increase was dedicated to training the teams, an important part of MedinCell's development strategy.

Our financial expenses were € 4.2 million. The Company's IPO generated exceptional financial expenses of € 2.2 million, which include the fair value of the convertible bonds, and the partial repayment of the Teva debt due to Teva's participation in the IPO. *[editor's note: it's in fact the partial repayment premium of Teva's debt due to their participation in MedinCell's IPO].* The remaining financial expenses of € 2 million corresponds to the charges related to the existing debt.

Our gross debt decreased to € 27 million against € 31 million the year before. Following our financing operations, the net debt is now € 1.1 million, compared to € 17.5 million. Very important, 71% of the current debt is repayable after April 1st, 2023. We anticipate that by that time we should be receiving royalty revenue deriving from sales of the first products using our technology. Overall, MedinCell enjoys a robust financial situation at this time.

Now Christophe back to you.

Christophe Douat

Thank you Jaime. It is time now to answer the questions from all the participants and I will start with the first one.

David do we have any questions?

David Heuzé

No, I sent you a message 20 seconds ago telling you that we don't received any question in English but as I said we had a lot of questions in French. They will be translated in the English transcript of this meeting so everybody will access the questions we had in the previous session.

Christophe Douat

Thanks a lot David. Before leaving, I will hand over to Anh Nguyen, our Chairman and co-founder of the company. Anh has taken the initiative to create an independent shareholders club with a particular purpose that he wants to present to us today.

Anh Nguyen

Good morning. We created MedinCell with the vision for a humanist pharma based on a strong company model, where all the employees are shareholders. We have ensured that each employee, in addition to his compensation, can easily become a shareholder with the rights associated. MedinCell is also based on strong company values such as the power of the group, transparency and directness from which results trust. Our vision and values are the foundation of our success. As the company is growing and we are constantly welcoming new shareholders, it is our duty to maintain and preserve them but also to ensure cohesion between shareholders. So, I have taken the initiative to create this club for shareholders, independent from the Company. This club will make recommendations so that the Company stays focused on its mission, preserves its values, and continuously improves its interactions with its shareholders.

Our objective is to take advantage of the summer to build this club and meet for the first time on the same day as our General Assembly on September 5th. Thank you.

Christophe Douat

Thank you, Anh. Once again, I would like to thank all the participants for joining US. Have a good evening or afternoon, for those of you who are also in the US, and we look forward to talking to you again soon. Bye bye.

Questions and Answers from the French audioconference

Eric Le Berrigaud (Bryan Garnier & Co)

Good evening, Eric Le Berrigaud, do you hear me? I had three questions, if you might, about things that I think are a bit new compared to the latest communications. The first is your thoughts about the size of phase 2a in progress with the project with AIC, and I would like you to rephrase exactly, I'm not sure I understood why the partner considered that he could limit to 20 of the 50 patients allowed, without jeopardizing the significance of the results but without accelerating the availability of the data. That is to say, theoretically, if the rational to do it was not that it was difficult to recruit, we could imagine that with 20 patients instead of 50 the data would be available earlier. So can you come back on that point. To make sure that nothing goes wrong on this program. The second thing is to have your comment on two things that happened in pain. To know a little bit your feelings about the annual publications on long acting products in schizo, with what happened with Perseris™, is it inspiring for you? Beyond the specific difficulties of the company, what to put in place to launch a product of this type? And perhaps more specifically about Heron Therapeutics who has taken a CRL *[editor's note: Complete Response Letter de la FDA]* recently and what it makes you think in terms of strategy. Going alone, or with a partner, we always want to keep 100% of the value when we are a small company, but that means taking a risk submitting an unperfect file to the authorities. So how do you perceive this element? The last thing, financially much shorter, would you give a forecast of your operating expenses, or approximate cash burn for the exercise 19/20 that has just started?

Christophe Douat

Great. I will start with the AIC program. Actually, it's public, we can see on the site clinicaltrials.gov, the clinical trial was not stopped but the management decided to cap the recruitment to 20 patients. As the management says there is no reason for concern, and we expect the results on these 20 patients during the summer. On the second point, for those who do not know it...

Eric Le Berrigaud (Bryan Garnier & Co)

Excuse me, but are you solicited on question like this? Is it in partnership that the decision is made or not?

Christophe Douat

In this case it is our partner who makes the decision, who is in charge of the clinical trial directly.

On point number 2, Perseris™. So for our shareholders who do not know it, Perseris™ is a long-acting product, one month, subcutaneous in schizophrenia which has received its approval but which today has significant disadvantages: a shorter duration, not ready for use, and it must be reconstituted by fifty movements and also a large dose to inject with a very thick needle. So it's actually a product that is in the radar and is being monitored. Now on the business strategy of our partner Teva we can not comment. Obviously for strategic reasons. On the third product, Heron, I remind you that the product of Heron is a product very different from what we do with mdc-CMV. Heron is a product that improves a little bit Exparel® of Pacira by extending the duration of analgesia to 3, 4 days. The product we make at MedinCell is a very disruptive products since it will provide both anesthesia and analgesia. Heron do only part of the analgesia, so on pain control. On the partnership strategy, this is a very good question that we ask ourselves

regularly. The strategy will depend on the products. Some products will require in the future, since they will have a very broad base of prescription, as in schizophrenia or in contraception, partners for the commercialization and thus also for the development. Some other products that we have in our portfolio, including our hospital products or at least hospital prescription like the one we do with our partner AIC in orthopedics, the one just mentioned that provides anesthesia and analgesia, the one who is in Neuropathic pain as well as the one in organ transplantation are in different situations. Since there are products whose prescription will be made at the hospital, develop commercially a product for the hospital is a different challenge. So today on some of the products, on all these products we are moving towards the first clinical stages, very important stages of valuation and that will allow us either to consider partnerships in financial conditions, and sharing of control that are satisfactory for MedinCell either, and we can't say now, the commercialization. So it's really a product-by-product and product class-by-product-class decision. Regarding our operating expenses I let Jaime Answer.

Jaime Arango

Thank you Christophe, hello Éric. We do not give any financial forecast. Nevertheless, what I can say is that if everything works well, and the progress of the projects continue to advance as we hope. These expenses should increase in the future to increase value creation. However, we must also take into account today that the expenses we have today are also discretionary and that we will be able to adjust these expenses if necessary, in the future.

Eric Le Berrigaud (Bryan Garnier & Co)

Okay, can we have an idea of your workforce, for example, to see how that has evolved? Trying to see the part of your salary expenses that is an important part?

Jaime Arango

We ended the year with 124 employees, as of March 31, 2018 we were 110, so we have a net increase of 14. Given the progress of our programs, the objective to strengthen the teams in competencies that we do not have today, that should allow us also to continue to develop the products successfully in the future.

Eric Le Berrigaud (Bryan Garnier & Co)

Ok thank you.

Thomas Guillot & Arsène Guekam (Kepler Cheuvreux)

Hello this is Thomas Guillot with Arsène Guekam. Two questions, could we come back to the mdc-DOM, what indications, could we have more details on the program? Second question, I did not really understand why you stopped mdc-ELK and to go back on Eric's question, could we have at least an estimate of the cash burn for 2019, for the year to come. Do you see a stabilization, less or an increase in cash burn? Thank you.

Christophe Douat

On the project in formulation phase mdc-DOM, for the moment we do not wish to disclose the active ingredient. It is in urology, and we will do it when the time comes, once we have advanced into the formulation phase. On the second, as I said it is our partner who controls the clinical trial and who has judged appropriate to cap the recruitment to 20 patients. So today I can not say more because the clinical trial is still in progress and we will have the results during the summer.

Thomas Guillot & Arsène Guekam (Kepler Cheuvreux)

I was talking about mdc-ELK in depression. You stopped the program with escitalopram. It was to know what was the reason for it.

Christophe Douat

Ok, excuse me. I must remind you that this phase of formulation is always, we estimate that it is the riskiest phase for MedinCell since it is the phase in which we develop the formulation and at the end of this phase the specifications in terms of dose and duration should normally be reached and show that the virtual pump that is Bepo® works as expected in vivo. In this program, some of the technical parameters on the dose and other subjects made the exercise difficult, as was known when starting the program. And so we decided to stop, this is certainly not the last time we will go into the field of depression, which needs long-acting treatment but at this point we have preferred to focus our resources on other programs that we consider less risky.

Jaime Arango

So, I'm taking over Thomas, given what I just said to Eric, we're not giving forecasts for future financial results, or looking forward statement. But given the progress of these different programs, we could have a higher consumption of cash, for example the transition to preclinical for mdc-CMV program that we announced last March. That increase

expenses, but it is line with our value creation. I'd like to add that cash burn also depends on the potential revenue that we can reach with partners that we already have, for example with Teva, and the revenue we could have with futures ones.

Thomas Guillot & Arsène Guekam (Kepler Cheuvreux)

Ok. You're getting milestones from Phase 3 results, right?

Jaime Arango

In the deal we have with Teva, we are receiving milestones, part in development and other parts in commercialization, achieving commercialization milestones. So as a reminder, according to our contract with Teva we receive, the milestones we can receive is $ 122M per product, so $ 366M for the three products we have in partnership with them, plus royalties that we should receive from the sales, when these products will be commercialized by Teva.

Thomas Guillot & Arsène Guekam (Kepler Cheuvreux)

Ok thank you.

Christophe Douat

Ok, so now I let's move on to the questions we receive live on the screen of our computers.

I will read the first question and answer it.

"How do you plan to fund the future clinical developments of the mdc-CMV program, the first in-house program of the company to enter regulatory preclinical this year? Do you plan to use the markets to finance this development? Are you going to find partners? "

So I will repeat a little the answer I gave earlier to Eric. It is an internal program that we want to bring into the clinical development stages, a stage that is essential so that if we are looking for a partner we have a sharing of value and control that is appropriate. This is for the first phases of the clinic. For the next two scenarios. We find a partner who has both the right skills that can ensure financing and commercilization in which case it would be a first scenario. A second scenario is that since this hospital prescription database is relatively smaller, even much smaller than a prescription scope of products like schizophrenia, we could consider setting up a sales force to ensure commercialization. To give an order, in France it is 5 to 7 sellers, in the United States of 40, so things that other companies have done, especially in orthopedics. But in any case, today it is too early to define the scenario we will choose, rendez-vous after the first clinical phases.

"*Do you plan to use the markets" The question disappeared. "to finance this development?".*

So no for the first phases, obviously a phase 2 and phase 3 in 2, 3 years will require additional funding if we did, but it would be to be included in the overall financing strategy of the company.

Next question.

"*Several French biotech companies have experienced setbacks during the industrialization of their products. What actions do you take to prevent this? with Corbion in particular?"*

This is an excellent question, a question we obviously have to ask ourselves this year, which is one of our major priorities, but I will let Joël answer. Joël, maybe you can present yourself for those who do not know you yet?

Joël Richard

Thank you Christophe. So my name is Joël Richard, I'm in charge of technical and pharmaceutical operations at MedinCell since September 2018 and therefore my goal is precisely to structure these pharmaceutical and technical activities to bring our projects safely to the first clinical phase. So the question actually refers to the misadventure of some well-known French biotechs that, at the end of 2018, have been refused the examination of their file after filing with the FDA. We have of course learned from these observations and in particular we have decided to strengthen all of the activities related to improving the quality and regulatory compliance of both clinical products and polymers. We will focus on polymers a little bit later. But simply to say that to do this we have implemented and are improving the quality and regulatory compliance of all our pharmaceutical operations, processes and products. For example, we are currently implementing a series of quality audits of all our contractors and suppliers to secure the supply of polymers and finished products. As far as polymers are concerned, we have set up a program to consolidate the robustness of the synthesis process and the characterization of these polymers. We are working closely with Corbion within the JV on these aspects which are indeed clear, and we expect the validation of the polymer synthesis process in the coming year, by early 2020 to be ready for the submission of mdc-IRM in 2020. We are also working to improve the conformity of polymer production with Corbion by working on the quality system that ensures the GMP quality of these polymers. So I think we really set up after becoming aware at MedinCell of the importance of these aspects of industrialization for filing, so we put in place a program that will allow us to secure all these aspects related

to the quality and the conformity of our productions.

Christophe Douat

Thank you very much Joël. I also wish to remind you that our alliance with Corbion and the availability of polymers that are already coming from the future chains of production of commercialization enabled us to reduce certain aspects of scale-up which are, and we knew it, a main risk of biotech.

Next question.

"*Are there separate budget allocations for each program? Are they revised according to a defined periodicity?*"
I think this one is for you Jaime.

Jaime Arango

Thank you Christophe. On the one hand we have put in place, we have improved internal control in the company. We have systems in place to allow us to track programs and projects individually, to track expenses, and to make it clear to everyone. We also put in place quarterly reviews called Strategic Investment Reviews. It consists in reviewing all the different programs, on the one hand the financial forecasts, the various resources that will be engaged, but also to reassess, to always ask the question, on the development of these products, the interest and the medical need, commercial interest, the partnership potential of these programs. So we've put it in place, we're seeing it quarterly, and I'm emphasizing what was said earlier, is that the spending is discretionary and allows us to stop spending when we think that there are too many risks on a project.

Christophe Douat

Thank you Jaime. I also like to add that you have put in place in the past month real-time reporting, extremely effective.

Next question.

"What is the stage of development of the project with the Gates Foundation? Do they still have to participate financially? Will there be royalties on the sale of these products if they are ever marketed? "

This is a very good question since it is a product with great potential for MedinCell. Today, the formulation, the formulation phase have progressed very well since the Foundation has paid the second tranche of $ 1.5M this winter and now the second part of this formulation phase is underway and we should have some results by the end of the year, or beginning of next year. Now the teams have obviously started to work on funding the next steps, the work is underway, but we will have potential indications by the end of the year on the success of these discussions.

"*Will there be royalties on the sale of these products if they are ever marketed?*"

Royalties strictly speaking no. But I remind you that in our agreements with the Foundation, MedinCell owns the rights for these products for developed countries, especially the United States where the potential is considerable. The contraceptive market in the United States is about $ 5 billion. So obviously a source of financial profits for MedinCell that will be shared with potential partners.