**A French *société anonyme* with share capital of EUR 882,274.50**
**Registered office: Green Square – Bât. D 80/84 rue des Meuniers, 92220 Bagneux, France**
**Registered at the Nanterre Register of Commerce and Companies under No. B 441 772 522**

# UPDATE OF THE *DOCUMENT DE BASE*

**Unofficial English language translation for information purposes only**

*Copies of the document de base* registered by the *Autorité des Marchés Financiers* (French Financial Markets Authority, the "AMF") on 30 January 2012 under number I.12-004 (the "*Document de Base*") *and of this update of the Document de Base* (the "Update") *are available free of charge at the registered office of the Company, as well as in an electronic version on the web site of the AMF (www.amf-France.org ) and on that of the company (www.dbv-technologies.com).*

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## GENERAL REMARKS

*Definitions*

*Definitions*

In this Update, unless there is an indication to the contrary:

- The term "DBV Technologies" or the "Company" refers to the company DBV Technologies S.A.

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*This document is a free translation into English of the update of the document de base registered with the Autorité des Marchés Financiers (the "AMF", French financial markets authority) on February 27, 2012 originally published by the Company in French. The Company assumes no responsibility with respect to this non-certified translation. In the event of any discrepancy between this document and the original French text, the French text will prevail.*

*This document, and the information that it contains, constitute neither an offer to sell or subscribe nor a solicitation to purchase or subscribe for DBV Technologies shares in any countries. No offer of shares is made or will be made in France before the delivery of the visa by the AMF on a prospectus composed of the document de base, its update and a securities note (a* note d'opération*) which will be subsequently submitted to the AMF.*

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*This Update contains forward-looking statements and information about the objectives of DBV Technologies, in particular in Section 10.5 "Sources of financing necessary in the future" and in Section 12 "Information on Trends", which are sometimes identified by the use of the future or conditional tenses, and forward-looking terms such as "estimate," "believe," "have as an objective," it is expected," "understand," "should," "it is desired," and "could." This information is based on data, assumptions, and estimates considered to be reasonable by the Company. The forward-looking statements and the objectives that appear in this Update may be affected by known and unknown risks and uncertainties related to, among other factors, the regulatory, economic, financial, and competitive environments, and other factors that could cause the future results, performance, or achievements of the Company to differ materially from the objectives expressed or implied. These factors may include, among others, the factors that are set forth in Section 4 "Risk Factors" of this Update.*

*Investors are asked to consider carefully the risk factors described in Section 4 "Risk Factors" of the Document de Base and of this Update before making an investment decision. The materialization of all or some of these risks could have a negative effect on the business activities, the financial position, or the financial results of the Company or its objectives. In addition, other risks that have not been identified at present or are considered immaterial by the Company could have the same negative effect, and investors could lose all or part of their investment.*

# 1 PERSONS RESPONSIBLE

## 1.1 PERSON RESPONSIBLE FOR THE UPDATE OF THE *DOCUMENT DE BASE*

Mr. Pierre-Henri BENHAMOU, Chairman and Chief Executive Officer of DBV Technologies.

## 1.2 CERTIFICATION OF THE PERSON RESPONSIBLE

"*I certify, after taking all reasonable measures to this end, that the information contained in this Update of the* Document de Base *registered by the French* Autorité des Marchés Financiers *on 30 January 2012 under number I. 12-004 is, to my knowledge, true to reality and that no information has been omitted that would alter its scope.*

I have obtained a work completion letter from the statutory auditors, in which they state that they have verified the information concerning the financial position and the financial statements provided in this Update of the *Document de Base* and that they have read this Update of the *Document de Base* in its entirety.

The financial information presented in this Update of the *Document de Base* has been the subject of reports by the statutory auditors, which are set forth in paragraphs 20.4.1 and 20.4.2.

The report of the Statutory Auditors on the financial statements prepared in accordance with IFRS as adopted by the European Union for the fiscal year ended on 31 December 2011, which are set forth in paragraph 20.4.1, contains the following observation: "Without calling into question the opinion expressed above, we draw your attention to Note 3.1 "Basis of preparation of the financial statements", which sets forth the financial position of the Company as of 31 December 2011, as well as the measures announced by Management to enable the Company to continue as a going concern."

The report of the Statutory Auditors on the annual financial statements for the fiscal year ended on 31 December 2011, which are set forth in paragraph 20.4.2, contains the following observation: "Without calling into question the opinion expressed above, we draw your attention to Note 1 "Accounting rules and methods", which describes the Company’s financial position of as of 31 December 2011, and the measures announced by the Management to enable it to continue as a going concern.

**Pierre-Henri BENHAMOU**
**Chairman and Chief Executive Officer**

## 1.3 PERSONS RESPONSIBLE FOR THE FINANCIAL INFORMATION


| | |
|---|---|
| **Mr. Pierre-Henri BENHAMOU**<br>Chairman and Chief Executive Officer<br>Address: Green Square- Bâtiment D<br>80/84 Rue des Meuniers 92220 Bagneux, France<br>Telephone: +33 (0)1 55 42 78 78<br>Fax:+33 (0)1 43 26 10 83<br>E-mail address: phbenhamou@dbv-technologies.com | **Mr. David SCHILANSKY**<br>Chief Financial Officer<br>Address: Green Square- Bâtiment D<br>80/84 Rue des Meuniers 92220 Bagneux, France<br>Telephone:+33 (0)1 55 42 78 78<br>Fax: +33 (0)1 43 26 10 83<br>E-mail address: david.schilansky@dbv-technologies.com |

# 2 STATUTORY AUDITORS

## 2.1 MAIN STATUTORY AUDITORS

- **CHD AUDIT ET CONSEIL represented by Mr. Jean-Marc BULLIER**

8 Rue Auber, 75009 Paris, France

CHD Audit et Conseil was appointed as main statutory auditor by the general meeting held on 14 June 2007 following its predecessor's resignation and for the term of the latter's office remaining to run, i.e., until the general meeting called to approve the financial statements of the fiscal year that ended on 31 December 2007. Its term of office was renewed by the ordinary general meeting held on 26 June 2008 and will end upon the conclusion of the general meeting that approves the financial statements of the fiscal year ending on 31 December 2013.

- **Deloitte & Associés represented by Mr. Fabien BROVEDANI**

185 Avenue Charles de Gaulle, 92524 Neuilly-sur-Seine Cedex, France.

Deloitte & Associés was appointed as main statutory auditor by the general meeting held on 9 December 2011 for a term of six fiscal years ending upon the conclusion of the ordinary general meeting approving the financial statements of the fiscal year ending on 31 December 2016.

## 2.2 ALTERNATE STATUTORY AUDITORS

- **AEC-AUDIT ET COMMISSARIAT**

40 Avenue du Général de Gaulle, 03100 Montluçon, France

AEC was appointed as alternate statutory auditor by the general meeting held on 14 June 2007 following the resignation of the alternate statutory auditor for the term of the latter's office remaining to run, i.e., until the general meeting called to approve the financial statements of the fiscal year ended on 31 December 2007. Its term of office was renewed by the ordinary general meeting held on 26 June 2008 and will end upon the conclusion of the general meeting that rules on the financial statements of the fiscal year ending on 31 December 2013.

- **BEAS represented par Mr. William Di CICCO**

7-9 Villa Houssay, 92524 Neuilly-sur-Seine Cedex, France

BEAS was appointed as second alternate statutory auditor by the general meeting held on 9 December 2011 for a term of six fiscal years ending upon the conclusion of the ordinary general meeting that approves the financial statements of the fiscal year that ends on 31 December 2016.

During the period covered by the historical financial information, there have been no resignations or terminations of statutory auditors.

# 3 SELECTED FINANCIAL INFORMATION

The key financial information presented below was taken from the financial statements of the Company restated in accordance with IFRS (International Financial Reporting Standards) as adopted within the European Union, for the purposes of this Update.

These key accounting and operational data must be read along with the information contained in Sections 9 "Review of Results and of the Financial Position", 10 "Cash and Capital", and 20 "Financial Information concerning the Assets, the Financial Position, and the Earnings of the Issuer" in this Update and in the *Document de Base*.

| DBV Technologies S.A. - IFRS (in EUR) | FY 2011<br>12 months<br>audited | FY 2010<br>12 months<br>audited |
|---|---|---|
| **Fixed Assets** | **1,267,969** | **409,310** |
| *of which, long-term intangible assets are:* | *20,512* | *7,602* |
| *of which, property, plant, and equipment are:* | *849,191* | *326,764* |
| *of which, long-term financial assets are* | *398,266* | *74,944* |
| **Current Assets** | **14,453,181** | **11,164,365** |
| *of which, cash and cash equivalents are* | *11,531,117* | *9,027,891* |
| **TOTAL ASSETS** | **15,721,150** | **11,573,676** |
| **Shareholders' equity** | **11,706,617** | **8,566,899** |
| **Long-term liabilities** | **740,711** | **647,876** |
| *of which, conditional advances are* | *621,281* | *558,205* |
| **Current liabilities** | **3,273,822** | **2,358,901** |
| *of which, conditional advances are* | *198,171* | *269,587* |
| **TOTAL LIABILITIES** | **15,721,150** | **11,573,676** |

| DBV Technologies S.A. - IFRS (in €) | Fiscal Year 2011<br>12 months<br>audited | Fiscal Year 2010<br>12 months<br>audited |
|---|---|---|
| **Total revenue** | **1,873,571** | **1,706,602** |
| *of which, sales revenue is* | *126,051* | *178,620* |
| Operating expenses | 9,134,512 | 6,494,592 |
| **Operating Profit (Loss)** | **-7,260,941** | **-4,787,991** |
| **Financial Profit (Loss)** | **19,784** | **-16,355** |
| **Net Income** | **-7,241,157** | **-4,804,345** |
| **Total profit (loss) for the fiscal year** | **-7,241,157** | **-4,804,345** |

| DBV Technologies S.A. - IFRS Standards (in €) | Fiscal Year 2011<br>12 months<br>audited | Fiscal Year 2010<br>12 months<br>audited |
|---|---|---|
| Operating cash flow before change in working capital | -6,330,894 | -4,595,081 |
| Change in working capital | 200,747 | 135,648 |
| **Net Cash flows from operating activities** | **-6,130,146** | **-4,459,432** |
| **Net Cash flows from investment activities** | **-1,038,420** | **-48,759** |
| **Net Cash flows from financing activities** | **9,671,792** | **9,128,015** |

| | | |
|---|---|---|
| **Change in Cash and Cash Equivalents** | **2,503,226** | **4,619,823** |

# RISK FACTORS

*Investors are asked to take into consideration all the information that appears in this Update, including the risk factors described in this section, as well as in the* Document de Base, *before deciding whether to purchase or subscribe for shares of the Company. In the process of the preparation of this Update, the Company performed a review of the risks that could have a material adverse effect on the Company, its business, its financial position, or its earnings, and believes that there are no material risks other than those presented.*

## 3.1 RISKS RELATED TO THE BUSINESS OF THE COMPANY

The risk factors related to the Company's business activity are identified in the *Document de Base* and remain unchanged with the exception of the following paragraphs:

### 4.1.4 Risks associated with dependence on third parties

***The Company is dependent on its sub-contractors***

Within the framework of its development, the company relies on sub-contractors both for the manufacturing of the patches and for the conduct of the clinical trials. Although the Company has taken into account the risks of default on the part of its sub-contractors or risks of termination of the contractual relationships, and has taken measures intended to provide for these risks, any default on their part could have consequences for the length of, or even the continuation of, the clinical studies, and the quality of the data, which must meet strict standards (Good Clinical Practices, Good Manufacturing Practices) imposed by the supervisory authorities, and therefore delay the marketing of the products.

Such events could have a material adverse effect on the business activity, the prospects, the financial position, the earnings, and the development of the Company.

In 2011, the contribution of the principal suppliers and/or service providers to the total purchases and other external expenses has been described as follows: the largest of these suppliers represented 27% of the total; the five largest represented 58%; and the ten largest represented 76%, in comparison with 26%, 70%, and 92% respectively in the 2010 fiscal year.

***The Company is dependent on a single exclusive distributor for the marketing of its Diallertest® Milk diagnostic product***

The only product that is marketed by the Company as of this date is *Diallertest® Milk*, which is distributed in France by a partner within the framework of an exclusive distribution agreement (see Section 22 of the *Document de Base* -- the paragraph concerning the distribution agreement). The sales made with this single customer came to €126,051 and € 178,620 for the fiscal years 2011 and 2010 respectively. However, in order to assess these contributions in a relevant manner, it is specified that, this customer, as an ordinary distributor, has itself made its sales to several end customers.

Any default on the part of the distributor would have consequences for the distribution of *Diallertest® Milk*.

## 3.2 LEGAL RISKS

The legal risk factors are identified in the *Document de Base* and remain unchanged.

### 3.3 RISKS RELATING TO THE COMPANY'S ORGANIZATION

The risk factors related to the organization of the Company are identified in the *Document de Base* and remain unchanged.

### 3.4 INSURANCE AND RISK COVERAGE

The risk factors related to the insurance and coverage of risks are identified in the *Document de Base* and remain unchanged with the exception of the following paragraph:

The Company has established a policy for covering the principal insurable risks with amounts of insurance coverage that it deems to be compatible with the nature of its business. The amounts of the expenses paid by the Company for all the insurance policies amounted to € 50 K, € 56 K, and € 54 K during the course of the fiscal years ended on 31 December 2009, 31 December 2010, and 31 December 2011 respectively.

### 3.5 RISKS RELATING TO DISPUTES TO WHICH THE COMPANY IS PARTY

The risk factors related to the disputes to which the Company is party are identified in the *Document de Base* and remain unchanged.

### 3.6 FINANCIAL RISKS

The accounting data provided in this paragraph are derived from the financial statements of the Company adjusted in accordance with IFRS as adopted by the European Union for the fiscal year ended 31 December 2011. The reader may also refer to Note 23 "Management of financial risk" in the appendix to the financial statements indicated above that are included in paragraph 20.3.1 of this Update.

#### 3.6.1 Risks relating to historical losses

***The Company has a historical record of operating losses, losses which could continue.***

Since it was formed in 2002, the Company has recorded operational losses every year. As of 31 December 2011, on the basis of the financial statements restated in accordance with IFRS, its accumulated net losses amounted to €26,652,845, including a net loss of €7,241,157 for the fiscal year that ended on 31 December 2011 and debtor retained earnings of €19,411,688 that were discharged by allocation thereof to the "premiums" on issuances of securities item by means of a decision by the general meeting held on 9 December 2011. These losses result primarily from the expenses incurred within the framework:

- ✓ of the development of the *Viaskin*® technology and
- ✓ of the conduct of the pre-clinical and clinical trials.

The Company could experience additional operating losses that are more significant than those sustained in the past during the coming years, as its research and development activities and marketing continue, in particular as a result of:

- the clinical studies program currently in progress;
- the need to conduct new clinical trials to reach new market segments;
- all the formalities that will need to be completed in order to obtain the marketing authorizations and the applications for admission of the products for reimbursement;
- the increase in the regulatory requirements governing the manufacture of the products;
- the marketing and sales expenses to be incurred depending on the degree of progress in the development of the products;

- the continuation of an active policy of research and development that may, as required, involve the acquisition of new technologies, products, or licenses.

An increase in these expenses could have a material adverse effect on the Company, its business, its financial position, its earnings, its development, and its prospects.

### 3.6.2 Liquidity risk

***The Company could need to reinforce its shareholder's equity or rely on additional financing in order to ensure its development.***

Since it was formed, the Company has financed its growth by reinforcing its shareholders' equity through a succession of increases in the share capital, by obtaining public assistance in support of innovation, and by reimbursements for Research Tax Credit [*Crédit Impôt Recherche*] claims, but it has never utilized bank loans. Therefore, the Company is not exposed to a liquidity risk resulting from the implementation of any early repayment clauses in loan agreements for such borrowings.

As of this date, the Company does not believe that it is exposed to a short-term (12 months) liquidity risk, considering the cash and cash equivalents that it had available as of 31 December 2011, that is, €11,531,117 (after an increase in cash and cash equivalents in the amount of €2,503,226 during the course of the 2011 fiscal year is taken into account), which are mainly composed of money market funds and term deposits that are convertible into cash immediately without penalties in case of a need for cash.

Significant research and development efforts and expenditures related to clinical studies have been initiated since the start-up of the Company's business, which has thus far generated negative operating cash flows. The cash flows related to the operating activities of the Company amounted to € (6,130,146) and € (4,459,432) for the fiscal years ending on 31 December 2011 and 31 December 2010 respectively.

The Company will continue to have significant financing requirements in the future for the development of its technology, the continuation of its clinical development program, and the equipping of its own pharmaceutical laboratory, as well as for the production and marketing of its products in the future. It is possible that the Company will find itself unable to finance its growth by itself, a situation that would compel it to seek other sources of financing, particularly through new increases in share capital.

The level of the financing requirements of the Company and how they are spaced out over time depend on factors that are largely beyond the control of the Company such as:

- higher costs and slower progress than anticipated for its research and development and clinical studies programs;

- the costs of preparing, filing, defending, and maintaining its patents and other intellectual property rights;

- costs associated with any requests for modifications in the studies or for inclusion of a higher number of patients in them;

- higher costs and longer time periods than anticipated for obtaining the regulatory authorizations for the marketing of its products as well as for gaining access to insurance reimbursement for them, including the time required to prepare the applications to the competent authorities; and

- costs for responding to changes in the *Viaskin*® technology and for conducting the manufacturing and marketing of some or all of its products;

- new opportunities to develop new products or to acquire technologies, products, or companies.

It is possible that the Company will be unable to obtain additional capital when it needs it, or that such capital will not be available on financial terms that are acceptable to the Company. If the necessary funds are not available, the Company could have to:

- delay, reduce, or eliminate the number or the scope of its pre-clinical and clinical trials program;

- grant licenses to its technologies to partners or third parties; or

- conclude new collaboration agreements on terms that are less favorable to it than those that it could have obtained in a different context.

In addition, to the extent that the Company raises share capital by issuing new shares of stock, the investment of its shareholders could be diluted. Furthermore, financing by debt, to the extent that it is available, could also include restrictive conditions for the Company and its shareholders.

The materialization of one or more of these risks could have a material adverse effect on the Company, its business, its financial position, its earnings, its development, and its prospects.

### 3.6.3 Risks related to the Research Tax Credit

In order to finance its activities, the Company has also opted for the Research Tax Credit (CIR -- Crédit Impôt Recherche), which consists of the Government offering a tax credit to companies that make significant investments in research and development. The research expenditures that are eligible for the CIR include, in particular, wages and salaries, the depreciation of research equipment, provisions of services sub-contracted to approved research agencies (public or private), and the expenses associated with intellectual property. The Company has received a research tax credit that has been reimbursed and audited by the tax authorities for the years 2008 and 2009. The Research Tax Credit posted to the accounts for the year 2010, that is, €1,386,989, was reimbursed in 2011.

The Research Tax Credit posted to the accounts for the year 2011, for which the Company will request reimbursement, amounted to €1,699,080. For the coming years, it cannot be ruled out that the tax authorities may challenge the methods used by the Company to calculate the research and development expenditures or that the CIR might be called into question by a change in the regulations or by a challenge by the tax authorities even if the Company complies with the requirements for documentation and eligibility of the expenditures. If such a situation were to occur, that could have an adverse effect on the earnings, the financial position, and the prospects of the Company.

### 3.6.4 Risks relating to access to public advances

The risk factors related to the access to the public advances are identified in the *Document de Base* and remain unchanged.

### 3.6.5 Foreign exchange risk

The Company is exposed to a very insignificant foreign exchange risk inherent in some of its supplies obtained in the United States, which have been invoiced in U.S. dollars. As of this date, it does not make sales revenue in dollars or in any other currency other than the euro; the Company does not receive any full or partial mechanical endorsement.

For the fiscal years 2011 and 2010, less than 10% and 6% respectively of the purchases and other external expenses had been made in U.S. dollars, generating a net annual foreign exchange loss of €5,163 and €1,657 respectively for those periods.

In light of these insignificant amounts, the Company has not adopted, at this stage, a hedging mechanism in order to protect its business activity against fluctuations in exchange rates. The Company cannot rule out the possibility that a significant increase in its business, particularly in the United States, may result in greater exposure to exchange rate risk and should thus consider adopting an appropriate policy for hedging against these risks.

#### 3.6.6 Credit risk

The "credit risk" factor is identified in the *Document de Base* and remains unchanged.

#### 3.6.7 Interest rate risk

The "interest rate risk" factor is identified in the *Document de Base* and remains unchanged.

#### 3.6.8 Risk of dilution

The factors involved in "Risks related to dilution" are identified in the *Document de Base* and remain unchanged.

#### 3.6.9 Risks relating to the economic and financial crisis

The risk factors related to the economic and financial crisis are identified in the *Document de Base* and remain unchanged.

### 3.7 INDUSTRIAL RISKS

The industrial risk factors are identified in the *Document de Base* and remain unchanged.

# 4 INFORMATION ABOUT THE COMPANY

## 4.1 HISTORY AND GROWTH OF THE COMPANY

This section is described in the *Document de Base* and remains unchanged.

## 4.2 INVESTMENTS

### 4.2.1 Principal investments made in 2011

As all the clinical research and development expenditures are posted to the accounts as expenses until marketing authorizations are obtained, the principal investments made over the last three fiscal years have been related primarily to the acquisition of laboratory equipment and, secondarily, to the acquisition of computer and office equipment.

| **Gross Investments - DBV Technologies S.A. (IFRS, in EUR)** | **FY 2011 12 months** | **FY 2010 12 months** | **FY 2009 12 months** |
|---|---|---|---|
| Long-term intangible assets | 19,201 | 8,435 | 2,803 |
| Property, plant, and equipment | 695,897 | 48,282 | 235,297 |
| Long-term financial assets | 323,322 | - | - |
| **TOTAL** | **1,038,420** | **56,717** | **238,100** |

During the 2011 fiscal year:

- within the framework of the relocation of the registered office, the fitting out of the buildings represented the majority of the investments in property, plant, and equipment, in the amount of €466,100, while €128,400 was devoted to the acquisition of laboratory equipment and €101,400 to the acquisition of computer and office equipment;

- the increase in the long-term financial assets is related to the security deposit paid to the lessor of the new headquarters (€ 97,100), as well as to the pledges of open-ended mutual funds [*sociétés d'investissement à capital variable*, "Sicavs"] in the amount of €275,510 made as consideration for the bank guarantee made to the lessor involving the term of the lease (guarantees of ordinary rental agreements).

### 4.2.2 Principal investments in progress

Since the beginning of the 2012 fiscal year, the company has continued the work related to the move to the new offices begun during the first half-year of 2011.

### 4.2.3 Principal investments projected

The Company is not, for the time being, planning to make any significant investments in the years to come for which the governing bodies of the Company has made any firm commitments.

# 5 OVERVIEW OF ACTIVITIES

This section is described in the *Document de Base* and remains unchanged.

# 6 ORGANIZATION CHART

This section is described in the *Document de Base* and remains unchanged.

# 7 REAL ESTATE PROPERTY, PLANT, AND EQUIPMENT

This section is described in the *Document de Base* and remains unchanged.

# 8 REVIEW OF THE PROFIT (OR LOSS) AND OF THE FINANCIAL POSITION

The reader is requested to read this analysis of the financial position and the profits (or losses) of DBV Technologies for the 2011 fiscal year along with the financial statements of the Company prepared and restated in accordance with the IFRS as adopted within the European Union, the notes appended to the financial statements included in paragraph 20.3.1 "Financial information concerning the assets, the financial position, and the earnings of the issuer" in this Update and any other financial information that appears in this Update as well as in the *Document de Base*.

## 8.1 FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS

Within the framework of its planned listing on the stock exchange, the Company, which does not have any subsidiaries or any investment interests, has prepared, in addition to its annual financial statements in compliance with the French accounting standards, corporate financial statements that have been restated in accordance with IFRS as adopted within the European Union, for the 2008, 2009, and 2010 fiscal years and for the 1st half year that ended on 30 June 2011 presented in the *Document de Base*, and for the 2011 fiscal year, as included in paragraph 20.3.1 of this Update, in order to be able to present accounting data that are comparable with the majority of the companies in its sector of business activity, particularly those that are listed on the stock exchange.

The comments on the financial statements presented in Sections 9 and 10 of this Update have been prepared solely on the basis of the financial statements prepared in accordance with IFRS included in paragraph 20.3.1 of this document.

### 8.1.1 Business Activity of the Company

The principal business activity of the Company is research and development in the fields of the treatment and diagnosis of allergies, particularly food and pediatric allergies.

Since it was formed, the Company has concentrated its efforts:

- ✓ on the development of a technological platform that offers an innovative approach to the method of desensitization of allergic subjects as well as offering a possible therapeutic response to certain allergies that the existing methods of specific immunotherapy cannot provide. The development of the *Viaskin*® technology initiated in 2002 has led to the issuance of two principal patents out of a total number of fourteen families of patents granted or in various stages of registration. Besides the design of the *Viaskin*® patch, the R&D teams have also designed the equipment capable of producing batches of pre-clinical patches and are now working on a new generation of equipment intended for production on an industrial scale;

- ✓ on the implementation of research programs that, first, had the sole objective of validating the *Viaskin*® technology in terms of safety and toxicology. Armed with the results obtained, the Company then launched a clinical development program within the priority field of the allergy to peanuts. At the end of the pre-clinical and regulatory development, a Phase I study of tolerance of a treatment of the peanut allergy was launched in July 2010.

As of this date, the business model of the company is to develop its products until it obtains a marketing authorization for them. This model should eventually include manufacturing subject to obtaining the necessary approval as a manufacturer pharmaceutical company.

### 8.1.2 Research and development, technologies

Since the Company was formed, the research and development activities of the Company have mobilized most of the resources, it being specified that these activities have the special characteristic of including both:

- ✓ a technological dimension that has thus led to the design of a *Viaskin*® technological platform (see paragraph 6.4 of the *Document de Base*), a device that takes the form of a special patch that serves as a medium for the desensitization treatments that the Company has been developing;
- ✓ a "biotechnological" dimension with, on the one hand, the pre-clinical validation of the *Viaskin*® patch, which has rapidly led to the marketing of a patch for diagnosing the allergy to the proteins in cow's milk, *Diallertest*®, and, on the other hand, the start-up in 2010 of a clinical development program for the treatment of the allergy to peanuts.

Even if DBV Technologies has not, as of this date, obtained any marketing authorization ("MA""), it has been collecting operating income related to the marketing of its diagnostic *Diallertest® Milk* product via a distributor since June 2004.

Since it was formed, the Company has experienced significant net losses, as both the research and development work and the technological platform that the pre-clinical and clinical trials of its potential products have necessitated increasing financial requirements, while the operating income has remained insignificant.

The Company also devotes a non-negligible share of its resources to the protection of its intellectual property by filing patents and patent applications at the international level (see Section 11 of the *Document de Base*). As of this date, the portfolio has fourteen families of patents granted or at various stages of registration.

### 8.1.3 Partnerships and sub-contracting

In order to conduct its activities properly, DBV Technologies has used various sub-contractors, of which the principal ones are:

- ✓ CROs (Contract Research Organizations): all leading international players, these businesses conduct, on behalf of the Company, all the activities that fall within the framework of the clinical trials required by the relevant regulations, once the protocols have been defined;
- ✓ CMOs (Contract Manufacturing Organizations): as the Company does not have, as of this date, the regulatory status of a pharmaceutical company, these entities conduct, on behalf of the Company, the production of the lots of patches for the pre-clinical and clinical developments as well as for its *Diallertest® Milk* product.

The principal dedicated suppliers are related to the proteins necessary for the manufacture of the lots of patches and of *Diallertest® Milk*, to the various components of the patches, as well as to the components necessary for production.

In order to intensify its research efforts, the Company has also concluded two cooperation agreements, one with AP-HP, and the other with the University of Geneva. A summary of these agreements is presented in paragraph 11.3.1 of the *Document de Base* registered by the AMF on 30 January 2012 under No. I 12-004.

#### 8.1.4 Pro forma financial statements

None.

#### 8.1.5 Principal factors that have an impact on the business activity and the profit (or loss)

In light of the stage of development of the business activity of the Company, the principal factors that have an impact on the business activity and on the income (or loss) of the Company are:

- ✓ the size of the R&D programs as well as compliance with their timetables;
- ✓ the existence of tax incentive mechanisms for companies that conduct technical and scientific research activities. Thus, from 2004 to 2009, the Company was able to enjoy the status of *Jeune Entreprise Innovante* [Young Innovative Company - "JEI"]. As such, it benefited from reductions in social security contributions for its employees assigned to research projects, which were posted to the accounts as reductions in personnel expenses. Today, it receives only the *Crédit Impôt Recherche* [Research Tax Credit - "CIR"];
- ✓ furthermore, the company regularly grants financial instruments giving access to its share capital (equity instruments) to its employees, corporate officers, and some of its partners. The profit or loss of the Company is affected by the corresponding expense, which is posted to the accounts in accordance with IFRS.

### 8.2 COMPARISON ACROSS THE 2010 AND 2011 FISCAL YEARS

#### 8.2.1 Constitution of the operating profit

#### 8.2.1.1 Sales and other income from the business activity

The operating revenue of the company amounted to EUR 1,706,602 and EUR 1,873,571 for the fiscal years 2010 and 2011 respectively. This revenue was primarily generated by the Research Tax Credit, and to a lesser extent, by the sales of *Diallertest*®, as well as by subsidies received within the framework of the research projects conducted by the Company.

| | 31 December | |
|---|---|---|
| | **2010** | **2011** |
| **Operating Revenue** | € | € |
| Sales revenue | 178,620 | 126,051 |
| Other income | 1,527,982 | 1,747,520 |
| *of which the Research Tax Credit was* | *1,386,989* | *1,687,376* |
| *of which subsidies were* | *140,993* | *60,144* |
| **Total Revenue** | **1,706,602** | **1,873,571** |

As no R&D expenditure is being capitalized until a marketing authorization is obtained, the Research Investment Credit related to said research programs is, for its part, entirely posted to the accounts as operating revenue. The amounts of financial assistance received by the Company during the periods have been deducted from the calculation of the basis of the Research Tax Credit.

The Company posted, for the 2011 fiscal year, net revenue related to the Research Tax Credit in the amount of EUR 1,687,376, which corresponds to that generated during the 2011 fiscal year, that is EUR 1,699,080, for which it will request reimbursement in 2012, minus the sum that corresponds to the tax adjustment notified in July 2011 with respect to the Research Tax Credits for the fiscal years 2008 and 2009, which were reimbursed to the Company in full during the fiscal years 2009 and 2010.

The reimbursement of the 2010 Research Tax Credit (that is, EUR 1,386,989) under the community tax treatment of small and medium companies in compliance with the legal and regulatory texts in effect was received by the company during the year 2011.

The increase in the Research Tax Credit posted to the accounts in 2011 reflects the intensification of the R&D efforts related to the start up of Phase I of the *Viaskin® Peanut* product in July 2010, which continued throughout the 2011 fiscal year.

While they displayed growth during the course of the first half year of 2011, the sales figures generated by *Diallertest®*, which is marketed only in France through a distributor, marked a slowdown from the previous fiscal year, declining from EUR 178,620 in 2010 to EUR 126,051 in 2011. This diagnostic product is not of strategic importance for the Company, which has as its priority the future marketing of therapeutic products.

### 8.2.1.2 Operating expenses

#### 8.2.1.2.1 Cost of the goods sold

Since as of this date, the Company does not have the status of a pharmaceutical laboratory, the manufacture of the *Diallertest®* diagnostic patches is entrusted to a third party that does have that status, and that thus demonstrates GMP (Good Manufacturing Practices). This CMO (Contract Manufacturing Organization) thus acts on behalf of DBV Technologies, which has made the equipment for production of the patches available. The cost of goods sold therefore corresponds to the cost of this service provider.

| | 31 December | |
|---|---|---|
| | **2010** | **2011** |
| | € | € |
| Cost of goods sold | 82,885 | 65,057 |
| **Total** | **82,885** | **65,057** |

Although the gross margin generated for the fiscal year was approximately 53.6% of the sales revenue, the latter declined to 48.4% as a result of higher production costs in 2011.

#### 8.2.1.2.2 Research and development expenses

In accordance with IAS 38, the development expenses are posted to the accounts as long-term intangible assets only if all the following criteria are met:

(a) technical feasibility necessary for the completion of the development project;
(b) intention on the part of the Company to complete the project and to utilize it;
(c) capacity to utilize the intangible asset;
(d) proof of the probability of future economic benefits associated with the asset;
(e) availability of the technical, financial, and other resources for completing the project;
(f) reliable evaluation of the development expenses.

The Company believes that the 6 criteria stipulated by the IAS 38 standard are fulfilled only when the marketing authorization has been obtained. As a result, since it was formed, the Company has posted all its development expenses to the accounts as expenses during the fiscal year in which they have been incurred.

These expenses include, notably, the following:

- the personnel expenses for staff assigned to research and development;
- the expenses of pre-clinical and clinical studies;
- the intellectual property expenditures;
- the expenditures related to regulatory affairs.

During the period presented, the total amount of the research and development expenditures displayed a significant increase of 31.9%, increasing from EUR 5,061,249 in 2010 to EUR 6,675,872 in 2011.

These efforts involve primarily the Phase I study of the *Viaskin*® *Peanut* patch, which began in July 2010 and continued throughout the 2011 fiscal year, the reinforcement of the research and development staffs, as well as the gradual implementation of the Arachild study initiated with AP-HP.

| | **31 December** | |
|---|---|---|
| | **2010** | **2011** |
| | € | € |
| Research and development expenses | 5,061,249 | 6,675,872 |

The Research and Development expenses during the course of the period presented are broken down as follows:

| | **31 December** | |
|---|---|---|
| | **2010** | **2011** |
| **R&D Expenses** | € | € |
| Employee Expenses | 1,252,739 | 1,936,739 |
| Sub-contracting, Collaboration, and Consultants | 2,780,246 | 3,786,136 |
| Research Supplies | 428,114 | 482,724 |
| Real Estate Rentals | 150,799 | 227,731 |
| Conferences, Travel expenses | 254,481 | 159,941 |
| Allowances for provisions and amortization and depreciation | 155,304 | 42,901 |
| Others | 39,567 | 39,701 |
| **Total R&D expenses** | **5,061,249** | **6,675,872** |

From one year to the next, this table allows us to note, in particular:

- ✓ An increase of nearly 36.2% in the "Sub-contracting, Collaborations" item, which includes in particular, the costs of the providers of services on behalf of DBV Technologies within the framework of the Phase I *Viaskin*® *Peanut* study;

- ✓ An increase of approximately 54.6% in the wage and salary costs dedicated to R&D resulting from both an increase in the workforce (14 employees at the end of 2011, in comparison with 10 at the end of 2010) and the expense related to the valuation of the founders' warrants (*bons de souscription de parts de créateur d'entreprise,* "BSPCEs"), which increased from EUR 65,000 at the end of 2010 to EUR 336,000 at the end of 2011;
- ✓ The "Real Estate Rentals" item, which increased by nearly 51% following the move of the Company to its new premises during the summer of 2011.

On the other hand, the sharp decline in the "Allowances for depreciation and amortization and provisions" item is related to the move of the business premises for which the length of time over which the improvements are depreciated is longer than it had been previously.

#### 8.2.1.2.3 Overhead

The overhead includes mainly the expenses of the administrative staff, the building costs related to the registered office, and external expenses such as the audit, attorneys', and consultants' fees. The total amount of those expenses was EUR 1,350,458 and EUR 2,393,583 for the fiscal years that ended on 31 December 2010 and 31 December 2011, respectively, marking an increase of approximately 77.2%.

| | 31 December | |
|---|---|---|
| | **2010** | **2011** |
| | € | € |
| Overhead | 1,350,458 | 2,393,583 |

The distribution of the overhead posted to the accounts during the period presented is broken down by type as follows:

| | 31 December | |
|---|---|---|
| **Overhead** | **2010** | **2011** |
| | € | € |
| Employee Expenses | 605,832 | 1,021,162 |
| Fees | 460,710 | 692,972 |
| Real Estate Rentals | 30,562 | 103,410 |
| Insurance Coverage | 56,463 | 54,025 |
| Communication, Entertainment and Travel expenses | 60,117 | 343,128 |
| Postal and Telecommunications Expenses | 26,886 | 46,666 |
| Administrative supplies and rental of personal property | 34,718 | 34,715 |
| Others | 75,169 | 97,505 |
| **Total overhead** | **1,350,458** | **2,393,583** |

Therefore, the total increase found results primarily:

- ✓ From an increase of approximately 68.6% in the personnel expenses primarily related to the posting to the accounts of an expense related to the payments in shares (EUR 365,000 in 2011, in comparison with EUR 40,000 in 2010);
- ✓ From a "fees" item that is up by approximately 50.4%, including, in particular, fees inherent in recruitment expenses; and, finally,

- ✓ From a significant increase in representation and communications expenses (+470.8%), primarily related once again to the preparation for the listing on the stock exchange, and finally,
- ✓ From a "Real estate rent" item that is significantly higher as a result of the move of the registered office to new premises during the summer of 2011.

### 8.2.2 Constitution of the net income

#### 8.2.2.1 Financial revenue and expenses

The net financial income amounted to EUR (16,355) in 2010 and EUR 19,784 in 2011. This item includes the financial revenue made on investments in money market funds by the Company, on the one hand, and the foreign exchange losses as well as the expenses related to the accretion of the OSEO and COFACE advances, on the other.

The change in the financial income in 2011 is explained primarily by the revenue from investment of cash received by the Company, that is, EUR 9,083,261, in December 2010, within the framework of its 3rd round of financing, with the financial revenue increasing from EUR 20,538 as of 31 December 2010 to EUR 62,383 as of 31 December 2011.

The net foreign exchange loss recognized in 2011 amounted to EUR 5,163, as compared to EUR 1,657 in 2010.

#### 8.2.2.2 Corporate tax

Considering the deficits recorded over the last 3 fiscal years, the Company has not posted any corporate tax expense to the accounts.

#### 8.2.2.3 Net income (loss) or net income (loss) per share

The net loss for fiscal year 2011 amounted to EUR 7,241,157, as compared to a loss of EUR 4,804,345 for 2010. The loss per share issued (based on the weighted average number of shares outstanding during the fiscal year) amounted to EUR 0.94 and EUR 1.03 per share for the fiscal years that ended on 31 December 2010 and 31 December 2011 respectively, after taking into account the division of the par value of the shares by 15 decided by the general meeting held on 9 December 2011.

## 8.3 ANALYSIS OF THE BALANCE SHEET

### 8.3.1 Fixed Assets

The fixed assets include the property, plant, and equipment, the long-term intangible assets, and the long-term financial assets. The net fixed assets amounted to EUR 409,310 and EUR 1,267,969, on 31 December 2010 and 31 December 2011 respectively.

This significant increase resulted primarily from the establishment of the new business premises of the Company, which caused the payment of a security deposit of up to EUR 97,095 and pledges of open-ended mutual fund accounts as a guarantee for ordinary rental agreements in the amount of EUR 226,227 during the fiscal year, as well as from fitting out work and investments related to equipping of the laboratories in amounts of EUR 466,109 and EUR 128,370 respectively incurred during the period, and finally, from computer office equipment of up to EUR 101,419.

### 8.3.2 Current assets

The net fixed assets amounted to EUR 11,164,365 and EUR 14,453,181, on 31 December 2010 and 31 December 2011 respectively.

The significant increase in these items during the period resulted primarily from the increase in the cash and cash equivalents resulting from the receipt in December 2011 of the second tranche of the capital increase made in December 2010 and of the Research Tax Credit claims, the significant increase in the amount of which at the end of 2011 reflected the intensification of the development efforts.

| | **31 December** | |
|---|---|---|
| | **2010** | **2011** |
| **Current Assets** | € | € |
| Inventories and work in progress | 105,137 | 34,449 |
| Customer accounts receivable and related receivables | 3,097 | 775 |
| Other current assets | 2,028,240 | 2,886,840 |
| *Of which the Research Tax Credit was* | *1,395,481* | *1,707,572* |
| Cash and cash equivalents | 9,027,891 | 11,531,117 |
| **Total Current Assets** | **11,164,365** | **14,453,181** |

Thus, the net negative cash flows from operating and investment activities related to the move to the new premises, as well as to the net reimbursement related to the OSEO advances were largely offset by the receipt of the second tranche, totaling EUR 9,680,132, of the capital increase in cash conducted in December 2010 (also see Notes 10.1.1 and 10.1.2 below). The result, as of 31 December 2011, was a significant increase in the cash balances and current financial instruments.

| | **31 December** | |
|---|---|---|
| | **2010** | **2011** |
| | € | € |
| Net cash flow related to operating activities | (4,459,432) | (6,130,146) |
| Net cash flow related to investment activities | (48,759) | (1,038,420) |
| Receipts / Repayments related to the repayable advances | 44,754 | (8,340) |
| Receipts from capital increases | 9,083,261 | 9,680,132 |

### 8.3.3 Shareholders' equity

The net change in the shareholder's equity of the Company resulted mainly from the combined effect of the net loss for the 2011 fiscal year totaling EUR 7,241,157, reflecting the efforts that the Company devoted in particular to the clinical development of the *Viaskin®* *Peanut* product, on the one hand, and from the positive change related to the raising of up to EUR 9,680,132 in funds in December 2011, corresponding to the second tranche of the capital increase conducted in December 2010, on the other.

| | 31 December | |
|---|---|---|
| | **2010** | **2011** |
| | € | € |
| Shareholders' equity | 8,566,899 | 11,706,617 |

### 8.3.4 Long-term Liabilities

These are primarily the product of the portion of the amounts with repayment periods of more than one year related to the repayable advances granted by OSEO and COFACE and, in lesser amounts, the retirement pension commitments and provisions for foreign exchange fluctuation risks.

As of 31 December 2011, the Company had benefited from a total of four repayable advance programs, including three amounts of financial assistance from OSEO (not bearing interest and 100% repayable in the event of technical and/or commercial success), and one amount of financial assistance from COFACE.

***The first OSEO advance:*** OSEO granted DBV Technologies financial assistance in the amount of EUR 445,000 on 13 June 2003 for a study of the development of a patch-test for screening for allergies, particularly food allergies, and the tool for producing it. All the advances were paid to the Company between 2003 and 2005. The contract stipulated the following four repayment due dates:

- ✓ First repayment of EUR 90,000 in 2006;
- ✓ Second repayment of EUR 120,000 in 2007;
- ✓ Third repayment of EUR 100,000 in 2010;
- ✓ The fourth and final repayment in the amount of EUR 135,000 was made in October 2011.

***The second OSEO advance:*** On 10 January 2005, DBV Technologies obtained from OSEO repayable financial assistance for innovation in the amount of EUR 600,000 for a project to design a high-speed prototype machine for the production and development of second-generation patches intended for the detection of various allergies. All the sums had been collected as of 31 December 2010**.**

The repayment of this assistance is stipulated to be as follows:

| Repayment Amounts | Repayment Due Dates |
|---|---|
| € 140,000.00 | 31/03/2011 |
| € 200,000.00 | 31/03/2012 |
| € 260,000.00 | 31/03/2013 |

The first repayment was made in compliance with the payment schedule.

***The third OSEO advance:*** In 2011, the Company obtained a new amount of assistance in the form of a repayable advance from OSEO Innovation in the total amount of EUR 640,000 in order to finance the development of its program for the treatment of the allergy to proteins in cow's milk. The amount of that advance shall be received as follows:

- o A first payment of EUR 256,000 received on 9 December 2011 when the contract was signed;
- o A second payment of EUR 256,000 beginning on 30 June 2012 upon a call for funds accompanied by a EUR 15 M increase in the shareholders' equity of the Company in the form of a fully-paid capital increase, including the share premium, or convertible bonds or current accounts of shareholders frozen until 31 March 2017;

- The balance, that is, EUR 128,000, after confirmation of the end of the program no later than 15 August 2013.

In the case of the technical or commercial success of the program, the repayment of the advance will be made in 16 quarterly installments stipulated as follows: 4 installments of EUR 64,000 beginning on 31 March 2014, and then 12 installments of EUR 32,000 beginning on 31 March 2015 until 31 December 2017. In the case of a technical or commercial failure, the Company will nevertheless be required to repay OSEO a sum of EUR 256,000.

***The COFACE Advance:*** On 6 September 2007, DBV Technologies signed a prospecting insurance contract with *Compagnie Française d'Assurance pour le Commerce Extérieur* (COFACE) in order to promote its *Diallertest®* product internationally. Under the terms of that contract, the Company received repayable advances of up to EUR 147,534. DBV Technologies must repay these advances in the amount of up to 7% of its revenue from the export sales of its product *Diallertest® Milk*, until 30 April 2017.

As explained in paragraphs 4.1.1 "Risk related to the status of Diallertest®" and 6.6.3 of the *Document de Base*, it is reiterated that since its re-characterization by the competent authorities, *Diallertest®* can be marketed for export only after the implementation of a Phase III clinical study, which has a protocol that must be discussed between the Company and the authorities again, in order to obtain a marketing authorization ([*Autorisation de Mise sur le Marché*] "MA").

See the summary table that appears in paragraph 10.1.2 below.

### 8.3.5 Current Liabilities

This item on the balance sheet mainly includes the short-term debts to third parties, the tax and social security contribution debts (employees and social security agencies), as well as the portion of the amounts with a term of less than one year related to the repayable advances granted by OSEO and COFACE, and finally, revenue posted in advance.

| | **31 December** | |
|---|---|---|
| | **2010** | **2011** |
| **Current Liabilities** | EUR | EUR |
| Conditional advances | 269,587 | 198,171 |
| Supplier accounts payable and related payables | 1,308,521 | 2,204,477 |
| Other current liabilities | 780,793 | 871,173 |
| **Total Current Liabilities** | **2,358,901** | **3,273,822** |

From 2010 to 2011, the increase of nearly 38.8% of the current liabilities is attributable, on the one hand, to the increase in the accounts payable to suppliers (+68.5%) resulting once again in relationship to the intensification of the pre-clinical and clinical programs with the continuation of Phase I of the study related to the *Viaskin® Peanut* patch initiated in July 2010, and, on the other hand, to a slightly higher corporate debt increased from EUR 687,348 to EUR 789,651 as a result, in particular, of provisions for premiums.

# 9 CASH AND CAPITAL

## 9.1 INFORMATION CONCERNING THE CAPITAL, CASH AND CASH EQUIVALENTS, AND SOURCES OF FINANCING OF THE GROUP

Also see Notes 9, 10, and 11 appended to the annual financial statements prepared in accordance with IFRS, which appear in paragraph 20.3.1 of this Update. As of 31 December 2011, the amount of the cash and cash equivalents owned by the Company amounted to EUR 11.5 million, as opposed to EUR 9.0 million as of 31 December 2010.

As of 31 December 2011, just as on 31 December 2010, the cash and cash equivalents included the cash and the current financial instruments owned by the company (mainly investment securities composed of open-ended mutual funds [Sicavs] denominated in Euros and term deposit accounts that can be converted to cash immediately in case of a need for cash).

Since it was incorporated in 2002, the Company has financed itself by the issue of new shares of several categories of stock: shares of common stock, shares of P1, P2, P3, and P4 preferred stock, as well as significant conditional advances granted by OSEO and COFACE.

The analysis of the net financial debt is presented as follows:

| | **31 December** | |
|---|---|---|
| | **2010** | **2011** |
| | € | € |
| **Cash and cash equivalents** | **9,027,891** | **11,531,117** |
| Current Financial Liabilities | 269,587 | 198,171 |
| **Current Financial Debt (A)** | **269,587** | **198,171** |
| Long-term Financial Liabilities | 558,205 | 621,281 |
| **Long-term Financial Debt (B)** | **558,205** | **621,281** |
| **Financial Debt (A) + (B)** | **827,792** | **819,452** |
| **Net Financial Debt** | **(8,200,099)** | **(10,711,665)** |

### 9.1.1 Financing by the capital

From the date it was formed until 31 December 2011, the Company received a total of EUR 38.8 M in shareholders' equity, most of which, that is, EUR 38.7 M, is related to the raising of funds in cash conducted (before deduction of the expenses related to the increases in share capital) by means of increases in share capital. The remainder, that is, EUR 0.1 M, represents the funds resulting from the exercise of tools such as stock warrants (*bons de souscription d'actions*, "BSAs") or founder's warrants (*bons de souscription de parts de créateur d'entreprise*, "BSPCEs") granted to employees and/or executives to secure their loyalty.

| Date | Nature of the Transactions | Gross amount raised |
|---|---|---|
| 06/02/02 | Incorporation | € 38,250.00 |
| 13/03/03 | Capital increase (common stock) | € 139,850.34 |
| 15/05/03 | Exercise of A warrants (BSAs) | € 159,875.10 |
| 30/09/03 | Exercise of B warrants (BSAs) | € 99,737.61 |
| 30/09/03 | Exercise of BSPCEs | € 64,596.00 |
| 02/10/03 | Capital increase (common stock) | € 100,000.08 |
| 02/10/03 | Capital increase (common stock) | € 499,999.78 |
| 23/12/05 | Capital increase by issuing of "P1" stock (preferred stock) | € 354,575.00 |
| 23/12/05 | Capital increase by issuing of "P1" stock (preferred stock) | € 4,000,750.00 |
| 31/03/06 | Exercise of B warrants (BSAs) | € 24,570.00 |
| 15/01/07 | Exercise of T2 warrants (BSAs) | € 7,901,400.00 |
| 21/01/09 | Capital increase by issuing of "P2" stock (ABSAs) | € 4,000,010.00 |
| 21/01/09 | Capital increase by issuing of " P3" stock (ABSAs) | € 1,999,970.00 |
| 21/04/09 | Capital increase by issuing of "P1'" stock (ABSAs) | € 35,360.00 |
| 16/12/10 | Capital increase by issuing of "P4" stock (ABSAs) | € 9,000,068.00 |
| 23/12/10 | Capital increase by issuing of "P4" stock (ABSAs) | € 680,064.00 |
| 09/12/11 | Capital increase by issuing of "P4" stock (ABSAs) (2nd tranche) | € 9,680,132.00 |
| | **Total funds raised** | **€ 38,779,207.91** |

### 9.1.2 Financing by repayable advances

The Company has not taken out any bank loans since it was formed, but has, on the other hand, received four conditional advances that were awarded through four contracts for repayable assistance for innovation with OSEO and a contract with COFACE.

The details concerning these contracts are presented in paragraph 9.3.4 above. The amounts of these contracts have been posted to the accounts as debts up the amount of the sums received.

The transactions involving the repayable advances recognized during the 2010 and 2011 fiscal years are summarized in the table below.

**Changes in the Repayable Advances**

| | 1st OSEO Advance | 2nd OSEO advance | 3rd OSEO advance | COFACE Advance | Total |
|---|---|---|---|---|---|
| **Opening Balance Sheet Debt as of 1/1/2010** | **222,820** | **446,474** | - | **113,744** | **783,038** |
| + receipts | - | 120,000 | - | - | 120,000 |
| - repayments | (100,000) | - | - | - | (100,000) |
| +/- other transactions | 8,139 | 12,319 | - | 4,296 | 24,754 |
| **Balance Sheet Debt as of 31/12/2010** | **130,959** | **578,793** | - | **118,040** | **827,792** |
| + receipts | - | - | 256,000 | - | 256,000 |
| - repayments | (135,000) | (140,000) | - | - | (275,000) |
| +/- other transactions | 4,041 | 11,920 | (9,762) | 4,461 | 10,660 |
| **Balance Sheet Debt as of 31/12/11** | - | **450,713** | **246,238** | **122,501** | **819,452** |

### 9.1.3 Financing by the Research Tax Credit

The company benefits from the provisions in Articles 244 *quater* B and 49 *septies* F of the French Tax Code related to the Research Tax Credit ("CIR"). Since the Company is not capitalizing any R&D expenses until a marketing authorization is obtained for the treatments that have been the object of the clinical developments, the CIR is entirely posted to the accounts as operating revenue.

The changes in this Research Tax Credit during the fiscal years 2010 and 2011 are presented as follows:

| | |
|---|---|
| **Opening Balance Sheet Receivable as of 1 Jan. 2010** | **898,862** |
| + operating revenue | 1,386,989 |
| - payment received | 890,370 |
| **Closing Balance Sheet Receivable as of 31 Dec. 2010** | **1,395,481** |
| | |
| **Opening Balance Sheet Receivable as of 1 Jan. 2011** | **1,395,481** |
| + operating revenue | 1,699,080 |
| - payment received | 1,386,989 |
| **Closing Balance Sheet Receivable as of 31 Dec. 2011** | **1,707,572** |

### 9.1.4 Off-Balance-Sheet commitments

As of 31 December 2011, the off-balance-sheet commitments were related to:

*Obligations under the terms of sub-contracting contracts and/or scientific collaboration agreements*

As it has sub-contracted several important functions, the company has been required to conclude, within the framework of its current operations, sub-contracting contracts or short- or medium-term delegation contracts with various third parties, in France and abroad, which include various obligations that are usual in these circumstances.

a) The Company has sub-contracted to KENDLE International the operational conduct of the Phase I Study for the *Viaskin® Peanut* product within the framework of a Full Service contract dated 4 March 2010 and the Task Order related thereto (see Section 22 of the *Document de Base* registered by the AMF on 30 January 2012 under No. I 12-004). The amount of that study, which began in July 2010, was initially amounted to EUR 2,171,933. An amendment signed on 16 February 2011 increased the total amount of that study to EUR 2,326,582, which was then increased to EUR 2,609,427 by an amendment signed on 17 October 2011.

   As of 31 December 2011, the amount that remained to be paid under the terms of this contract amounted to EUR 161,666.

b) On 30 July 2010, the Company concluded an agreement with *Assistance Publique-Hôpitaux de Paris* (AP-HP) within the framework of a study of the effectiveness and safety of a treatment of the allergy to peanuts by epicutaneous immunotherapy in allergic children. The amount of that study is EUR 418,511. As of 31 December 2011, the amount of the future commitments was equal to EUR 130,776.

c) On 5 December 2011, the Company signed a sub-contracting contract with a CRO within the framework of the launch of its Phase II clinical study for the *Viaskin® Peanut* product. The amount of that study is EUR 5,390,637. As of 31 December 2011, the amount that remained to be paid under that contract for the years 2012 and 2013 was EUR 4,774,907.

*Obligations under the terms of the ordinary rental agreements*

**Premises**: On 28 April 2011, the Company signed a rental agreement with the company SELECTINVEST 1 for its premises. The amount of the future rents and expenses under that agreement was equal to EUR 2,410,465 as of 31 December 2011, with the following payment schedule:

- EUR 251,864 for the years 2012 to 2014;
- EUR 285,768 for the year 2015;
- EUR 309,986 for the years 2016 to 2019;
- EUR 129,161 for the year 2020.

The company has signed various ordinary rental agreements for office equipment. The amount of the future rents under those agreements is broken down as follows as of 31 December 2011:

- 2012: EUR 30,175;
- 2013: EUR 27,242;
- 2014: EUR 23,945;
- 2015: EUR 18,391;
- 2016: EUR 13,488.

## 9.2 CASH FLOWS

### 9.2.1 *Cash flows related to operating activities*

The cash burn related to the operational activities for the fiscal years ended 31 December 2010 and 31 December 2011 amounted to EUR 4,459,432 and EUR 6,130,146 respectively.

During fiscal year 2011, the cash burn related to operating activities increased significantly in comparison with fiscal year 2010 under the effect of the increasing efforts initiated by the Company within its R&D program offset by a reduction of the working capital requirements up to the amount of EUR 200,747 over the past fiscal year.

### 9.2.2 *Cash flows related to investment activities*

The cash burn related to investment activities increased significantly in 2011 as a result of the Company's move to new premises during the summer of 2011, to a total of EUR 1,038,420 as of 31 December 2011, as opposed to EUR 48,759 as of 31 December 2010.

Thus, that increase involved primarily:

- ✓ investments in property, plant, and equipment in the amount of EUR 695,897, including mainly fitting out work in the new premises and laboratory equipment;
- ✓ long-term financial assets representing security deposits of up to EUR 97,095 and pledges of open-ended mutual funds up to the amount of EUR 275,510 made as consideration for the bank guarantee provided to the lessor involving the term of the lease (as a guarantee for ordinary rental agreements).

### 9.2.3 *Cash flows related to financing activities*

The net cash flows related to financing activities amounted to EUR 9,128,015 in 2010 and EUR 9,671,792 in 2011.

The net cash flows related to financing activities are of two types:

- ✓ The receipt in December 2011 in the amount of EUR 9,680,132 related to the second tranche of the capital increase made in December 2010; and

- ✓ A net repayment of the OSEO repayable advances in the amount of EUR 8,340 (see paragraph 10.1.2 for additional details).

## 9.3 INFORMATION CONCERNING THE CONDITIONS OF REPAYABLE ADVANCES AND THE STRUCTURE OF FINANCING

Since the formation of the Company and as set forth above in Note 10.1, the only sources of financing have been:

- The contributions in cash made by its shareholders (Note 10.1.1);
- Repayable advances granted by OSEO and COFACE (see Notes 10.1.2 and 9.3.4 above);
- The sums received within the framework of the reimbursement of the Research Tax Credit debt claims (see Notes 9.2.1.1 and 10.1.3).

## 9.4 RESTRICTIONS ON THE USE OF THE CAPITAL

With the exception of the security deposits and bank guarantees posted to the accounts as long-term financial assets in a total amount of EUR 398,266 as of 31 December 2011, the Company has been faced with no restrictions with respect to the availability of its capital.

## 9.5 SOURCES OF FINANCING NECESSARY IN THE FUTURE

As of 31 December 2011, the amount of the net cash and cash equivalents amounted to EUR 11,531,117.

On the basis of the information known as of the date of this Update and subject to the risk factors that are described herein, the capital increase concomitant with the admission of the shares of the Company's stock to the NYSE Euronext regulated market in Paris has the objective of providing the Company the additional resources to finance the strategy described in paragraph 6.1 of the *Document de Base* registered by the AMF on 30 January 2012 under No. I 12-004, and more specifically:

- primarily, the development of the *Viaskin® Peanut* product for the treatment of the allergy to peanuts in adults and children and *Viaskin® Milk* for the treatment of the allergy to cow's milk in children until the end of the clinical development and the preparation for putting them on the market in Europe;
- then, the pre-clinical and clinical studies concerning *Viaskin® House Dust Mites* for the treatment of allergies to house dust mites in young children (from 0 to 5 years old); and
- finally, the continuation of the efforts of the Company with respect to innovation in food and respiratory desensitization products.

In the event that market conditions do not allow the initial public offering envisaged to be conducted, the company is considering the following alternatives: (i) pursuit of a search for investors within the framework of a private placement, or (ii) discussions with the financial shareholders of the Company to refinance the Company without relying on new investors. However, no decision has been made to date.

# 10 RESEARCH AND DEVELOPMENT, PATENTS, LICENSES, TRADEMARKS, AND DOMAIN NAMES

This section is described in the *Document de base* and remains unchanged, with the exception of paragraph 11.4 "Other intellectual property items", to which the following information must be added:

On 19 December 2011, the Company filed the French trademark "EPIT" and asked its counsel specialized in trademarks to initiate the formalities required to have it extended internationally under priority, to the European Union, Australia, China, Japan, Switzerland, the United States, Israel, and potentially India.

## 11 TRENDS

Since the registration of the *Document de Base* by the AMF on 30 January 2012 under no. I 12-004, the Company has continued its clinical development program, concerning which the most recent data are provided in detail in Section 6.6 of the *Document de Base*.

On 14 February 2012, the Company held an end of Phase I meeting with the Food and Drug Administration ("FDA"). During that meeting, the authorities validated the Phase Ib results presented by the Company and considered the Phase II VIPES study in a positive manner. Furthermore, the FDA requested some adjustments to the development program, which is benefiting from a "Fast Track" procedure, in particular, with respect to the proportions of adults and children to be included the study. The Company is currently assessing the consequences of the modifications requested, and believes that they should be limited and should not significantly affect the initial protocol, the description of which appears in Section 6.6 of the *Document de Base*.

## 12 FORECASTS OR ESTIMATIONS OF THE PROFIT

This section is described in the *Document de Base* and remains unchanged.

# 13 ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND THE OFFICE OF THE CHIEF EXECUTIVE OFFICER

This section is described in the *Document de Base* and remains unchanged.

# 14 COMPENSATION AND BENEFITS

## 14.1 COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

In compliance with the Law of 3 July 2008, the information has been prepared by referring to the Corporate Governance Code for Small and Medium Capitalization Companies [*Code de Gouvernement d'Entreprise pour les Valeurs Moyennes et Petites*] as published in December 2009 by MiddleNext. Tables No. 1, No. 2, No. 3, and No. 10 in the "*Recommandation AMF relative à l'information à donner dans les Document de base sur la rémunération des mandataires sociaux du 22 décembre 2008*" [AMF Recommendation concerning information to be provided in the *Document de Base* concerning the compensation of the corporate officers dated 22 December 2008] are presented below:

**Table No. 1**

| Table Summarizing the Compensation and the founders' warrants (BSPCE) Allocated to Each Corporate Executive Officer | | |
|---|---|---|
| | **Fiscal Year 2010** | **Fiscal Year 2011** |
| **George HORNER III - Chairman of the Board of Directors (1)** | | |
| Compensation due for the fiscal year | **Appointed on** | € 64,100 |
| Valuation of the founders' warrants (BSPCE) allocated during the fiscal year | **23-Dec-10** | € 165,702 |
| Valuation of the performance bonus shares allocated during the fiscal year | | |
| **TOTAL** | **€ 0** | **€ 229,802** |
| **Pierre-Henri BENHAMOU - Chairman -CEO (2)** | | |
| Compensation due for the fiscal year | € 325,875 | € 353,514 |
| Valuation of the founders' warrants (BSPCEs) and stock warrants (BSAs) allocated during the fiscal year (3) | € 21,939 | € 149,786 |
| Valuation of the performance bonus shares allocated during the fiscal year | | |
| **TOTAL** | **€ 347,814** | **€ 503,300** |
| **Jean-François BIRY - Chairman - CEO (4)** | | |
| Compensation due for the fiscal year | € 50,173 | |
| Valuation of the founders' warrants (BSPCEs) allocated during the fiscal year (3) | € 0 | |
| Valuation of the performance bonus shares allocated during the fiscal year | | |
| **TOTAL** | **€ 50,173** | |
| **TOTAL EXECUTIVES** | **€ 397,987** | **€ 733,102** |

(1) Appointed Chairman by the Board of Directors meeting held on 23 December 2010, which opted for the separation of the positions of Chairman and Chief Executive Officer. His annual compensation was modified by the Board of Directors at its meeting on 21 February 2012. Mr. Georges Horner III resigned from his position as Chairman of the Board of Directors on 17 January 2012, a decision enacted by the Board of Directors meeting held that same day, which, therefore, decided to abandon the separation of the positions of Chairman and Chief Executive Officer. During the period presented, he did not receive any compensation;

(2) Appointed Chairman and Chief Executive Officer by the Board of Directors meeting held on 25 February 2010 and confirmed as Chief Executive Officer by the Board of Directors meeting held on 23 December 2010, which opted for the separation of the positions of Chairman and Chief Executive Officer. Following the resignation of Mr. Georges Horner III from his position as Chairman of the Board on 17 January 2012 and the decision by the Board of Directors at a meeting that same day to abandon the separation of the positions of Chairman and Chief Executive Officer, Mr. Benhamou became Chairman and Chief Executive Officer on that same date;

(3) The method of valuation of the securities is described in detail in Note 17 of the Appendix to the financial statements prepared in accordance with IFRS presented in paragraph 20.3.1 below;

(4) Removed from office by the Board of Directors that met on 25 February 2010 and resigned from his position as a member of the Board of Directors on 11 March 2010.

Following the change in the appointment of Mr. Pierre-Henri Benhamou from Chief Executive Officer to Chairman and Chief Executive Officer beginning on 17 January 2012, a subsequent meeting of the Compensation Committee will be held to determine a possible change in the fixed compensation allocated up to then for his term in office as Chief Executive Officer referred to above; the meeting held on 17 February 2012 having had for sole purpose the determination of the exceptional compensation for the fiscal year 2011.

## Table No. 2

| Table Summarizing the Compensation of Each Corporate Executive Officer | | | | |
|---|---|---|---|---|
| | Fiscal Year 2010 | | Fiscal Year 2011 | |
| | Amounts Due | Amount Paid | Amounts Due | Amount Paid |
| **George HORNER III - Chairman of the Board of Directors (1)** | | | | |
| Fixed annual compensation | | | € 64,100 | € 64,100 |
| Variable compensation | | | | |
| Exceptional compensation | | | | |
| Directors' fees | | | | |
| Benefits in kind | | | | |
| **TOTAL** | | | **€ 64,100** | **€ 64,100** |
| **Pierre-Henri BENHAMOU - Chairman and Chief Executive Officer (2)** | | | | |
| Fixed annual compensation (3) | € 245,125 | € 245,125 | € 282,638 | € 282,638 |
| Variable compensation | | | | |
| Exceptional compensation (3) | € 80,750 | € 27,000 | € 70,876 | € 80,750 |
| Directors' fees | | | | |
| Benefits in kind | | | | |
| **TOTAL** | **€ 325,875** | **€ 272,125** | **€ 353,514** | **€ 363,388** |
| **Jean-François BIRY - Chairman and Chief Executive Officer** (4) | | | | |
| Fixed compensation | € 47,333 | € 47,333 | | |
| Variable compensation | € 0 | € 0 | | |
| Exceptional compensation | | | | |
| Directors' fees | | | | |
| Benefits in kind (5) | € 2,840 | € 2,840 | | |
| **TOTAL** | **€ 50,173** | **€ 50,173** | | |
| **TOTAL EXECUTIVE COMPENSATION** | **€ 376,048** | **€ 322,298** | **€ 417,614** | **€ 427,488** |

(1) Appointed Chairman by the Board of Directors meeting held on 23 December 2010, which opted for the separation of the positions of Chairman and Chief Executive Officer. His annual compensation was modified by the Board of Directors at its meeting on 21 January 2012. Mr. Georges Horner III resigned from his position as Chairman of the Board of Directors on 17 January 2012, a decision enacted by the Board of Directors meeting held that same day, which, therefore, decided to abandon the separation of the positions of Chairman and Chief Executive Officer;

(2) Appointed Chairman and Chief Executive Officer by the Board of Directors meeting held on 25 February 2010 and confirmed as Chief Executive Officer by the Board of Directors meeting held on 23 December 2010, which opted for the separation of the positions of Chairman and Chief Executive Officer. Following the resignation of Mr. Georges Horner III from his position as Chairman of the Board on 17 January 2012 and the decision by the Board of Directors at a meeting that same day to abandon the separation of the positions of Chairman and Chief Executive Officer, Mr. Benhamou became Chairman and Chief Executive Officer on that same date;

(3) In 2010, his compensation included both fixed fees of EUR 162,000 related to scientific services provided and compensation for his position as Chairman and Chief Executive Officer beginning on 25 February 2010, and then as Chief Executive Officer. In addition, he was granted exceptional compensation totaling EUR 80,750, including EUR 47,000 excluding taxes representing an additional fee paid within the framework of the agreement with SCP Benhamou for services that were not covered by the monthly fees stipulated in the agreement and a bonus for his position in light, in particular, of the success of the fundraising conducted at the end of December 2010;
In 2011, his fixed compensation included both fixed fees of EUR 164,512 related to scientific services paid within the framework of the agreement with SCP Benhamou and compensation of EUR 118,125 for his position as Chief Executive Officer. Furthermore, total exceptional compensation in the amount of EUR 70,876 was granted to him by the Board of Directors at its meeting on 21 February 2012 as proposed by the Compensation Committee at its meeting on 17 February 2012, corresponding to a bonus related to the fulfillment of the objectives that had been established for him by the Compensation Committee at its meeting on 24 February 2011;

(4) Removed from his position by a Board of Directors meeting on 25 February 2010 and resigned from his position as a member of the Board of Directors on 11 March 2010;

(5) This is a GSC unemployment insurance policy.

## Table No. 3

| Directors' fees and other compensation received by the corporate officers who are not executives | | | | |
|---|---|---|---|---|
| **Corporate Officers who are not Executives** | **Fiscal Year 2010** | | **Fiscal Year 2011** | |
| | **Amounts Due** | **Amounts Paid** | **Amounts Due** | **Amounts Paid** |
| **SOFINNOVA PARTNERS** | | | | |
| Directors' fees | | | | |
| Other compensation | | | | |
| **Torbjorn BJERKE** | | | | |
| Directors' fees | € 6,000 | € 20,000 | € 8,000 | |
| Other compensation (1) | € 11,500 | € 37,500 | | |
| **Peter HUTT** | | | | |
| Directors' fees | € 4,000 | € 6,000 | € 10,000 | |
| Other compensation | | | | |
| **Jens BAGER (2)** | | | | |
| Directors' fees | | | | |
| Other compensation | | | | |
| **Mette AGGER** | | | | |
| Directors' fees | | | | |
| Other compensation | | | | |
| **InnoBio** | | | | |
| Directors' fees | | | | |
| Other compensation | | | | |
| **Flemming PEDERSEN** | | | | |
| Directors' fees | | | | |
| Other compensation | | | | |
| **Stéphane THIROLOIX (2)** | | | | |
| Directors' fees | | € 10,000 | | |
| Other compensation | | | | |
| **TOTAL** | **€ 21,500** | **€ 73,500** | **€ 18,000** | **€ 0** |

(1) The amounts correspond to compensation granted by the Board of Directors for services rendered for the fiscal years 2009 and 2010;
(2) Resigned as of 25 April 2010.

**Table No. 10**

The table below provides details with respect to the conditions governing compensation and other benefits granted to the sole corporate executive officer:

| Corporate Executive Officers | Employment Contract | | Additional Retirement Plan | | Compensation or Benefits that are due or might be due because of a Termination or Change in Position | | Compensation Related to a Non-Compete Clause | |
|---|---|---|---|---|---|---|---|---|
| | **YES** | **NO** | **YES** | **NO** | **YES** | **NO** | **YES** | **NO** |
| **Pierre-Henri BENHAMOU**<br>Chairman and Chief Executive Officer | | **X (1)** | | **X** | | **X** | | **X** |
| *Beginning Date of Term in Office (2)* | 17-Jan-12 | | | | | | | |
| *Date of End of Term in Office* | Ordinary Annual General Meeting called to approve the financial statements for the fiscal year ended 31 December 2011 | | | | | | | |

(1) Pierre-Henri Benhamou does not have an employment contract but rather a service agreement (see paragraph 16.2 of the *Document de Base*);

(2) Appointed Chairman and Chief Executive Officer by the Board of Directors meeting held on 25 February 2010 and confirmed as Chief Executive Officer by the Board of Directors meeting held on 23 December 2010. Following the resignation of Mr. Georges Horner III from his position as Chairman of the Board on 17 January 2012 and the decision by the Board of Directors at a meeting that same day to abandon the separation of the positions of Chairman and Chief Executive Officer, Mr. Benhamou became Chairman and Chief Executive Officer on that same date.

Table No. 8 appears in paragraphs 21.1.4.1 and 21.1.4.2 of the *Document de Base*.

### 14.2 SUMS FOR WHICH PROVISIONS HAVE BEEN MADE BY THE COMPANY FOR THE PURPOSES OF THE PAYMENT OF PENSIONS, RETIREMENT COMMITMENTS, AND OTHER BENEFITS FOR THE MEMBERS OF THE BOARD OF DIRECTORS AND OFFICERS

This section is described in the *Document de Base* and remains unchanged.

### 14.3 STOCK WARRANTS [*BONS DE SOUSCRIPTION D'ACTIONS*, "BSAs], FOUNDERS' WARRANTS [*BONS DE SOUSCRIPTION DE PARTS DE CRÉATEUR D'ENTREPRISE*, "BSPCEs"], OR OTHER SECURITIES GIVING ACCESS TO THE SHARE CAPITAL GRANTED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

This section is described in the *Document de Base* and remains unchanged.

# 15 FUNCTIONING OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

This section is described in the *Document de Base* and remains unchanged.

# 16 EMPLOYEES

## 16.1 HUMAN RESOURCES

During the last fiscal year, the workforce of the Company changed as follows:

| Workforce as of the Closing | 2011 | 2010 |
|---|---|---|
| Pre-clinical development and regulatory affairs | 3 | 2 |
| Clinical development | 1 | 1 |
| Research | 10 | 7 |
| Engineering/Production | 5 | 4 |
| Management, administration | 5 | 3 |
| **TOTAL** | **24** | **17** |

An operational organization chart is included in paragraph 6.6.1 of the *Document de Base*.

The company has one employee delegate. The first round of the most recent elections of the delegates of the employees was held on 24 January 2012.

## 16.2 INTERESTS AND STOCK OPTIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

This section is described in the *Document de Base* and remains unchanged.

## 16.3 EMPLOYEE SHAREHOLDING OF THE SHARE CAPITAL OF THE COMPANY

This section is described in the *Document de Base* and remains unchanged.

## 16.4 PROFIT-SHARING AND SHAREHOLDING AGREEMENTS

This section is described in the *Document de Base* and remains unchanged.

## 17 MAJOR SHAREHOLDERS

This section is described in the *Document de Base* and remains unchanged.

# 18 TRANSACTIONS WITH RELATED PARTIES

The regulated agreements that exist as of this date are indicated in the special report of the statutory auditors presented below.

Since the preparation of the special report of the statutory auditor concerning the 2011 fiscal year, no new regulated agreements have been submitted for authorization by the Board of Directors.

## 18.1 INTRA-GROUP TRANSACTIONS

Not applicable.

## 18.2 TRANSACTIONS WITH RELATED PARTIES

The only transactions with related parties for the 2011 fiscal year were the following:

- the service agreement with SCP Benhamou Vannerom: see paragraph 16.2 of the *Document de Base*;
- the directors' fees paid to the members of the Board of Directors.

Also see Note 21 of the appendices to the financial statements related to the fiscal year ended on 31 December 2011 prepared in accordance with IFRS as adopted by the European Union and presented in paragraph 20.3.1 of this Update.

## 18.3 SPECIAL REPORT OF THE STATUTORY AUDITORS ON CONCERNING THE REGULATED AGREEMENTS - GENERAL MEETING HELD TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2011

*This a free translation into English of the statutory auditors' special report on regulated agreements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

To the Shareholders,

In our capacity of Statutory Auditors of your company, we hereby present to you our report on the regulated agreements.

The terms of our engagement do not require us to identify such other agreements, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.
Furthermore, it is our responsibility, as applicable, to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code concerning the execution, during the course of the last fiscal year, of the agreements that have already been approved by the General Meeting.

We carried out the procedures that we deemed necessary in accordance with the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* related to this assignment. These procedures consisted in verifying the consistency of the information that was provided to us with the relevant source documents.

## AGREEMENTS SUBMITTED FOR APPROVAL BY THE GENERAL MEETING

### Agreements authorized during the past fiscal year

We hereby inform you that we have not received notification of any agreement authorized during the past fiscal year to be submitted to the General Meeting for its approval pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

## AGREEMENTS ALREADY APPROVED BY THE GENERAL MEETING

### Agreements authorized in previous years with continuing effect during the past fiscal year

In accordance with Article R. 225-30 of the French Commercial Code, we have been advised that the following agreements authorised in previous years by the General Meeting have had continuing effect during the past fiscal year.

**Services agreement with SCP Benhamou Vannerom:**

SCP Benhamou Vannerom invoiced DBV Technologies for scientific consulting services, particularly relating to the design of clinical studies and the creation of protocols.

The amount invoiced and expensed during the year ended 31 December 2011 totalled €164,512.68 excluding taxes.

This fee amount for fiscal year 2011 was approved by the Board of Directors on 24 June 2011.

Paris and Neuilly-sur-Seine, 22 February 2012

The Statutory Auditors

CHD AUDIT & CONSEIL
Jean-Marc BULLIER

Deloitte & Associés
Fabien BROVEDANI

# 19 FINANCIAL INFORMATION CONCERNING THE ASSETS, THE FINANCIAL POSITION, AND THE FINANCIAL RESULTS OF THE ISSUER

## 19.1 CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE FISCAL YEARS ENDED ON 31 DECEMBER 2009, 31 DECEMBER 2010, AND 31 DECEMBER 2011

Not applicable. The Company has no subsidiaries and no interests.

### 19.2 PRO FORMA FINANCIAL INFORMATION

Not applicable.

### 19.3 FINANCIAL STATEMENTS OF DBV TECHNOLOGIES S.A.

This part includes both:

- the financial statements of the Company restated in accordance with IFRS for the fiscal year ended 31 December 2011;
- the historical annual financial statements of the Company prepared in compliance with French accounting principles for the fiscal year ended 31 December 2011.

### 19.3.1 Financial statements prepared in accordance with IFRS standards for the fiscal year ended 31 December 2011

| | Note | As of 31 December 2010 | As of 31 December 2011 |
|---|---|---|---|
| | | EUR | EUR |
| **ASSETS** | | | |
| **Fixed Assets** | | | |
| Long-term intangible assets | **4** | 7,602 | 20,512 |
| Property, plant, and equipment | **5** | 326,764 | 849,191 |
| Long-term financial assets | **6** | 74,944 | 398,266 |
| **Total Fixed Assets** | | **409,310** | **1,267,969** |
| **Current assets** | | | |
| Inventories and work in progress | **7** | 105,137 | 34,449 |
| Customer accounts receivable and related receivables | **8** | 3,097 | 775 |
| Other current assets | **8** | 2,028,240 | 2,886,840 |
| Cash and cash equivalents | **9** | 9,027,891 | 11,531,117 |
| **Total Current Assets** | | **11,164,365** | **14,453,181** |
| **TOTAL ASSETS** | | **11,573,676** | **15,721,150** |

| | Note | As of 31 December 2010 | As of 31 December 2011 |
|---|---|---|---|
| | | EUR | EUR |
| **LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Corporate Share Capital | **10** | 462,467 | 882,275 |
| Premiums related to the Share Capital | | 27,660,004 | 17,508,641 |
| Reserves | | (14,751,227) | 556,859 |
| Income or Loss | | (4,804,345) | (7,241,157) |
| **Total Shareholders' Capital** | | **8,566,899** | **11,706,617** |
| **Long-term Liabilities** | | | |
| Conditional advances | **11** | 558,205 | 621,281 |
| Long-term Provisions | **12** | 89,671 | 119,430 |
| **Total Long-term Liabilities** | | **647,876** | **740,711** |
| **Current Liabilities** | | | |
| Conditional advances | **11** | 269,587 | 198,171 |
| Supplier Accounts Payable and Related Payables | **13** | 1,308,521 | 2,204,477 |
| Other current liabilities | **13** | 780,793 | 871,173 |
| **Total Current Liabilities** | | **2,358,901** | **3,273,822** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **11,573,676** | **15,721,150** |

**STATEMENT OF TOTAL INCOME (LOSS)**
(Amounts in Euros)

| | Note | As of 31 December 2010 EUR | As of 31 December 2011 EUR |
|---|---|---|---|
| **Operating Revenues** | | | |
| Sales | **15** | 178,620 | 126,051 |
| Other income | **15** | 1,527,982 | 1,747,520 |
| **Total Income** | | **1,706,602** | **1,873,571** |
| **Operating expenses** | | | |
| Cost of goods sold | | 82,885 | 65,057 |
| Research & Development | **16/17** | 5,061,249 | 6,675,872 |
| Overhead | **16/17** | 1,350,458 | 2,393,583 |
| **Total Expenses** | | **6,494,592** | **9,134,512** |
| **Operating Profit (Loss)** | | **(4,787,991)** | **(7,260,941)** |
| Financial revenues | **18** | 20,538 | 62,383 |
| Financial expenses | **18** | (36,893) | (42,599) |
| **Financial profit (loss)** | | **(16,355)** | **19,784** |
| Corporate tax | **19** | - | - |
| **Net Profit (Loss)** | | **(4,804,345)** | **(7,241,157)** |
| **Basic earnings per share (EUR/share)** | **22** | **(0.94)** | **(1.03)** |

| | As of 31 December 2010 EUR | As of 31 December 2011 EUR |
|---|---|---|
| **Net Profit (Loss)** | **(4,804,345)** | **(7,241,157)** |
| Other items in the total profit (loss): | - | - |
| **Total profit (loss) for the fiscal year** | **(4,804,345)** | **(7,241,157)** |

**STATEMENT OF CASH FLOWS**
(Amounts in Euros)

| | Note | 2010 EUR | 2011 EUR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Results for the reporting period | | (4,804,345) | (7,241,157) |
| **Reconciliation of the net income (or loss) and of the cash used for the operational activities:** | | | |
| Amortization and depreciation | | 159,214 | 170,502 |
| Retirement pension obligations | | (54,595) | 28,323 |
| Other items excluded from the cash | | - | 10,695 |
| Expenses calculated related to the payments in shares | | 104,646 | 700,743 |
| **Operating cash flows before change in working capital** | | **(4,595,081)** | **(6,330,894)** |
| Inventories and work in progress | | (28,757) | 70,688 |
| Customer accounts receivable | | 23,902 | 2,322 |
| Other receivables | | (651,262) | (858,600) |
| Supplier accounts payable | | 477,148 | 895,957 |
| Other current liabilities | | 314,618 | 90,380 |
| **Change in the working capital requirement** | | **135,648** | **200,747** |
| **Net cash flow from operating activities** | | **(4,459,432)** | **(6,130,146)** |
| **Cash flows from investment activities** | | | |
| Acquisitions of property, plant, and equipment | **5** | (48,282) | (695,897) |
| Acquisitions of long-term intangible assets | **4** | (8,435) | (19,201) |
| Acquisitions of long-term financial assets | | - | (323,489) |
| Other cash flows related to investment transactions | | 7,958 | 167 |
| **Net cash flows from investment activities** | | **(48,759)** | **(1,038,420)** |
| **Cash flows from financing activities:** | | | |
| Increase (decrease) in repayable advances | **11** | 44,754 | (8,340) |
| Capital increases | **10** | 9,083,261 | 9,680,132 |
| **Net cash flows from financing activities:** | | **9,128,015** | **9,671,792** |
| **(Decrease) / Increase in cash** | | **4,619,823** | **2,503,226** |
| Cash and cash equivalents at the beginning of the period | | 4,408,068 | 9,027,891 |
| Cash and cash equivalents at the close of the period | **9** | 9,027,891 | 11,531,117 |

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
(Amounts in Euros)

| | Share Capital **Shares of Common Stock** | | | | | |
|---|---|---|---|---|---|---|
| | **Number of Shares (Note 10)** | **Amount** | **Premiums related to the Share Capital** | **Reserves** | **Cumulative Income (Loss)** | **Total Share-holders' Equity** |
| **As of 1 January 2010** | **336,751** | **336,751** | **18,702,460** | **(7,125,859)** | **(7,730,014)** | **4,183,338** |
| Net Income | | | | | (4,804,345) | (4,804,345) |
| Increase in capital | 125,716 | 125,716 | 8,957,545 | | | 9,083,261 |
| Share-based payments | | | | 104,646 | | 104,646 |
| **As of 31 December 2010** | **462,467** | **462,467** | **27,660,004** | **(7,021,213)** | **(12,534,359)** | **8,566,899** |
| Net Income | | | | | (7,241,157) | (7,241,157) |
| Increase in capital | 125,716 | 419,808 | 9,260,325 | | | 9,680,132 |
| Allocation of retained earnings | | | (19,411,688) | 19,411,688 | | - |
| Division of the par value of the stock | 8,234,562 | | | | | - |
| Share-based payments | | | | 700,743 | | 700,743 |
| **As of 31 December 2011** | **8,822,745** | **882,275** | **17,508,641** | **13,091,218** | **(19,775,516)** | **11,706,617** |

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1: The Company

Incorporated in 2002, DBV Technologies S.A. ("the Company") develops and markets innovative products for the diagnosis and treatment of allergies, particularly food allergies.

The Company markets a ready-to-use diagnostic product to detect the allergy to cow's milk in children, launched in France in 2004 and called *Diallertest*®. This product is currently distributed in France. A Phase III clinical trial should be beginning in 2012. The international marketing authorization is expected by the end of 2014.

DBV Technologies is also developing an original electrostatic patch technology, *Viaskin*®, for the purpose of developing the cutaneous administration method in specific immunotherapy, or desensitization.

*Viaskin*® *Peanut* is the first specific immunotherapy product developed by DBV Technologies. Solid pre-clinical data have already been published. The pharmacological development has been able to be conducted as a result of a vast network of collaborations in the United States and in Europe. In June 2010, the FDA approved the start of a tolerance study (Phase Ib) in the United States (IND). Although the interim report on that study was transmitted to the FDA in December 2011, the Company anticipates transmitting the complete results of that study at the end of the second quarter of 2012. The AFSAPPS in France has authorized an effectiveness study sponsored by the AP-HP. In 2012, a Phase IIb study should start in the United States and in Europe.

*Viaskin*® *Milk* is the second product developed within the field of specific immunotherapy. A Phase II pilot study published by Dupont et al. (JACI 2010) has demonstrated the safety and effectiveness of *Viaskin*® *Milk* in children. A European study, in collaboration with the European allergist organizations, is scheduled to be conducted during 2012.

### Note 2: Financial statements of the Company prepared in accordance with IFRS standards voluntarily

These financial statements constitute a set of financial statements that are supplemental to the historical corporate financial statements of the Company which are prepared in accordance with French financial principles.
The transition date adopted by the Company is 1 January 2008.
The financial statements were prepared in compliance with the IFRS standards as adopted by the European Union in effect as of 31 December 2011, for all the reporting periods presented.
The latter are available on the website of the European Commission: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

These financial statements are also in compliance with the standards and interpretations adopted by the International Accounting Standards Board (IASB) as of the same date.

These financial statements prepared in accordance with IFRS standards as of 31 December were approved by the Board of Directors on 21 February 2012. These financial statements are not submitted for approval by the general meeting.

The IFRS 1 standard stipulates exceptions to the retrospective application of the IFRS standards as of the transition date. Within this framework, the Company used no exemption stipulated by the IFRS 1 standard, with the exception of that offered for the posting to the accounts of employee benefits. Therefore, all the cumulative actuarial variances as of the transition date, that is, as of 1 January 2008, are posted to accounts as consideration for initial shareholders' equity.

## Note 3: Accounting principles

### *3.1. Basis of preparation of the financial statements*

The financial statements are presented in Euros.

The preparation of the financial statements in accordance with the IFRS principles requires that estimations be made and assumptions be formulated that affect the amounts and the information provided in the financial statements. The actual results may prove to be significantly different from these estimations depending on various assumptions or conditions and, as applicable, a sensitivity analysis may be implemented if this variation is significant.

The going concern assumption was used by the Board of Directors, considering the following information:

- The historical deficit position of the Company is explained by the innovative character of the products developed, which thus involved a research and development phase of several years preceding the marketing thereof.

- The EUR 11.5 million in cash available as of 31 December 2011 and the anticipated reimbursement in 2012 of the 2011 Research Tax Credit in the amount of EUR 1.7 million should allow the company to cover its cash requirements for the next 12 months.

The standards that have been adopted by the European Union, the application of which is mandatory in the fiscal years that are begun as of 1 January 2011, are:

- IAS 24 as revised "Related Party Disclosures", applicable to the fiscal years already begun, beginning on 1 January 2011;
- the amendment to IFRS 1 "Exemptions from comparative IFRS disclosures for first-time adopters";
- the amendment to IAS 32 "Classification of Rights Issues" applicable to fiscal years already begun, beginning on 1 February 2010;
- the amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" applicable to fiscal years already begun, beginning on 1 January 2011;
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" applicable to fiscal years already begun, beginning on 1 July 2010;
- Annual improvement in the IFRS standards applicable to the fiscal years already begun, starting on 1 January 2011.

The application of these standards will not have a significant impact on the IFRS financial statements.

The Company chose not to apply early the new standards, amendments of standards, and interpretations that have not been adopted by the European Union or the mandatory application of which is after 31 December 2011.

### *3.2 Long-term intangible assets*

In application of the provisions in the IAS 38 standard, the long-term intangible assets acquired are posted as assets on the balance sheet at their acquisition cost.

*Research and development expenses*

The research expenses are consistently posted to the accounts as expenses.

In accordance with IAS 38, the research expenses are posted to the accounts as long-term intangible assets only if all the following criteria are met:

(a) technical feasibility necessary for the completion of the development project,
(b) intention on the part of the Company to complete the project and to utilize it,
(c) capacity to utilize the intangible asset,
(d) proof of the probability of future economic benefits associated with the asset,
(e) availability of the technical, financial, and other resources for completing the project, and
(f) reliable evaluation of the development expenses.

Because of the risks and uncertainties related to the regulatory authorizations and to the research and development process, the Company believes that the 6 criteria stipulated by the IAS 38 standard are only fulfilled once the Marketing Authorization has been obtained.

*Software packages*

The costs related to the acquisition of the licenses to software packages are posted to assets on the basis of the costs incurred to acquire and to implement the software packages in question.

They are amortized using the straight-line method over a period of 1 to 3 years depending on the anticipated period of use.

### *3.3 Property, plant, and equipment*

Property, plant, and equipment are posted at their acquisition cost or, if applicable, at their production cost.

The property, plant, and equipment are depreciated on the basis of the straight-line method over the estimated use period of the property. The fixtures of property rented are depreciated over the term of their own lifetime or of the term of the rental agreement, whichever is shorter.

The depreciation periods used are the following:

Fixtures and improvements in structures.............………………..9 years,
Research and development tools ……………………………….. 5 years,
Production tools ........................................................................... 5 years,
Research equipment and Technical facilities ............................... 5 years,
Office equipment and furniture .................................................... 10 years,
Computer equipment .................................................................... 3 years.

### *3.4 Financial Assets*

The financial assets include the assets available for sale, the assets owned until their maturity, loans and accounts receivable, and the cash and cash equivalents.

The valuation and the accounting treatment of the financial assets and liabilities are defined by the IAS 39 standard "Financial Instruments: Recognition and Measurement".

*Assets owned until their maturity*

These securities are exclusively fixed income or determinable income and have fixed maturities, other than loans and accounts receivable, that the company has the intention and the ability to keep until maturity. After their initial posting at their fair value, they are valued and posted to the accounts at the cost amortized on the basis of the effective interest rate ("EIR") method.
The assets owned until their maturity are the object of a tracking of any objective indication of impairment. A financial asset is impaired if its book value is greater than its recoverable amount as estimated during impairment tests. The impairment is posted to the income statement.

*Loans and Accounts Receivable*

This category includes the other loans and accounts receivable and the commercial receivables.

These instruments are initially posted to the accounts at their fair value and then at the amortized cost calculated with the EIR method. The short term receivables without an interest rate are valued at the amount of the original invoice unless the application of an implicit interest rate has a significant effect. For the loans and variable rate accounts receivable, a periodic re-estimation of the cash flows, in order to reflect the change in the market interest rate, modifies the effective interest rate and therefore the valuation of the loan or of the receivable.

The loans and accounts receivable are the object of a tracking of any objective indication of impairment. A financial asset is impaired if its book value is greater than its recoverable amount as estimated during impairment tests. The impairment is posted to the income statement.

The loans and accounts receivable also include the deposits and guarantees, which are classified under Long-term Financial Assets on the balance sheet.

*Assets at fair value per the income statement*

The assets considered to be held for trading purposes include the assets that the Company intends to resell in the near future in order to realize a capital gain, which is part of a portfolio of financial instruments managed together for which there exists a practice of selling in the short term. The assets held for trading may also include assets voluntarily classified in this category, in a manner that is independent of the criteria listed above ("fair value" option).

*Assets available for sale*

The assets available for sale include, primarily, securities that do not meet the criteria of the definition of the other categories of financial assets. They are valued at their fair value, and the changes in value are posted to shareholders' equity.

The fair value corresponds to the market price for those securities that are listed on the stock exchange or to an estimate of the use value for unlisted securities, determined on the basis of the financial criteria most appropriate for the specific situation of each security. When there is an objective indication of the impairment of these securities, the accumulated impairment that has been posted to shareholders' equity is recognized in the income statement.

### *3.5 Recoverable amount of the long-term intangible assets and*

The property, plant, and equipment and intangible assets that have an established lifetime are subjected to an impairment test when the recoverability of their book value is called into question by the existence of indications of impairment. An impairment is posted to the accounts up to the amount of the excess of the book value over the recoverable value of the asset. The recoverable value of an asset corresponds to its fair value minus the costs of sale or its use value, if the latter is higher.

### *3.6 Inventories and work in progress*

The inventories are posted to the accounts at their cost or at their net liquidation value, if the latter is lower. The inventories are valued on the basis of the FIFO method.

### *3.7 Cash and cash equivalents*

The cash equivalents are owned for the purpose of meeting short-term cash commitments rather than for the objective of investment or for other purposes. They are readily convertible, into a known amount of cash, and are subject to a negligible risk of change in value. The cash and cash equivalents are constituted by liquid assets that are available immediately, long-term investments that can be liquidated immediately without a penalty, and investment securities. They are valued on the basis of the IAS 39 categories under which they fall.
The investment securities are readily convertible into a known amount of cash and are subject to a negligible risk of change in value. They are valued at their fair value, and the changes in value are posted to the financial income or loss.

### *3.8 Share Capital*

The common shares of stock are classified under shareholder's equity. The costs of share capital transactions that are directly attributable to the issue of new shares or options are posted to the books under shareholders' equity as a deduction from the revenue from the issue, net of tax.

### *3.9 Payments in shares of stock*

Since its formation, the Company has established several plans for compensation paid in equity instruments in the form of founders' warrants [*bons de souscription de parts de créateur d'entreprise,* BSPCEs] granted to employees and/or executives and in the form of "stock warrants" [*bons de souscription d'actions*, BSAs] granted to non-employee members of the Board of Directors and scientific consultants. In application of the IFRS 2 standard, the cost of the transactions paid with equity instruments is posted to the accounts as an expense in exchange for an increase in the shareholders' equity for the period during the course of which the rights to be enjoyed from the equity instruments are acquired.

The Company has applied the IFRS 2 standard to all the equity instruments granted, since 2002, to its employees, members of the Board of Directors, natural persons, or to companies.

The options are not subject to any market conditions. The characteristics of the options are presented in Note 17.

### *3.10 Valuation and posting to the accounts of financial liabilities*

*Financial liabilities at the amortized cost*

The borrowings and other financial liabilities are valuated initially at their fair value and then at the amortized cost, calculated on the basis of the effective interest rate ("EIR") method.

The transaction expenses that are directly attributable to the acquisition or to the issue of a financial liability reduce that financial liability. These expenses are then amortized actuarially over the lifetime of the liability, on the basis of the EIR.
The EIR is the rate that equalizes the anticipated flow of future cash outflows with the current net book value of the financial liability in order to deduct its amortized cost therefrom.

*Liabilities at fair value per the income statement*

The liabilities at fair value per the income statement are valued at their fair value.

### *3.11 Subsidies and conditional advances*

The Company receives a certain number of forms of assistance, in the form of subsidies or conditional advances. The details concerning this assistance are provided in Note 11.

The subsidies are posted to the accounts where there exists reasonable assurance that:
- the Company will comply with the conditions attached to the subsidies, and
- the subsidies will be received.

A public subsidy that is to be received either as compensation for expenses or for losses already incurred, or for immediate financial support of the Company without associated future costs, is posted to the accounts as revenue for the fiscal year during the course of which the debt becomes owned as a receivable.

The amount resulting from the benefit of the rate obtained at the time of the granting of repayable advances does not bear interest and is considered a subsidy. This benefit is determined by applying a discount rate equal to the rate of fungible treasury bonds over the time period that corresponds to the time period of the repayment of the advances.

In the event of a change in payment schedule of the stipulated repayments of the repayable advances, the Company makes a new calculation of the net book value of the debt resulting from the discounting of the anticipated new future cash flows. The adjustment that results therefrom is posted to the income statement for the fiscal year during which the modification is recognized.
The advances that can be subject to this type of modification are the Coface advances presented in Note 11.1.

### *3.12 Provisions*

*Provisions for risks and expenses*

The provisions for risks and lawsuits correspond to the commitments resulting from lawsuits and various risks, the due dates and amounts of which are uncertain.

A provision is posted to the accounts when the company has a legal or implicit obligation to a third party resulting from a past event, concerning which it is likely or certain that it will cause an outflow of resources to that third party, without consideration that is anticipated to be at least equivalent to the latter, and that the future outflows of liquid assets can be estimated reliably.

The amount posted to the accounts as a provision is the best estimation of the expenses necessary to extinguish the obligation.

*Retirement pension obligations*

The employees of the Company receive the retirement benefits stipulated by law in France:

- obtaining a compensation paid by the Company to employees upon their retirement (defined benefit plan);
- payment of retirement pensions by the Social Security agencies, which are financed by the contributions made by companies and employees (defined contribution plans).

For the defined benefit plans, the costs of the retirement benefits are estimated by using the projected credit unit method. According to this method, the cost of the retirement pensions is recognized in the income statement in such a manner as to distribute it uniformly over the term of the services of the employees. The retirement benefits commitments are valued at the current value of the future payments estimated using, for the discounting, the market rate based on the long-term obligations of the first-category companies with a term that corresponds to that estimated for the payment of the services provided.
The Company relies on external actuaries to conduct an annual review of the valuation of these plans.

The difference between the amount of the provision at the beginning of a fiscal year and at the close of that year is entirely posted to the accounts as a personnel expense.

The Company's payments for the defined contribution plans are recognized as expenses on the income statement of the period with which they are associated.

### *3.13 Revenue from ordinary business activities*

The sales revenue of the Company results mainly from the sale of the product *Diallertest*®, a kit for diagnosing the allergy to proteins in cow's milk.

The Company posts revenue to the accounts when the amount can be valued reliably, when it is likely that the future economic advantages will benefit the Company, and when the specific criteria are met for the business activity of the Company. For the product sales, the sales revenue is recognized upon delivery.

### *3.14 Other income*

*Subsidies*

Since it was formed, because of its innovative character, the Company has received a certain number of sources of assistance or subsidies from the central Government or from local public authorities, intended to finance its operation or the recruitment of specific personnel.

These subsidies are posted to the accounts as "Other income" for the fiscal year that recorded the corresponding expenses or expenditures, when obtaining the subsidy is reasonably certain.

*Research Tax Credit*

The Research Tax Credit (*Crédit d'Impôt Recherche,* CIR) is granted to companies by the French tax authorities in order to encourage them to conduct technical and scientific research. Companies that prove that they have expenditures that meet the required criteria (research expenditures located in France or, since 1 January 2005, within the European Community or in another State that is a party to the Agreement on the European Economic Area that has concluded a tax treaty with France that contains an administrative assistance clause) receive a tax credit that can be used for the payment of the corporate tax due for the fiscal year in which the expenditures were made and the next three fiscal years, or as applicable, can be reimbursed for the excess portion. The expenditures taken into account for the calculation of the research tax credit involve only research expenses.

The Company has received the Research Tax Credit since it was formed.

The Company received the reimbursement of the Research Tax Credit for the year 2010 during the year 2011. It will request the reimbursement of the 2011 Research Tax Credit under the Community tax rules for small and medium firms in compliance with the regulatory texts in effect.

The CIR is presented under "Other income". The Research Tax Credit for the years 2008 and 2009 was the object of a tax audit in 2011. That audit, which ended on 11 July 2011, did not result in any significant adjustment.

### *3.15 Rental agreements*

The rental agreements involving property, plant, and equipment are classified as finance lease agreements when the Company bears substantially all the benefits and risks inherent in the ownership of the property. The assets that are the object of financing lease agreements are capitalized as of the beginning date of the rental agreement on the basis of the fair value of the rented asset or the discounted values of the future minimum payments, whichever is lower. Each rental payment is distributed between the debt and the financial cost in such a manner as to determine a constant interest rate on the principal that remains due. The corresponding rental obligations, net of the financial expenses, are classified under other long-term debts. The portion of the financial expense that corresponds to the interest is recognized as an expense over the term of the agreement. The property, plant, or equipment acquired within the framework of a finance lease agreement is amortized over the use period or the term of the lease agreement, whichever is shorter.

The rental agreements for which a significant portion of the risks and advantages is preserved by the lessor are classified as ordinary rental agreements. The payments made for these ordinary rental agreements, net of any incentive measures, are recognized as expenses on the income statement in a linear manner over the term of the agreement.

### *3.16 Taxes*

*Income tax*

Deferred taxes are recognized for all the temporary differences arising from the difference between the tax basis and the accounting basis of the assets and liabilities that appear in the financial statements. The primary temporary differences are related to the tax losses that can be carried forward or backward. The tax rates that have been ratified by a legal text as of the closing date are utilized to determine the differed taxes.

The deferred tax assets are posted to the accounts only to the extent that it is likely that the future profits will be sufficient to absorb the losses that can be carried forward or backward. Considering its stage of development, which does not allow income projections judged to be sufficiently reliable to be made, the Company has not posted assets net of deferred taxes to the balance sheet.

### *3.17 Sectoral information*

The Company operates in a single operating segment: the conduct of research and development of epicutaneous immunotherapy products in order to market them in the future. The assets, liabilities, and the operating loss realized are located in France.

### *3.18 Other items in the comprehensive profit (or loss)*

The revenue and expense items for the period that are not posted to the income statement as stipulated by the applicable standards are presented, as necessary, under the rubric "Other items in the comprehensive profit (or loss)."

### *3.19 Decisive accounting estimates and judgments*

The estimates and judgments made by the management while implementing the accounting methods described above are based on the historical information and on other factors, in particular, on the anticipation of future events judged to be reasonable in light of the circumstances. These estimates and judgments involve mainly:
- the valuation of the fair value of the founders' warrants (BSPCEs) granted to employees and/or executives and stock warrants (BSAs) granted to non-employee members of the Board of Directors and scientific consultants and to service providers is performed on the basis of actuarial models; these models require the use by the Company of certain calculation assumptions such as the expected volatility of the security;
- the estimation of the repayments of the repayable advances obtained by the Company from public institutions. The anticipated repayments of the advances are analyzed at the closing of each fiscal year.

### *3.20 Events after the close of the fiscal year*

The balance sheet and the income statement of the Company are adjusted to reflect the subsequent events that alter the amounts related to the situations that exist as of the closing date. The adjustments are made until the date the financial statements are approved by the Board of Directors.

The other events following the closing date that have not resulted in adjustments are presented in Note 24.

## Note 4: Long-term intangible assets

The long-term intangible assets are broken down as follows:

| | 2010 | 2011 |
|---|---|---|
| Patents, licenses, trademarks | 29,038 | 29,848 |
| Software packages | 26,757 | 45,149 |
| **Total historical cost** | **55,795** | **74,997** |
| Accumulated amort. of patents, licenses, and trademarks | 29,038 | 29,578 |
| Accumulated depreciation of software packages | 19,155 | 24,907 |
| **Accumulated amortization and depreciation** | **48,193** | **54,485** |
| **Net total** | **7,602** | **20,512** |

There has been no recognition of impairment losses in application of the IAS 36 standard over the fiscal years presented.

## Note 5: Property, plant, and equipment

| | 01/01/2010 | Increase | Decrease | 2010 |
|---|---|---|---|---|
| Laboratory equipment | 507,075 | 41,350 | - | 548,425 |
| Building fixtures | 183,185 | - | - | 183,185 |
| Office equipment | 74,605 | - | - | 74,605 |
| Computer equipment | 77,340 | 6,932 | - | 84,272 |
| Other property, plant, and equipment | 48 | - | - | 48 |
| **Total, gross** | **842,253** | **48,282** | **-** | **890,536** |
| Accumulated depreciation of laboratory equipment | 224,630 | 83,486 | - | 308,116 |
| Accumulated depreciation of the fixtures in structures | 95,247 | 53,912 | - | 149,159 |
| Accumulated depreciation of office equipment | 25,789 | 7,461 | - | 33,250 |
| Accumulated depreciation of computer equipment | 62,258 | 10,941 | - | 73,199 |
| Accumulated depreciation of other property, plant, and equipment | 28 | 20 | - | 48 |
| **Total accumulated amortization and depreciation** | **407,953** | **155,819** | **-** | **563,772** |
| **Total, net** | **434,301** | | | **326,764** |

| | 2010 | Increase | Decrease | 2011 |
|---|---|---|---|---|
| Laboratory equipment | 548,425 | 128,370 | - | 676,795 |
| Building fixtures | 183,185 | 466,109 | 183,185 | 466,109 |
| Office equipment | 74,605 | 42,357 | - | 116,962 |
| Computer equipment | 84,272 | 59,062 | - | 143,334 |
| Other property, plant, and equipment | 48 | - | - | 48 |
| **Total, gross** | **890,536** | **695,897** | **183,185** | **1,403,247** |
| Accumulated depreciation of laboratory equipment | 308,116 | 95,145 | - | 403,262 |
| Accumulated depreciation of the fixtures in structures | 149,159 | 44,778 | 172,490 | 21,447 |
| Accumulated depreciation of office equipment | 33,250 | 9,893 | - | 43,143 |
| Accumulated depreciation of computer equipment | 73,199 | 12,957 | - | 86,156 |
| Accumulated depreciation of other property, plant, and equipment | 48 | - | - | 48 |
| **Total accumulated amortization and depreciation** | **563,772** | **162,774** | **172,490** | **554,056** |
| **Total, net** | **326,764** | | | **849,191** |

Over the 2 fiscal years presented, the acquisitions correspond primarily to fitting out of the buildings and to laboratory and production equipment and materiel. The increase in the fixtures in structures item is related to the improvements made in the Company's new premises.

## Note 6: Long-term financial assets

(Amounts in Euros)

| | 2010 | 2011 |
|---|---|---|
| Security deposits | 25,661 | 122,756 |
| Capitalized securities | 49,283 | 275,510 |
| **Total long-term financial assets** | **74,944** | **398,266** |

The long-term financial assets are composed of security deposits paid to the lessor and of open-ended mutual funds (*sociétés d'investissement à capital variable* "SICAVs") pledged as guarantees of the ordinary rental agreements. The increase in this item is a result of the payment of the security deposit for the lease for the new premises and from the increase in the open-ended mutual funds pledged as a guarantee of that lease.

## Note 7: Inventories and Work in Progress

(Amounts in Euros)

| | 2010 | 2011 |
|---|---|---|
| Inventories of raw materials | 53,621 | 31,149 |
| Finished products inventories | 51,516 | 3,300 |
| Depreciation of inventories and work in progress | - | - |
| **Total net value of the inventories and work in progress** | **105,137** | **34,449** |

The inventories and work in progress involve the *Diallertest*® product.

## Note 8: Customer accounts receivable and other current assets

### *8.1 Customer accounts receivable and related receivables*

(Amounts in Euros)

| | 2010 | 2011 |
|---|---|---|
| Customer accounts receivable and related receivables | 13,097 | 13,872 |
| Depreciation of customer receivables | 10,000 | 13,097 |
| **Total net value of customer accounts receivable** | **3,097** | **775** |

All the customer accounts receivable have payment terms of less than one year.

The customer accounts receivable and related receivables relate primarily to the sales of *Diallertest*®. Considering the prospects for recovering some debt claims, a provision of EUR 10,000 was posted to the accounts on 31 December 2010, and an additional provision of EUR 3,097 was posted to the accounts on 31 December 2011.

### *8.2 Other current assets*

The other current assets are broken down as follows:

(Amounts in Euros)

| | 2010 | 2011 |
|---|---|---|
| Employees and related accounts | 614 | - |
| Research tax credit | 1,395,481 | 1,707,572 |
| Other tax claims | 533,655 | 462,470 |
| Other receivables | 19,326 | 71,391 |
| Prepaid expenses | 79,164 | 645,407 |
| **Total** | **2,028,240** | **2,886,840** |

The other tax debt claims are primarily related to the deductible VAT as well as to the reimbursement of VAT that has been requested.

The prepaid expenses correspond mostly to expenses incurred within the framework of the refinancing projects (listing on the financial markets or private fund raising) as well as to rents, insurance, and reservations for conferences.

*Research Tax Credit*

The company benefits from the provisions in Articles 244 *quater* B and 49 *septies* F of the French Tax Code related to the Research Tax Credit (*Crédit d'Impôt Recherche*, "CIR"). In compliance with the principles described in Note 3.14, the Research Tax Credit is posted to the accounts as "other income" during the year with which the eligible research expenditures are associated.

The changes in this Research Tax Credit over the last two fiscal years are presented as follows:

| | |
|---|---|
| **Opening Balance Sheet Receivable as of 1 Jan. 2010** | **898,862** |
| + operating revenue | 1,386,989 |
| - payment received | 890,370 |
| **Closing Balance Sheet Receivable as of 31 Dec. 2010** | **1,395,481** |
| | |
| **Opening Balance Sheet Receivable as of 1 Jan. 2011** | **1,395,481** |
| + operating revenue | 1,699,080 |
| - payment received | 1,386,989 |
| **Closing Balance Sheet Receivable as of 31 Dec. 2011** | **1,707,572** |

The Research Tax Credit for the years 2008 and 2009 was the object of a tax audit in 2011. That audit, which ended on 11 July 2011, did not result in any significant adjustment.

## Note 9: Cash and cash equivalents

The cash and cash equivalents item is broken down as follows (in Euros):

| | **2010** | **2011** |
|---|---|---|
| Cash | 650,395 | 105,564 |
| Term deposits | - | 1,526,599 |
| Investment securities | 8,377,496 | 9,898,954 |
| **Total** | **9,027,891** | **11,531,117** |

## Note 10: Capital

### *10.1 Share capital issued*

The share capital, as of 31 December 2011, is set at the sum of EUR 882,274.50 (eight hundred eighty-two thousand two hundred seventy-four Euros and fifty cents). It is divided into 8,822,745 fully subscribed and paid-up shares with a par value of € 0.1.

This number does not include stock warrants (*Bons de Souscription d’Actions*, “BSAs”) and founders' warrants (*Bons de Souscription de Parts de Créateur d’Entreprise*, “BSPCEs”) granted to certain investors and to certain natural persons, both employees and non-employees of the Company.

All the shares give their owners the right to a proportional share of the income and the net assets of the Company.

The table below presents the historical changes in the share capital of the Company since it was created on 6 February 2002:

| Date | Nature of the Transactions | Share Capital | Premium | Number of Shares | Par Value |
|---|---|---|---|---|---|
| 06/02/2002 | Creation | € 38,250.00 | | 3,825 | € 10.00 |
| 13/03/2003 | Capital increase (common stock) | € 4,330.00 | € 135,520.34 | 433 | € 10.00 |
| 15/05/2003 | Exercise of A' warrants (BSAs) | € 4,950.00 | € 154,925.10 | 495 | € 10.00 |
| 30/09/2003 | Exercise of B warrants (BSAs) | € 2,470.00 | € 97,267.61 | 247 | € 10.00 |
| 30/09/2003 | Exercise of BSPCEs | € 2,000.00 | € 62,596.00 | 200 | € 10.00 |
| /02/10/2003 | Capital increase (common stock) | € 1,800.00 | € 98,200.08 | 180 | € 10.00 |
| 02/10/2003 | Capital increase (common stock) | € 7,750.00 | € 492,249.78 | 775 | € 10.00 |
| 23/12/2005 | Division of the par value by 10 | | | 55,395 | € 1.00 |
| 23/12/2005 | Capital increase by issuing of "P1" stock | € 5,455.00 | € 349,120.00 | 5,455 | € 1.00 |
| 23/12/2005 | Capital increase by issuing of "P1" stock | € 61,550.00 | € 3,939,200.00 | 61,550 | € 1.00 |
| 31/03/2006 | Exercise of warrants (BSAs) | € 378.00 | € 24,192.00 | 378 | € 1.00 |
| 18/01/07 | Exercise of warrants (Tranche 2 BSAs) | € 121,560.00 | € 7,779,840.00 | 121,560 | € 1.00 |
| | **Sub-total as of 31 December 2008** | **€ 250,493.00** | **€ 13,133,110.91** | **250,493** | € 1.00 |
| | Expenses posted to the accounts minus the share premium | | -€ 232,996.27 | | |
| | **Balance as of 31 December 2008** | **€ 250,493.00** | **€ 12,900,114.64** | **250,493** | € 1.00 |
| 21/01/2009 | Capital increase by issuing of shares of "P2" stock | € 57,143.00 | € 3,942,867.00 | 57,143 | € 1.00 |
| 21/01/2009 | Capital increase by issuance of "P3" stock | € 28,571.00 | € 1,971,399.00 | 28,571 | € 1.00 |
| 21/04/2009 | Capital increase by issuance of "P1" stock | € 544.00 | € 34,816.00 | 544 | € 1.00 |
| | **Sub-total as of 31 December 2009** | **€ 336,751.00** | **€ 18,849,196.64** | **336,751** | € 1.00 |
| | Expenses posted to the accounts minus the premium | | -€ 147,961.53 | | |
| | **Balance as of 31 December 2009** | **€ 336,751.00** | **€ 18,701,235.11** | **336,751** | € 1.00 |
| 16/12/2010 | Capital increase by issuance of "P4" stock | € 116,884.00 | € 8,883,184.00 | 116,884 | € 1.00 |
| 23/12/2010 | Capital increase by issuance of "P4" stock | € 8,832.00 | € 671,232.00 | 8,832 | € 1.00 |
| | **Sub-total as of 31 December 2010** | **€ 462,467.00** | **€ 28,255,651.11** | **462,467** | **€ 1.00** |
| | Expenses posted to the accounts minus the premium | | -€ 596,871.50 | | |
| | **Balance as of 31 December 2010** | **€ 462,467.00** | **€ 27,658,779.61** | **462,467** | € 1.00 |
| 09/12/2011 | Capital increase by issuance of "P4" stock | € 125,716.00 | € 9,554,416.00 | 125,716 | € 1.00 |
| 09/12/2011 | Capital increase by incorporation of reserves and increase in the par value of the stock | € 294,091.50 | -€ 294,091.50 | | |
| 09/12/2011 | Application of the retained earnings to the premium | | -€ 19,411,688.00 | | |
| 09/12/2011 | Division of the par value of the stock | | | 8,234,562 | |
| | **Balance as of 31 December 2011** | **€ 882,274.50** | **€ 17,507,416.11** | **8,822,745** | **€ 0.10** |

The shares of stock called "Category P preferred stock" have rights in addition to those of the shares called "shares of common stock", primarily, enhanced financial rights, preferential rights in the event of the sale, merger, or liquidation of the Company.

The expenses of share capital increases have been posted to the accounts after deduction of the share premium.

### *10.2 Stock warrants, founders' warrants shares*

The company has issued stock warrants (BSAs) and founders' warrants (BSPCEs) as follows:

| Date | Type | Number of warrants issued as of 31/12/2010 | Number of warrants that were null and void as of 31/12/2010 | Number of warrants outstanding as of 31/12/2010 | Maximum number of shares of stock to be issued | Subscription price per share |
|---|---|---|---|---|---|---|
| 23/12/2005 | BSA/BSPCE | 17,115 | 17,115 | - | - | € 65.00 |
| 07/12/2007 | BSA | 1,717 | 572 | 1,145 | 1,145 | € 65.00 |
| 21/01/2009 | BSA/BSPCE | 16,380 | - | 16,380 | 16,380 | € 65.00 |
| 21/01/2009 | BSPCE | 2,296 | - | 2,296 | 2,296 | € 70.00 |
| 25/06/2010 | BSA | 1,825 | - | 1,825 | 1,825 | € 65.00 |
| | **Total** | **39,333** | **17,687** | **21,646** | **21,646** | |

| Date | Type | Number of warrants issued as of 31/12/2011 | Number of warrants that were null and void as of 31/12/2011 | Number of warrants outstanding as of 31/12/2011 | Maximum number of shares of stock to be issued | Subscription price per share |
|---|---|---|---|---|---|---|
| 23/12/2005 | BSA/BSPCE | 17,115 | 17,115 | - | - | € 65.00 |
| 07/12/2007 | BSA | 1,717 | 572 | 1,145 | 1,145 | € 65.00 |
| 21/01/2009 | BSA/BSPCE | 16,380 | - | 16,380 | 16,380 | € 65.00 |
| 21/01/2009 | BSPCE | 2,296 | - | 2,296 | 2,296 | € 70.00 |
| 25/06/2010 | BSA | 1,825 | - | 1,825 | 1,825 | € 65.00 |
| 28/01/2011 | BSA | 10,039 | - | 10,039 | 10,039 | € 77.00 |
| 24/06/2011 | BSA/BSPCE | 32,000 | - | 32,000 | 32,000 | € 77.00 |
| 22/112011 | BSA/BSPCE | 11,377 | - | 11,377 | 11,377 | € 77.00 |
| | **Total** | **92,749** | **17,687** | **75,062** | **75,062** | |

The total presented above does not include the warrants cancelled prior to 31 December 2009.

The impact of the share-based payments on the net income (or loss) is presented in Note 17.

## Note 11: Borrowings and financial debts

### *11.1 Repayable advances*

The conditional advances from public institutions are the object of contracts with OSEO and COFACE.

As of 31 December 2011, the Company had three advance contracts with OSEO Innovation and a contract with COFACE. These advances do not bear interest and are 100% repayable at their nominal value in the event of technical and/or commercial success.

The portion of the conditional advances for terms longer than one year is posted to long-term liabilities, while the portion for terms of less than one year is posted to current liabilities.

The table below presents the details of the debts recorded on the balance sheet by the type of repayable advance (amounts in Euros):

| | 1st OSEO assistance | 2nd OSEO assistance | 3rd OSEO assistance | COFACE | Total |
|---|---|---|---|---|---|
| **Opening Balance Sheet Debt as of 1/1/2010** | **222,820** | **446,474** | - | **113,744** | **783,038** |
| + receipts | - | 120,000 | - | - | 120,000 |
| - repayments | (100,000) | - | - | - | (100,000) |
| +/- other transactions | 8,139 | 12,319 | - | 4,296 | 24,754 |
| **Balance Sheet Debt as of 31/12/2010** | **130,959** | **578,793** | - | **118,040** | **827,792** |
| + receipts | - | - | 256,000 | - | 256,000 |
| - repayments | (135,000) | (140,000) | - | - | (275,000) |
| +/- other transactions | 4,041 | 11,920 | (9,762) | 4,461 | 10,660 |
| **Balance Sheet Debt as of 31/12/11** | - | **450,713** | **246,238** | **122,501** | **819,452** |

The changes that appear in "Other transactions" involve the discounting of the conditional advances.

The first OSEO advance

OSEO granted DBV Technologies financial assistance in the amount of EUR 445,000 on 13 June 2003 for a study of the development of a patch-test for screening for allergies, particularly food allergies, and the tool for producing it. The principal steps of this advance were the following:

- All the advances were paid to the Company between 2003 and 2005;
- First repayment of EUR 90,000 in 2006;
- Second repayment of EUR 120,000 in 2007;
- Third repayment of EUR 100,000 in 2010;
- The fourth and final repayment in the amount of EUR 135,000 was made in 2011.

The second OSEO advance

On 10 January 2005, DBV Technologies obtained from OSEO repayable financial assistance for innovation in the amount of EUR 600,000 for a project to design a high-speed prototype machine for the production and development of second-generation patches intended for the detection of various allergies. The principal steps of this advance are the following:

- EUR 300,000 were paid to the Company in 2005 upon the signing of the contract;
- EUR 180,000 were paid to the Company in 2008;
- the balance of EUR 120,000 was received in 2010.

The terms of repayment are the following:

- The first repayment of EUR 140,000 made in 2011;
- The second repayment in the amount of EUR 200,000 will be made on 31 March 2012;
- The third and final repayment in the amount of EUR 260,000 will be made on 31 March 2013.

The third OSEO advance

In 2011, the Company was notified by Oséo Innovation of a grant of a new amount of assistance in the form of a repayable advance of up to EUR 640,000 to finance the development of its program of treatment of the allergy to proteins in cow's milk.

The amount of the assistance will be paid as follows:

- EUR 256,000 after the contract is signed;
- EUR 256,000 beginning on 31 March 2012 upon a call for funds;
- the balance of EUR 128,000 after confirmation of the end of the program no later than 15 August 2013.

The first payment of EUR 256,000 was received in 2011.

In the event of technical or commercial success of the program, the repayment schedule will be the following:

- EUR 64,000 no later than 31 March 2014;
- EUR 64,000 no later than 30 June 2014;
- EUR 64,000 no later than 30 September 2014;
- EUR 64,000 no later than 31 December 2014;
- EUR 32,000 no later than 31 March 2015;
- EUR 32,000 no later than 30 June 2015;
- EUR 32,000 no later than 30 September 2015;
- EUR 32,000 no later than 31 December 2015;
- EUR 32,000 no later than 31 March 2016;
- EUR 32,000 no later than 30 June 2016;
- EUR 32,000 no later than 30 September 2016;
- EUR 32,000 no later than 31 December 2016;
- EUR 32,000 no later than 31 March 2017;
- EUR 32,000 no later than 30 June 2017;
- EUR 32,000 no later than 30 September 2017;
- EUR 32,000 no later than 31 December 2017.

Regardless of the outcome of the development program, a fixed sum of EUR 256,000 must be repaid in 4 quarterly installments of EUR 64,000 beginning on 31 March 2014.

The COFACE advance

On 6 September 2007, DBV Technologies signed a prospecting insurance contract with *Compagnie Française d'Assurance pour le Commerce Extérieur* (COFACE) in order to promote its *Diallertest*® product internationally. Under the terms of that contract, the Company received repayable advances of up to EUR 147,534. DBV Technologies must repay these advances in amounts of up to 7% of its revenue from the export sales of its *Diallertest*® product, until 30 April 2017. As of 31 December 2011, the nominal amount that remained to be repaid under this advance amounted to EUR 147,534 (EUR 147,534 as of 31 December 2010). There was no repayment made during the period. The advances are being repaid in an amount of up to a percentage of the export sales of its *Diallertest*® product.

The accounting treatment resulting from any changes in the anticipated flow of repayments of this advance is described in Note 3.11.

### *11.2 Due dates of the financial liabilities*

Due dates of the financial liabilities posted as of 31 December 2010
(Amounts in Euros)

| | Gross Amount | Due in less than One Year | Due in One to Five Years | Due in More than Five Years |
|---|---|---|---|---|
| **Financial LIABILITIES** | | | | |
| Long-term conditional advances | 558,205 | - | 440,165 | 118,040 |
| Long-term provisions | 89,671 | - | - | 89,671 |
| Current conditional advances | 269,587 | 269,587 | - | - |
| Supplier accounts payable and related payables | 1,308,521 | 1,308,521 | - | - |
| Other current liabilities | 780,793 | 780,793 | - | - |
| **Total financial liabilities** | **3,006,777** | **2,358,901** | **440,165** | **207,711** |

Due dates of the financial liabilities posted as of 31 December 2011
(Amounts in Euros)

| | Gross Amount | Due in less than One Year | Due in One to Five Years | Due in More than Five Years |
|---|---|---|---|---|
| **Financial LIABILITIES** | | | | |
| Long-term conditional advances | 621,281 | - | 621,281 | - |
| Long-term provisions | 119,430 | - | - | 119,430 |
| Current conditional advances | 198,171 | 198,171 | - | - |
| Supplier accounts payable and related payables | 2,204,477 | 2,204,477 | - | - |
| Other current liabilities | 871,173 | 871,173 | - | - |
| **Total financial liabilities** | **4,014,532** | **3,273,821** | **621,281** | **119,430** |

The other current liabilities are composed primarily of social security contribution debts.

### Note 12: Long-term provisions

| | 2010 | 2011 |
|---|---|---|
| Retirement commitments | 89,671 | 117,994 |
| Miscellaneous | - | 1,436 |
| **Total** | **89,671** | **119,430** |

***Commitments for Compensation Payable to Employees upon their Retirement***

| | **Amount in EUR** |
|---|---|
| **As of 1 January 2010** | **(144,266)** |
| Costs of services rendered (operating expense) | (35,396) |
| Interest expense | (6,635) |
| Benefit paid | - |
| Actuarial losses | 96,626 |
| **As of 31 December 2010** | **(89,671)** |
| Costs of services rendered (operating expense) | (21,574) |
| Interest expense | (3,854) |
| Benefit paid | - |
| Actuarial gains | (2,895) |
| **As of 31 December 2011** | **(117,994)** |

Within the framework of the estimation of the retirement commitments, the following assumptions were used for all the categories of employees:

| | **2010** | **2011** |
|---|---|---|
| % social security contributions | 50% | 50% |
| Salary increases | 3,3% | 3,3% |
| Discount rate | 4,30% | 3,50% |

- Retirement age: 64 years old (managers); 62 years old (non-managers)
- Terms of retirement: voluntary retirement
- Mortality table: TGH05-TGF05
- Collective agreement: *Convention Collective Nationale de l'Industrie Pharmaceutique* [National Collective Agreement in the Pharmaceutical Industry]
- Turn-over of the personnel declining with age.

The discount rates come from the references in the Bloomberg F66710Y IND index.

No retirement was recorded during the 2 fiscal years presented.

## Note 13: Supplier accounts receivable and other current liabilities

### *13.1 Supplier accounts payable and related payables*

Of the supplier accounts payable and related payables, no discounting was performed to the extent that the amounts did not present payment terms longer than 1 year at the end of each fiscal year presented.

### *13.2 Other current liabilities*

(Amounts in Euros)

| | 2010 | 2011 |
|---|---|---|
| Social security contribution liabilities | 687,348 | 789,651 |
| Tax liabilities | 19,700 | 28,816 |
| Other debts | 22,268 | 11,233 |
| Income posted in advance | 51,477 | 41,473 |
| **Total** | **780,793** | **871,173** |

The other liabilities include the short-term debts to employees and social welfare and tax agencies.

## Note 14: Financial instruments posted to the balance sheet and the effect on the income statement

| 2010 | Value on the Balance Sheet | Fair value per the Income Statement | Loans and Accounts Receivable | Debt at the Amortized Cost | Non-financial Instruments |
|---|---|---|---|---|---|
| **Financial ASSETS** | EUR | EUR | EUR | EUR | EUR |
| Assets available for sale | - | | | | |
| Other long-term financial assets | 74,944 | 49,283 | 25,661 | | |
| Inventories and Work in Progress | 105,137 | | | | 105,137 |
| Net customer accounts receivable | 3,097 | | 3,097 | | |
| Other current financial assets | 2,028,240 | | | | 2,028,240 |
| Cash equivalents | 8,377,496 | 8,377,496 | | | |
| **Total financial assets** | **10,588,914** | **8,426,779** | **28,758** | **-** | **2,133,377** |
| | | | | | |
| **Financial LIABILITIES** | | | | | |
| Short-term conditional advances | 558,205 | | | 558,205 | |
| Long-term provisions | 89,671 | | | 89,671 | |
| Short-term conditional advances | 269,587 | | | 269,587 | |
| Supplier accounts payable and other liabilities | 2,089,314 | | | 2,089,314 | |
| **Total financial liabilities** | **3,006,776** | **-** | **-** | **3,006,776** | **-** |

*Not for distribution, directly or indirectly, in Australia, Canada, Japan or the United States*

| 2011 | Value on the Balance Sheet | Fair value per the Income Statement | Loans and Accounts Receivable | Debt at the Amortized Cost | Non-financial Instruments |
|---|---|---|---|---|---|
| **Financial ASSETS** | EUR | EUR | EUR | EUR | EUR |
| Assets available for sale | | | | | |
| Other long-term financial assets | 398,266 | 275,510 | 122,756 | | |
| Inventories and Work in Progress | 34,449 | | | | 34,449 |
| Net customer accounts receivable | 775 | | 775 | | |
| Other current financial assets | 2,886,840 | | | | 2,886,840 |
| Cash equivalents | 11,425,553 | 11,425,553 | | | |
| **Total financial assets** | **14,745,883** | **11,701,063** | **123,531** | **-** | **2,921,289** |
| | | | | | |
| **Financial LIABILITIES** | | | | | |
| Short-term conditional advances | 621,281 | | | 621,281 | |
| Long-term provisions | 119,430 | | | 119,430 | |
| Short-term conditional advances | 198,171 | | | 198,171 | |
| Supplier accounts payable and other liabilities | 3,075,651 | | | 3,075,651 | |
| **Total financial liabilities** | **4,014,532** | **-** | **-** | **4,014,532** | **-** |

| | Amounts on the Income Statement (€) | |
|---|---|---|
| | **2010** | **2011** |
| Financial revenues | 20,538 | 62,383 |
| Financial expenses | (36,893) | (42,599) |

## Note 15: Operating Revenues

The operating income is broken down in the following manner:

(Amounts in Euros)

| | 2010 | 2011 |
|---|---|---|
| Sales revenue | 178,620 | 126,051 |
| Research Tax Credit | 1,386,989 | 1,687,376 |
| Subsidies | 140,993 | 60,144 |
| **Total** | **1,706,602** | **1,873,571** |

The sales revenue of the Company is composed of the sale of the *Diallertest*® products.

## Note 16: Operating expenses

The research and development expenditures are broken down as follows:

| | 31 December | |
|---|---|---|
| | **2010** | **2011** |
| **R&D Expenses** | EUR | EUR |
| Personnel Expenses | 1,252,739 | 1,936,739 |
| Sub-contracting, Collaboration, and Consultants | 2,780,246 | 3,786,136 |
| Research Supplies | 428,114 | 482,724 |
| Real Estate property rental | 150,799 | 227,731 |
| Conferences, Travel expenses | 254,481 | 159,941 |
| Allowances for provisions and amortization and depreciation | 155,304 | 42,901 |
| Others | 39,567 | 39,701 |
| **Total R&D expenses** | **5,061,249** | **6,675,872** |

By type, the distribution of the overhead is as follows:

| | 31 December | |
|---|---|---|
| **Overhead** | **2010** | **2011** |
| | EUR | EUR |
| Personnel expenses | 605,832 | 1,021,162 |
| Fees | 460,710 | 692,972 |
| Real Estate property rental | 30,562 | 103,410 |
| Insurance policies | 56,463 | 54,025 |
| Communication, entertainment and Travel expenses | 60,117 | 343,128 |
| Postal and Telecommunications Expenses | 26,886 | 46,666 |
| Administrative supplies and rentals of personal property | 34,718 | 34,715 |
| Others | 75,169 | 97,505 |
| **Total overhead** | **1,350,458** | **2,393,583** |

*Personnel Expenses*

The Company employed 24 persons as of 31 December 2011, in comparison with 17 as of 31 December 2010.

The personnel expenses are broken down as follows (in Euros):

| | 2010 | 2011 |
|---|---|---|
| Wages and salaries | 1,251,507 | 1,570,746 |
| Social security contributions | 557,013 | 658,089 |
| Expenses for retirement commitments | (54,595) | 28,323 |
| Payments in shares | 104,646 | 700,743 |
| **Total** | **1,858,571** | **2,957,901** |

**Note 17: Payments in shares of stock**

The payments in shares of stock involve all the warrants (BSAs/BSPCEs) granted to employees, non-employee members of the Board of Directors, scientific consultants, or service providers.

The warrants granted might be exercised at any time after a vesting period of between 0 and 4 years and become null and void after a period of 10 years from the date they are granted. The acquisition of the warrants by the recipients is not subject to market conditions. The expense representing the benefit granted is posted to the accounts using the straight-line method as a personnel expense over the period of acquisition of the rights.

They are broken down as follows:

The table below provides the result of the unit valuations of the warrants granted excluding the effect of turnover and reiteration of the assumptions on which they are based:

| Type | Award Date | Vesting Date | Expiration Date | Exercise Price | Price | Volatility | Dividend Rate | Maturity | Risk-free rate | Purchase Price | Warrant Price | Number of Warrants Granted |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BSPCE2 | 23/12/2005 | 23/12/2005 | 22/12/2013 | € 65 | € 65 | 40% | 0% | 4.00 | 3.00% | € - | € 22.93 | 4,279 |
| | | 23/12/2006 | 22/12/2013 | € 65 | € 65 | 40% | 0% | 4.50 | 3.00% | € - | € 24.34 | 4,279 |
| | | 23/12/2007 | 22/12/2013 | € 65 | € 65 | 40% | 0% | 5.00 | 3.06% | € - | € 25.75 | 4,279 |
| | | 23/12/2008 | 22/12/2013 | € 65 | € 65 | 40% | 0% | 5.50 | 3.06% | € - | € 27.00 | 4,278 |
| BSA | 07/12/2007 | 07/12/2008 | 06/12/2015 | € 65 | € 65 | 40% | 0% | 4.50 | 4.06% | € 3.25 | € 25.43 | 431 |
| | | 07/12/2009 | 06/12/2015 | € 65 | € 65 | 40% | 0% | 5.00 | 4.09% | € 3.25 | € 26.87 | 431 |
| | | 07/12/2010 | 06/12/2015 | € 65 | € 65 | 40% | 0% | 5.50 | 4.09% | € 3.25 | € 28.20 | 428 |
| | | 07/12/2011 | 06/12/2015 | € 65 | € 65 | 40% | 0% | 6.00 | 4.10% | € 3.25 | € 29.47 | 427 |
| BCEX | 21/01/2009 | 21/01/2010 | 20/01/2019 | € 70 | € 70 | 40% | 0% | 5.50 | 2.71% | € - | € 28.64 | 574 |
| | | 21/01/2011 | 20/01/2019 | € 70 | € 70 | 40% | 0% | 6.00 | 2.98% | € - | € 30.25 | 574 |
| | | 21/01/2012 | 20/01/2019 | € 70 | € 70 | 40% | 0% | 6.50 | 2.98% | € - | € 31.46 | 574 |
| | | 21/01/2013 | 20/01/2019 | € 70 | € 70 | 40% | 0% | 7.00 | 3.11% | € - | € 32.79 | 574 |
| BSA 2 | 21/01/2009 | 21/01/2009 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 5.00 | 2.71% | € 0.01 | € 29.06 | 4,822 |
| | | 21/01/2010 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 5.50 | 2.71% | € 0.01 | € 30.33 | 2,680 |
| | | 21/01/2011 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 6.00 | 2.98% | € 0.01 | € 31.90 | 1,072 |
| | | 21/01/2012 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 6.50 | 2.98% | € 0.01 | € 33.06 | 1,072 |
| | | 21/01/2013 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 7.00 | 3.11% | € 0.01 | € 34.35 | 1,070 |
| BSA 4 | 21/01/2009 | 21/01/2009 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 5.00 | 2.71% | € - | € 29.06 | 2,411 |
| | | 21/01/2010 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 5.50 | 2.71% | € - | € 30.33 | 1,340 |
| | | 21/01/2011 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 6.00 | 2.98% | € - | € 31.90 | 536 |
| | | 21/01/2012 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 6.50 | 2.98% | € - | € 33.06 | 536 |
| | | 21/01/2013 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 7.00 | 3.11% | € - | € 34.35 | 535 |
| BSAX | 21/01/2009 | 21/01/2010 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 5.50 | 2.71% | € 0.01 | € 30.33 | 77 |
| | | 21/01/2011 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 6.00 | 2.98% | € 0.01 | € 31.90 | 77 |
| | | 21/01/2012 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 6.50 | 2.98% | € 0.01 | € 33.06 | 77 |
| | | 21/01/2013 | 20/01/2019 | € 65 | € 70 | 40% | 0% | 7.00 | 3.11% | € 0.01 | € 34.35 | 75 |
| | 25/06/2010 | 25/06/2011 | 24/06/2020 | € 65 | € 70 | 40% | 0% | 5.50 | 2.04% | € 0.01 | € 29.48 | 457 |
| | | 25/06/2012 | 24/06/2020 | € 65 | € 70 | 40% | 0% | 6.00 | 2.23% | € 0.01 | € 30.89 | 457 |
| | | 25/06/2013 | 24/06/2020 | € 65 | € 70 | 40% | 0% | 6.50 | 2.23% | € 0.01 | € 32.00 | 456 |
| | | 25/06/2014 | 24/06/2020 | € 65 | € 70 | 40% | 0% | 7.00 | 2.50% | € 0.01 | € 33.45 | 455 |
| BSA2010 | 28/01/2011 | 23/12/2011 | 27/01/2021 | € 77 | € 77 | 40% | 0% | 5.45 | 2.70% | € 0.01 | € 31.34 | 2,510 |
| | | 23/12/2012 | 27/01/2021 | € 77 | € 77 | 40% | 0% | 5.95 | 2.82% | € 0.01 | € 32.91 | 2,510 |
| | | 23/12/2013 | 27/01/2021 | € 77 | € 77 | 40% | 0% | 6.45 | 2.82% | € 0.01 | € 34.24 | 2,510 |
| | | 23/12/2014 | 27/01/2021 | € 77 | € 77 | 40% | 0% | 6.95 | 3.04% | € 0.01 | € 35.85 | 2,509 |
| | 24/06/2011 | 23/12/2011 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 5.45 | 2.55% | € 0.01 | € 31.16 | 2,000 |
| | | 23/12/2012 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 5.95 | 2.68% | € 0.01 | € 32.71 | 2,000 |
| | | 23/12/2013 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 6.45 | 2.68% | € 0.01 | € 34.03 | 2,000 |
| | | 23/12/2014 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 6.95 | 2.87% | € 0.01 | € 35.58 | 2,000 |
| | 09/12/2011 | 22/11/2012 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 5.45 | 2.23% | € 0.01 | € 30.70 | 335 |
| | | 22/11/2013 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 5.95 | 2.60% | € 0.01 | € 32.58 | 335 |
| | | 22/11/2014 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 6.45 | 2.60% | € 0.01 | € 33.89 | 334 |
| | | 22/11/2015 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 6.95 | 2.85% | € 0.01 | € 35.54 | 334 |
| BSPCE2010 | 24/06/2011 | 23/12/2011 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 5.45 | 2.55% | € - | € 31.16 | 6,000 |
| | | 23/12/2012 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 5.95 | 2.68% | € - | € 32.71 | 6,000 |
| | | 23/12/2013 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 6.45 | 2.68% | € - | € 34.03 | 6,000 |
| | | 23/12/2014 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 6.95 | 2.87% | € - | € 35.58 | 6,000 |
| | 15/12/2011 | 22/11/2012 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 5.44 | 2.05% | € - | € 30.42 | 2,510 |
| | | 22/11/2013 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 5.94 | 2.42% | € - | € 32.29 | 2,510 |
| | | 22/11/2014 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 6.44 | 2.42% | € - | € 33.58 | 2,510 |
| | | 22/11/2015 | 22/11/2021 | € 77 | € 77 | 40% | 0% | 6.94 | 2.66% | € - | € 35.20 | 2,509 |
| **Total** | | | | | | | | | | | | **92,749** |

The details of the expense posted to the accounts for the fiscal years 2010 and 2011 are described as follows, by plan:

*Flow of the expense as of 31 December 2010:*

| Type | Award Date | Number of Options Outstanding | Probable Estimated Cost of the Plan | Accumulated Expense as of 31/12/2009 | 2010 Expense | Accumulated Expense as of 31/12/2010 |
|---|---|---|---|---|---|---|
| BSPCE2 | 23/12/2005 | - | € 427,959 | € 427,959 | € - | € 427,959 |
| BSA | 07/12/2007 | 1,145 | € 34,278 | € 32,433 | € 118 | € 32,551 |
| BSA 2 | 21/01/2009 | 10,716 | € 326,549 | € 250,806 | € 43,878 | € 294,684 |
| BSA 4 | 21/01/2009 | 5,358 | € 163,328 | € 125,445 | € 21,946 | € 147,391 |
| BSAX | 21/01/2009 | 306 | € 9,829 | € 4,644 | € 2,929 | € 7,573 |
| BCEX | 21/01/2009 | 2,296 | € 70,096 | € 32,923 | € 20,886 | € 53,809 |
| BSAX | 25/06/2010 | 1,825 | € 56,225 | € - | € 14,889 | € 14,889 |
| **Total** | | **21,646** | **1,088,264** | **874,210** | **104,646** | **978,856** |

*Flow of the expense as of 31 December 2011:*

| Type | Award Date | Number of Options Outstanding | Probable Estimated Cost of the Plan | Accumulated Expense as of 31/12/2010 | 2011 Expense | Accumulated Expense as of 31/12/11 |
|---|---|---|---|---|---|---|
| BSPCE2 | 23/12/2005 | - | € 427,959 | € 427,959 | € - | € 427,959 |
| BSA | 07/12/2007 | 1,145 | € 34,348 | € 32,551 | € 1,797 | € 34,348 |
| BSA 2 | 21/01/2009 | 10,716 | € 326,764 | € 294,684 | € 27,244 | € 321,928 |
| BSA 4 | 21/01/2009 | 5,358 | € 163,436 | € 147,391 | € 13,626 | € 161,017 |
| BSAX | 21/01/2009 | 306 | € 9,845 | € 7,573 | € 1,932 | € 9,505 |
| BCEX | 21/01/2009 | 2,296 | € 70,173 | € 53,809 | € 13,891 | € 67,700 |
| BSAX | 25/06/2010 | 1,825 | € 55,545 | € 14,889 | € 31,996 | € 46,885 |
| BSA 2010 | 28/01/2011 | 10,039 | € 331,900 | € - | € 165,702 | € 165,702 |
| | 24/06/2011 | 8,000 | € 262,798 | € - | € 108,897 | € 108,897 |
| | 09/12/2011 | 1,338 | € 43,310 | € - | € 1,371 | € 1,371 |
| BSPCE2010 | 24/06/2011 | 24,000 | € 788,630 | € - | € 326,794 | € 326,794 |
| | 15/12/2011 | 10,039 | € 321,982 | € - | € 7,493 | € 7,493 |
| **Total** | | **75,062** | **2,836,689** | **978,856** | **700,743** | **1,679,599** |

The accumulated expense posted to the accounts as of 1 January 2010 was EUR 874,210, fully recognized in reserves for the fiscal years 2005 to 2009.

The expense posted to the income statement in 2010 was EUR 104,646.
The expense posted to the income statement in 2011 was EUR 700,743.

The primary assumptions used for the determination of the expense resulting from payments in shares by application of the Black-Scholes option valuation model have been the following:

- Risk-free interest rate: rate of state borrowings (GFRN index),
- Dividend: none,
- Volatility: 40%, corresponding to the average of the historic volatility rates of a panel of comparable companies listed on the stock exchange,

- Turnover:
  - 1% per year for 2010,
  - 1% per year for 2011.
- Anticipated lifetime: 5.45 to 7 years.

The exercise prices, anticipated lifetime, and fair value of the underlying shares on the grant date of the warrants were used for the valuation of each category of compensation in stock shares.

The detailed information concerning the number of options per category and the exercise prices is presented in Note 10.2.

**Note 18: Financial revenue and expenses**

The financial income and expenses are broken down as follows (in Euros):

| | 2010 | 2011 |
|---|---|---|
| Financial revenues | 20,538 | 62,383 |
| Financial expenses | (36,893) | (42,599) |
| **Total** | **(16,355)** | **19,784** |

The financial income is principally comprised of capital gains on the disposals of investment securities. The foreign exchange losses and the expenses related to the accretion of the Oséo and Coface advances constitute the financial expenses.

**Note 19: Tax expense**

In accordance with the legislation in effect, the Company has tax losses that can be carried forward indefinitely in France in a total amount of EUR 32,331,513 as of 31 December 2011 (EUR 24,100,668 as of 31 December 2010). The asset basis of deferred taxation net of the temporary passive differences was not posted to assets as a cautionary measure, in application of the principles described in Note 3.16.

The tax rate applicable to the Company is the rate in effect in France, that is, 33.33%.

**Note 20: Commitments**

Obligations under the terms of the ordinary rental agreements

On 28 April 2011, the Company signed a rental agreement with the company SELECTINVEST 1 for its premises. The amount of the future rents and expenses under those agreements is broken down as follows as of 31 December 2011:

| | **31/12/2011** |
|---|---|
| The Year 2012 | 251,864 |
| The Year 2013 | 251,864 |
| The Year 2014 | 251,864 |
| The Year 2015 | 285,768 |
| The Year 2016 | 309,986 |
| The Year 2017 | 309,986 |
| The Year 2018 | 309,986 |
| The Year 2019 | 309,986 |
| The Year 2020 | 129,161 |
| **Total** | **2,410,465** |

The company has signed various ordinary rental agreements for office equipment. The amount of the future rents under those agreements is broken down as follows as of 31 December 2011:

- 2012: EUR 30,175;
- 2013: EUR 27,242;
- 2014: EUR 23,945;
- 2015: EUR 18,391;
- 2016: EUR 13,488.

*Obligations under the terms of other agreements*

As it has sub-contracted several important functions, the company has been required to conclude, within the framework of its current operations, sub-contracting contracts or short- or medium-term delegation contracts with various third parties, in France and abroad, which include various obligations that are usual in these circumstances.

On 10 May 2010, the Company signed a sub-contracting contract with a CRO, Kendle International, within the framework of the launch of its Phase I clinical study for the *Viaskin*® *Peanut* product. The amount of that study, which began in July 2010, totals EUR 2,171,933. An amendment signed on October 2011 brought the total amount of that study to EUR 2,609,427.

As of 31 December 2011, the amount that remained to be paid under the terms of this contract in the year 2012 amounted to EUR 161,666.

On 30 July 2010, the Company concluded an agreement with *Assistance Publique-Hôpitaux de Paris* (AP-HP) within the framework of a study of the effectiveness and safety of a treatment of the allergy to peanuts by epicutaneous immunotherapy in allergic children. The amount of that study was equal to EUR 418,511. As of 31 December 2011, the amount of the future commitments amounted to EUR 130,776.

On 5 December 2011, the Company signed a sub-contracting contract with a CRO within the framework of the launch of its Phase II clinical study for the *Viaskin® Peanut* product. The amount of that study is equal to EUR 5,390,637.

As of 31 December 2011, the amount that remained to be paid under that contract for the years 2012 and 2013 was EUR 4,774,907.

**Note 21: Relationships with related parties**

The compensation amounts presented below, which were awarded to the members of the Board of Directors of the Company, were posted to the accounts as expenses during the course of the fiscal years presented (in Euros):

| | 2010 | 2011 |
|---|---|---|
| Members of the Board of Directors | 178,548 | 253,101 |
| Directors' fees | 10,000 | 18,000 |
| Payments in shares to the members of the Board of Directors | 39,836 | 350,614 |
| Fees paid to SCP Benhamou Vannerom | 209,000 | 164,513 |
| **Total** | **437,384** | **786,228** |

The methods for valuation of the benefit related to share-based payments are presented in Note 17. The fees paid to SCP Benhamou Vannerom correspond to scientific consulting services, in particular, to the design of the clinical studies and the production of the protocols.

Statement of the debts to related parties as of 31 December:

| | 2010 | 2011 |
|---|---|---|
| Exceptional compensation | 80,750 | 70,876 |
| Directors' fees | 11,000 | 28,000 |
| SCP Benhamou Vannerom | 76,096 | - |
| Retirement pension obligations | 2,813 | 8,177 |
| **Total** | **170,659** | **107,053** |

**Note 22: Earnings per share**

*Basic earnings*

The basic earnings per share is calculated by dividing the net income going to the shareholders of the Company by the weighted average number of shares of common and preferred stock outstanding during the course of the fiscal year. The weighted average number of shares was 342,262 in 2010 and 470,044 in 2011. Considering the division of the par value of the shares of the Company's stock by 15, decided by the general meeting held on 9 December 2011, this number of shares has been adjusted, by multiplying it by 15, for all the fiscal years presented.

| | As of 31 December | |
|---|---|---|
| | **2010** | **2011** |
| Results of the reporting period | (4,804,345) | (7,241,157) |
| Adjusted weighted average number of outstanding shares | 5,133,928 | 7,050,666 |
| **Basic earnings per share (€/share)** | **(0.94)** | **(1.03)** |

The instruments that entitle their holders to a portion of the share capital on a deferred basis (BSAs, BSPCEs) are considered to be anti-dilutive since they cause an increase in the earnings per share. These instruments are presented in detail in Note 17. Therefore, the diluted earnings per share are identical to the basic earnings per share.

**Note 23: Management of the financial risks**

The principal financial instruments of the Company are comprised of financial assets, cash, and investment securities. The objective of the management of these instruments is to allow the business activities of the Company to be financed. The Company's policy is to not subscribe to financial instruments for speculative purposes. The Company does not utilize derivatives.
The principal risks to which the Company is exposed are interest rate risk and credit risk.

*Liquidity risk*

The Company could need to strengthen its shareholder's equity or rely on additional financing in order to ensure its development.

Since it was formed, the Company has financed its growth by reinforcing its shareholders' equity through a succession of increases in the share capital, obtaining public assistance in support of innovation, and reimbursements of Research Tax Credit claims, but has never utilized bank loans. Therefore, the Company is not exposed to a liquidity risk resulting from the implementation of any early repayment clauses in loan agreements for such borrowings.

As of this date, the Company believes that it is not exposed to a short-term liquidity risk considering the cash and cash equivalents that it had available as of 31 December 2011, that is, EUR 11,531,117.

Significant research and development efforts and expenditures related to clinical studies have been initiated since the start-up of the Company's business, which has thus far generated negative operating cash flows.

The Company will continue to have significant financing requirements in the future for the development of its technology, the continuation of its clinical development program, and the equipment for its own pharmaceutical laboratory, as well as for the production and marketing of its products in the future. It is possible that the company will find itself unable to self-finance its growth, which would compel it to seek other sources of financing, particularly through new increases in share capital.

The level of the financing requirements of the Company and how they are spaced out over time depend on factors that are largely beyond the control of the Company such as:

- higher costs and slower progress than anticipated for its research and development and clinical studies programs;

- the costs of preparing, filing, defending, and maintaining its patents and other intellectual property rights;

- higher costs and longer time periods than anticipated for obtaining the regulatory authorizations for the marketing of its products as well as for gaining access to insurance reimbursement for them, including the time required to prepare the applications to the competent authorities; and

- costs for responding to changes in the *Viaskin*® technology and for conducting the manufacturing and marketing of some or all of its products;

- new opportunities to develop new products or to acquire technologies, products, or companies.

It is possible that the Company will be unable to obtain additional capital when it needs it, or that such capital may not be available on financial terms that are acceptable to the Company. If the necessary funds are not available, the Company could have to:

- delay, reduce, or eliminate the number or the scope of its pre-clinical and clinical trials program;

- grant licenses to its technologies to partners or third parties; or

- conclude new collaboration agreements on terms that are less favorable terms to it than those that it could have obtained in a different context.

In addition, to the extent that the Company raises capital by issuing new shares of stock, the investment of its shareholders could be diluted. Furthermore, financing by debt, to the extent that it is available, could also include restrictive conditions for the Company and its shareholders.

The materialization of one or more of these risks could have a material adverse effect on the Company, its business, its financial position, its earnings, its development, and its prospects.

*Interest rate risk*

The Company's exposure to interest rate risk primarily involves investment securities. The latter are composed of money market funds and time deposit accounts. Changes in interest rates have a direct impact on the rate of return on these investments and the cash flows generated.

The Company has no variable rate debt. The flows of repayments of its debts are not subject to interest rate risk.

The repayment of the repayable advances may vary depending on whether or not objectives are attained. The change in the flows of the anticipated repayments is treated in the income statement (Note 3.11).

As of this date, the Company has not contracted borrowings from credit institutions and, therefore, has only very low exposure to interest rate risk.

*Credit risk*

The credit risk related to the cash, the cash equivalents, and the current financial instruments is not significant in light of the quality of the co-contracting financial institutions.

*Fair value*

The fair value of financial instruments traded on an active market, such as the available-for-sale securities, is based on the market rate as of the closing date. The market prices used for the financial assets owned by the Company are the bid prices in effect on the market as of the valuation date.

The nominal value, less the provisions for depreciation, of the accounts receivable and current debts, is presumed to approximate the fair value of those items.

**Note 24: Events after the close of the fiscal year**

On 30 January 2012, the Company had a *Document de Base* registered by the *Autorité des Marchés Financiers* under Number I. 12-004 for the purpose of a listing of the Company's stock on the NYSE-Euronext stock exchange in Paris, which should occur during the course of 2012, depending on the market conditions and after issuance of a stamp of approval on the *Document de Base* related to the transaction.

### 19.3.2 Annual financial statements for the fiscal year ended 31 December 2011 prepared in accordance with French accounting principles

## BALANCE SHEET - ASSETS

| (in Euros) | 31-Dec-11 | | | 31-Dec-10 |
|---|---|---|---|---|
| | Gross | Prov. for amort./dep. | Net | Net |
| Licenses, patents, and similar rights | 74,997 | 54,485 | 20,512 | 7,602 |
| Technical facilities, equipment, and tools | 671,795 | 403,262 | 268,533 | 257,054 |
| Other property, plant, and equpment | 726,452 | 150,794 | 575,658 | 80,255 |
| Advances and deposits | 380,716 | 375,716 | 5,000 | 5,000 |
| Other long-term financial assets | 398,266 | - | 398,266 | 25,661 |
| **TOTAL FIXED ASSETS** | **2,252,226** | **984,257** | **1,267,969** | **375,572** |
| Raw materials, supplies | 31,149 | - | 31,149 | 53,621 |
| Intermediate and finished products | 3,300 | - | 3,300 | 51,516 |
| Customer accounts receivable and related receivables | 13,872 | 13,097 | 775 | 13,097 |
| Other accounts receivable | 2,239,997 | - | 2,239,997 | 1,949,076 |
| Investment securities | 11,425,553 | - | 11,425,553 | 49,283 |
| Cash | 105,564 | - | 105,564 | 9,027,891 |
| Prepaid expenses | 645,407 | - | 645,407 | 79,164 |
| **TOTAL CURRENT ASSETS** | **14,464,842** | **13,097** | **14,451,745** | **11,223,648** |
| Foreign currency translation differences on | 1,436 | - | 1,436 | - |
| **TOTAL ASSETS** | **16,718,503** | **997,354** | **15,721,150** | **11,599,221** |

## BALANCE SHEET - LIABILITIES

| (in Euros) | 31-Dec-11 | 31-Dec-10 |
|---|---|---|
| Corporate or individual share capital | 882,275 | 462,467 |
| Share, merger, capital contribution, and other premiums | 17,508,641 | 27,660,004 |
| Retained earnings | - | (14,450,614) |
| **Profit (Loss) for the fiscal year** | **(6,568,913)** | **(4,961,074)** |
| Regulated provisions | - | 15,546 |
| **TOTAL SHAREHOLDERS' EQUITY** | **11,822,003** | **8,726,329** |
| Conditional advances | 863,534 | 898,056 |
| **TOTAL OTHER SHAREHOLDERS' EQUITY** | **863,534** | **898,056** |
| Provisions for risks | 1,436 | - |
| Provisions for expenses | - | - |
| **TOTAL PROVISIONS FOR RISKS AND EXPENSES** | **1,436** | **-** |
| Borrowings and loans from credit institutions | 1,233 | 1,410 |
| Supplier accounts payable and related payables | 2,204,477 | 1,308,521 |
| Tax and social security debts | 818,467 | 644,048 |
| Other debts | 10,000 | 20,857 |
| **TOTAL DEBTS** | **3,034,177** | **1,974,837** |
| Foreign currency translation differences on liabilities | - | - |
| **TOTAL LIABILITIES** | **15,721,150** | **11,599,221** |

## INCOME STATEMENT

| (in Euros) | | 31-Dec-11 | 31-Dec-10 |
|---|---|---|---|
| Sales of merchandise purchased for sale | | 174,267 | 184,394 |
| Prod. sold - services | | 4,745 | 2,568 |
| **Sales Revenue** | | **179,012** | **186,961** |
| Production stored in inventory | | (48,216) | (8,342) |
| Operating subsidies | | 55,602 | 113,333 |
| Recaptures of provisions and dep./amort., transfers of expenses | | 27,723 | 64,784 |
| Other revenue | | 24,745 | 251 |
| **Total operating revenue** | **(I)** | **238,866** | **356,988** |
| Change in inventory | | 22,471 | (37,090) |
| Other purchases and external expenses | | 6,018,649 | 4,436,826 |
| Taxes, levies, and similar payments | | 32,116 | 26,768 |
| Salaries and other other compensation | | 1,589,727 | 1,164,507 |
| Social security expenses | | 658,024 | 579,174 |
| Allowances for amort./dep. on fixed assets | | 182,163 | 151,098 |
| Other expenses | | 21,577 | 11,796 |
| **Total operating expenses** | **(II)** | **8,524,728** | **6,333,079** |
| **OPERATING INCOME (OR LOSS) (I-II)** | | **(8,285,862)** | **(5,976,092)** |
| Positive foreign exchange differences | | 3,820 | 4,107 |
| Net revenue on sales of investment securities | | 58,563 | 16,431 |
| **Total financial revenue** | **(III)** | **62,383** | **20,538** |
| Allowances for amortization, depreciation, and provisions | | 1,436 | - |
| Interest and similar expenses | | 11,460 | 2,533 |
| Negative foreign exchange differences | | 8,983 | 5,764 |
| **Total financial expenses** | **(IV)** | **21,879** | **8,297** |
| **INANCIAL PROFIT (LOSS) (III-IV)** | | **40,504** | **12,241** |
| **CURRENT PROFIT (LOSS) BEFORE TAXES (I-II+III-IV)** | | **(8,245,358)** | **(5,963,850)** |
| Exceptional revenue on management operations | | 15,546 | - |
| **Total exceptional revenue** | **(V)** | **15,546** | **-** |
| Exceptional expenses on management operations | | 26,477 | 384,213 |
| **Total exceptional expenses** | **(VI)** | **26,477** | **384,213** |
| **EXCEPTIONAL INCOME (LOSS) (V-VI)** | | **(10,931)** | **(384,213)** |
| Income taxes | | (1,687,376) | (1,386,989) |
| **PROFIT (LOSS) FOR THE FISCAL YEAR** | | **(6,568,913)** | **(4,961,074)** |

## APPENDIX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### Note 1 - ACCOUNTING RULES & METHODS

The annual financial statements for the fiscal year ended 31 December 2011 were prepared and presented in conformity with the accounting rules in compliance with the principle of prudence and independence of the fiscal years, and on the basis of the going concern assumption.
The annual financial statements were prepared in compliance with the provisions of the French Commercial Code, the Accounting Decree of 29 November 1983, as well as the regulations in CRC [French Accounting Standards Committee] Notice No. 99-03 dated 29 April 1999 concerning the rewriting of the General Accounting Plan.

The going concern assumption was used by the Board of Directors, considering the following information:

- The historical deficit position of the Company is explained by the innovative character of the products developed, which has thus involved a research and development phase of several years preceding the marketing thereof.

- The EUR 11.5 million in cash available as of 31 December 2011 and the anticipated reimbursement in 2012 of the 2011 Research Tax Credit in the amount of EUR 1.7 million should allow the company to cover its cash requirements for the next 12 months.

### 1.1. LONG-TERM INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment and long-term intangible assets appear on the balance sheet at their contribution value or at their initial acquisition cost. The depreciation of property, plant, and equipment is calculated on the basis of the linear or declining balance method, which allows the economic depreciation of these capital assets to be taken into account.
Upon the closing of the account books, when events or market changes indicate the need for depreciation and/or amortization of the long-term intangible assets and property, plant, and equipment to be foreseen, the future discounted income from the business involved is compared to the net value of its assets. As applicable, exceptional depreciation or amortization of the corresponding assets are posted to reduce them to their use value.

#### 1.1.1. LONG-TERM INTANGIBLE ASSETS

The research expenses are posted to the accounts as operating expenses.

The development expenses are posted to the accounts as long-term intangible assets only if all the following criteria are met:

(a) technical feasibility necessary for the completion of the development project,
(b) intention on the part of the Company to complete the project and to utilize it,
(c) capacity to utilize the long-term intangible asset,
(d) proof of the probability of future economic benefits associated with the asset,
(e) availability of the technical, financial, and other resources for completing the project, and
(f) reliable evaluation of the development expenses.

Due to the risks and uncertainties related to the regulatory authorizations and to the research and development process, the Company believes that the 6 criteria stipulated above are fulfilled only once the Marketing Authorization has been obtained.

The long-term intangible assets are comprised of the costs related to the acquisition of licenses for software packages. They are amortized using the straight-line method over a period ranging from 1 to 3 years depending on the anticipated period of use.

### 1.1.2. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are posted at their acquisition cost, or, as applicable, at their production cost. The depreciation is calculated using the straight-line method on the basis of the estimated useful life of the assets. The fixtures of property rented are depreciated over the term of their own lifetime or of the term of the rental agreement, whichever is shorter.

| Property, Plant, and Equipment Item | Depreciation Period |
|---|---|
| Fixtures and improvements in buildings | 9 years |
| Research and development and production tools | 5 years |
| Research equipment and technical facilities | 5 years |
| Computer equipment | 3 years |
| Office equipment and furniture | 10 years |

### 1.2. LONG-TERM FINANCIAL ASSETS

The long-term financial assets include the deposits and guarantees posted to the accounts at their original value as well as the open-ended mutual fund holdings pledged as guarantees for ordinary rental agreements.

### 1.3. CURRENT ASSETS AND DEBTS

The accounts receivable and debts are valued at their nominal value and are depreciated by means of provisions in order to take into account the potential losses related to the difficulties encountered in collecting them.
The accounts receivable and debts are converted into Euros on the basis of the closing exchange rate, with the foreign exchange translation adjustments posted to an adjustment account on the asset or liability side of the balance sheet depending on whether a potential loss or profit is involved. In the case of a potential loss, a provision of foreign exchange loss is recognized.

### 1.4. INVENTORIES AND WORK IN PROGRESS

The inventories are posted to the accounts at their cost or at their net liquidation value, if the latter is lower. In the latter case, the impairment is posted as a loss on the income statement. The inventories are valued on the basis of the FIFO method.

### 1.5. INVESTMENT SECURITIES

The investment securities and the term deposits are owned for the purpose of meeting short-term cash commitments rather than for the objective of investment or for other purposes. They are readily convertible, into a known amount of cash, and are subject to a negligible risk of change in value. The investment securities are comprised of the liquid assets that are immediately available and time deposit investments that can be converted into cash immediately without a penalty.

## 1.6. PROVISIONS

The Company establishes provisions for risks and expenses in compliance with the definition provided in CRC Notice No. 00-06 concerning liabilities, that is:

- a provision for risks and expenses is a liability with a due date or amount that is not established precisely;
- a liability is a component of the net worth that has a negative economic value for the entity, that is, an obligation of the company to a third party that is likely or certain to cause an outflow of resources to that third party, without consideration that is at least equivalent in value from the latter.

## NOTE 2 - NOTES ON THE BALANCE SHEET

### 2.1. FIXED ASSETS

| In thousands of Euros | Gross | | | |
|---|---|---|---|---|
| | At the Beginning of the Fiscal Year | Acquisitions | Sales - Disposals | At the End of the Fiscal Year |
| Software packages | 56 | 19 | - | 75 |
| **Long-term intangible assets** | **56** | **19** | **-** | **75** |
| Technical facilities, equipment, and tools | 585 | 128 | 42 | 672 |
| General facilities, fixtures | 141 | 466 | 141 | 466 |
| Office and computer equipment | 159 | 101 | - | 260 |
| Advances and deposits | 381 | - | - | 381 |
| **Property, plant, and equipment** | **1,266** | **696** | **183** | **1,779** |
| **Long-term financial assets** | **26** | **97** | **-** | **123** |
| **TOTAL** | **1,348** | **812** | **183** | **1,977** |

Over the 2 fiscal years presented, the acquisitions correspond primarily to fitting out of the buildings and to laboratory and production equipment and materials. The increase in the improvement of structures item is related to the arrangement of the new premises of the Company.
The open-ended mutual fund pledge was allocated to Long-term Financial Assets in 2011 in the amount of EUR 275,000, while in 2010, the open-ended mutual funds pledged were positioned as investment securities in the amount of EUR 49,000 for 2010.

| In thousands of Euros | Amortization and Depreciation Expense | | | |
|---|---|---|---|---|
| | At the beginning of the fiscal year | Allowances | Decreases | At the end of the fiscal year |
| Software packages | 48 | 6 | - | 54 |
| **Long-term intangible assets** | **48** | **6** | **-** | **54** |
| Technical facilities, equipment, and tools | 328 | 117 | 42 | 403 |
| General installations, fixtures | 114 | 49 | 141 | 22 |
| Office and computer equipment | 107 | 23 | - | 129 |
| Advances and deposits | 376 | - | | 376 |
| **Property, plant, and equipment** | **924** | **189** | **183** | **930** |
| **Long-term financial assets** | **-** | **-** | **-** | **-** |
| **TOTAL** | **972** | **195** | **183** | **984** |

## 2.2. ACCOUNTS RECEIVABLE

The breakdown of the short- and long-term accounts receivable is provided in the table below:

| Statement of Accounts Receivable in Thousands of Euros | Gross Amount | Y - 1 Year | Y + 1 Year |
|---|---|---|---|
| Bad debts | 13 | 13 | - |
| Customer accounts receivable | 1 | 1 | - |
| Central government, Research Tax Credit (CIR) | 1,708 | 1,708 | - |
| Central government, VAT | 462 | 462 | - |
| Other accounts receivable | 70 | 70 | - |
| **TOTAL** | **2,254** | **2,254** | - |

## 2.3. INVESTMENT SECURITIES

As of 31 December 2011, the Company had investment securities in the amount of EUR 11,426,000, as compared to EUR 49,000 as of 31 December 2010.

| In thousands of euros | 31-Dec-11 | 31-Dec-10 |
|---|---|---|
| - Term deposit accounts | 1,527 | - |
| - Investment securities | 9,899 | 49 |
| **Total** | **11,426** | **49** |

The Company has concluded a agreement for active management of its cash with CIC. Thus, the available cash is automatically invested in the form of euro-denominated money market fund securities. Those transactions are concluded through a "mirror" account that had not been broken down as of 31 December 2010. If they had been, an additional EUR 8,377 K in investment securities would have been recognized on the balance sheet, and the "Cash" item would have been reduced by that amount.

## 2.4. PREPAID EXPENSES

The prepaid expenses correspond mostly to expenses incurred within the framework of the refinancing projects (listing on the financial markets or private fund raising) as well as to rents, insurance, and reservations for conferences.

## 2.5. SHAREHOLDERS' EQUITY

### 2.5.1. Share Capital

The share capital is composed of 8,822,745 shares with a par value of EUR 0.10 each.

This number does not include stock warrants (*Bons de Souscription d'Actions*], "BSAs") and founders' warrants (*Bons de Souscription de Parts de Créateur d'Entreprise*, "BSPCEs") granted to certain investors and to certain natural persons, both employees and non-employees of the Company.

All the shares give their owners the right to a proportional share of the income and the net assets of the Company.

The shares called " Category P preferred stock" benefit from additional rights in comparison with the shares called "shares of common stock", primarily enhanced financial rights, preferential rights in case of sale, merger, or liquidation of the Company.

| | Number of Securities | | | | | |
|---|---|---|---|---|---|---|
| **Category of Securities** | **At the Beginning of the Fiscal Year** | **Increase in Share Capital** | **Division of the Par Value of the Securities by 15** | **Redeemed during the Fiscal Year** | **Redeemed during the Fiscal Year [sic]** | **Share Capital in Euros** |
| Shares of common stock | 61,550 | | 861,700 | | 923,250 | 92,325.00 |
| Shares of category P1 stock | 188,565 | | 2,639,910 | | 2,828,475 | 282,847.50 |
| Shares of category P1' stock | 922 | | 12,908 | | 13,830 | 1,383.00 |
| Shares of category P2 stock | 57,143 | | 800,002 | | 857,145 | 85,714.50 |
| Shares of category P3 stock | 28,571 | | 399,994 | | 428,565 | 42,856.50 |
| Shares of category P4 stock | 125,716 | 125,716 | 3,520,048 | | 3,771,480 | 377,148.00 |
| **Total** | **462,467** | **125,716** | **8,234,562** | **-** | **8,822,745** | **882,274.50** |

## 2.5.2. Stock warrants, founders' warrants

The Company has issued stock warrants (*Bons de Souscription d'Actions,* "BSAs") and founders' warrants (*Bons de Souscription de Parts de Créateur d'Entreprise*, "BSPCEs") as follows:

| **Date** | **Type** | **Number of warrants issued as of 31/12/11** | **Number of warrants that were null and void as of 31/12/11** | **Number of warrants outstanding as of 31/12/11** | **Maximum number of shares of stock to be issued** | **Subscription price per share** |
|---|---|---|---|---|---|---|
| 23/12/2005 | BSA/BSPCE | 17,115 | 17,115 | - | - | € 65.00 |
| 07/12/2007 | BSA | 1,717 | 572 | 1,145 | 1,145 | € 65.00 |
| 21/01/2009 | BSA/BSPCE | 16,380 | - | 16,380 | 16,380 | € 65.00 |
| 21/01/2009 | BSPCE | 2,296 | - | 2,296 | 2,296 | € 70.00 |
| 25/06/2010 | BSA | 1,825 | - | 1,825 | 1,825 | € 65.00 |
| 28/01/2011 | BSA | 10,039 | - | 10,039 | 10,039 | € 77.00 |
| 24/06/2011 | BSA/BSPCE | 32,000 | - | 32,000 | 32,000 | € 77.00 |
| 22/11/2011 | BSA/BSPCE | 11,377 | - | 11,377 | 11,377 | € 77.00 |
| | **Total** | **92,749** | **17,687** | **75,062** | **75,062** | |

The warrants granted might be exercised at any time after a vesting period of between 0 and 4 years and become null and void after a period of 10 years from the date they are granted. The acquisition of the warrants by the recipients is not subject to market conditions.

The instruments that entitle their holders to portion of the share capital on a deferred basis (BSAs, BSPCEs) are considered to be anti-dilutive since they cause an increase in the earnings per share.

### 2.5.3. Table of Changes in Shareholder's Equity

| In Euros | At the Beginning of the Fiscal Year | 2010 Allocation | Increase of Share Capital | Allocation of the Net Annual Profit (Loss) to the Share Premium | Incorpor-ation of the Premium | Other Trans-actions | 2011 Profit (Loss) | At the End of the Fiscal Year |
|---|---|---|---|---|---|---|---|---|
| Share | 462,467 | | 125,716 | | 294,092 | | | 882,275 |
| Share, merger, capital | 27,660,004 | | 9,554,416 | ( 19,411,688) | ( 294,092) | | | 17,508,641 |
| Retained | ( 14,450,614) | ( 4,961,074) | | 19,411,688 | | | | - |
| Profit | ( 4,961,074) | 4,961,074 | | | | | ( 6,582,913) | ( 6,582,913) |
| Regulated provisions | 15,546 | | | | | ( 15,546) | | |
| **Total** | **8,726,329** | **-** | **9,680,132** | **-** | **-** | **(15,546)** | **(6,582,913)** | **11,808,003** |

## 2.6. REPAYABLE ADVANCES

As of 31 December 2011, the Company had three contracts for repayable advances with Oséo and one contract with COFACE. These advances do not bear interest and are repayable at their nominal value in the event of technical and/or commercial success.

The table below presents the details of the debts on the balance sheet by the type of repayable advance:

| Provisions | 1-Jan-11 | Receipts | Repayments | Cancellation | 31-Dec-11 |
|---|---|---|---|---|---|
| 1st Oseo advance | 135,000 | - | (135,000) | - | - |
| 2nd Oseo advance | 600,000 | - | (140,000) | - | 460,000 |
| 3rd Oseo advance | - | 256,000 | - | - | 256,000 |
| Coface advance | 147,534 | - | - | - | 147,534 |
| Other advance(s) | 15,522 | - | - | (15,522) | - |
| **Total** | **898,056** | **256,000** | **(275,000)** | **(15,522)** | **863,534** |

<u>The first OSEO advance</u>

OSEO granted DBV Technologies financial assistance in the amount of EUR 445,000 on 13 June 2003 for a study of the development of a patch-test for screening for allergies, particularly food allergies, and the tool for producing it. The principal steps involved in this advance were the following:

All the advances were paid to the Company between 2003 and 2005;
First repayment of EUR 90,000 in 2006;
Second repayment of EUR 120,000 in 2007;
Third repayment of EUR 100,000 in 2010
The fourth and final repayment in the amount of EUR 135,000 was made in 2011.

<u>The second OSEO advance</u>

On 10 January 2005, DBV Technologies obtained from OSEO repayable financial assistance in support of innovation in the amount of EUR 600,000 for a project to design a high-speed prototype machine for the production and development of second-generation patches intended for the detection of various allergies.

The principal steps of this advance are the following:

EUR 300,000 were paid to the Company in 2005 upon the signing of the contract;
EUR 180,000 were paid to the Company in 2008;
the balance of EUR 120,000 was received in 2010.

The terms of repayment are the following:

The first repayment of EUR 140,000 made in 2011;
The second repayment in the amount of EUR 200,000 will be made on 31 March 2012;
The third and final repayment in the amount of EUR 260,000 will be made on 31 March 2013.

<u>The third OSEO advance</u>

In 2011, the Company was notified by Oséo Innovation of a grant of a new amount of assistance in the form of a repayable advance of up to EUR 640,000 to finance the development of its program of treatment of the allergy to proteins in cow's milk.

The amount of the assistance will be paid as follows:

EUR 256,000 after the contract is signed;
EUR 256,000 beginning on 31 March 2012 upon a call for funds;
the balance of EUR 128,000 after confirmation of the end of the program no later than 15 August 2013.

The first payment of EUR 256,000 was received in 2011.

In the event of technical or commercial success of the program, the repayment schedule will be the following:

- EUR 64,000 no later than 31 March 2014;
- EUR 64,000 no later than 30 June 2014;
- EUR 64,000 no later than 30 September 2014;
- EUR 64,000 no later than 31 December 2014;
- EUR 32,000 no later than 31 March 2015;
- EUR 32,000 no later than 30 June 2015;
- EUR 32,000 no later than 30 September 2015;
- EUR 32,000 no later than 31 December 2015;
- EUR 32,000 no later than 31 March 2016;
- EUR 32,000 no later than 30 June 2016;
- EUR 32,000 no later than 30 September 2016;
- EUR 32,000 no later than 31 December 2016;
- EUR 32,000 no later than 31 March 2017;
- EUR 32,000 no later than 30 June 2017;
- EUR 32,000 no later than 30 September 2017;
- EUR 32,000 no later than 31 December 2017.

Regardless of the outcome of the development program, a fixed sum of EUR 256,000 must be repaid in 4 quarterly installments of EUR 64,000 beginning on 31 March 2014.

The COFACE advance
On 6 September 2007, DBV Technologies signed a prospecting insurance contract with *Compagnie Française d'Assurance pour le Commerce Extérieur* (COFACE) in order to promote its *Diallertest®* product internationally. Under the terms of that contract, the Company received repayable advances of up to EUR 147,534. DBV Technologies must repay these advances in amounts of up to 7% of its revenue from the export sales of its *Diallertest®* product, until 30 April 2017.

As of 31 December 2011, the nominal amount that remained to be repaid under this advance amounted to EUR 147,534.

## 2.7. PROVISIONS

The provisions are broken down as follows:

| Provisions | 1-Jan-11 | Allowance for Provisions | Recaptures of Provisions | 31-Dec-11 |
|---|---|---|---|---|
| Provision for exceptional amortization / depreciation | 15,546 | - | (15,546) | - |
| Provision for foreign exchange risk | - | 1,436 | - | 1,436 |
| Provision for depreciation of property, plant, and equipment | 375,716 | - | - | 375,716 |
| Provision for depreciation of customer accounts receivable | - | 13,097 | - | 13,097 |
| **Total** | **391,262** | **14,533** | **(15,546)** | **390,249** |

## 2.8. DEBTS

The breakdown of the short- and long-term debts is provided in the table below:

| Statement of Debts | Gross Amount | Y - 1 Year | Y + 1 Year |
|---|---|---|---|
| Supplier accounts payable and related payables | 2,204,477 | 2,204,477 | - |
| Personnel accounts payable and related payables | 466,998 | 466,998 | - |
| Social welfare agencies | 322,654 | 322,654 | - |
| Central government | 4,364 | 4,364 | - |
| Accrued interest payable | 1,233 | 1,233 | - |
| Other taxes, levies, and similar debts | 24,451 | 24,451 | - |
| Other debts | 10,000 | 10,000 | - |
| **TOTAL** | **3,034,177** | **3,034,177** | |

### 2.9. RESEARCH AND DEVELOPMENT EXPENSES

As indicated in the discussion of accounting rules and methods, the R&D expenses are not capitalized, but rather posted to the accounts as operating expenses. For the 2011 fiscal year, they amounted to EUR 6,377,000.

### 2.10. ACCRUED LIABILITIES

The amount of the accrued liabilities is broken down as follows:

| Expenses Payable | Gross Amount | Y - 1 Year | Y + 1 Year |
|---|---|---|---|
| Accrued interest payable | 1,233 | 1,233 | - |
| Supplier accounts payable, invoices not yet received | 833,898 | 833,898 | - |
| Personnel, expenses payable | 363,604 | 363,604 | - |
| Personnel, vacation time paid | 103,394 | 103,394 | - |
| Social welfare agencies, expenses payable | 162,525 | 162,525 | - |
| Social welfare agencies, vacation time paid | 44,294 | 44,294 | - |
| Central government, expenses payable | 24,451 | 24,451 | - |
| Miscellaneous, expenses payable | 10,000 | 10,000 | - |
| **TOTAL** | **1,543,399** | **1,543,399** | |

## Note 3 – FINANCIAL EARNINGS

The financial earnings of the company as of 31 December 2011 are broken down as follows:

| In Euros | 31-Dec-11 | 31-Dec-10 |
|---|---|---|
| - Positive foreign exchange translation difference | 3,820 | 4,107 |
| - Net revenue from sales of securities | 58,563 | 16,431 |
| *Financial Revenue* | *62,383* | *20,538* |
| - Interest on borrowings and financial debts | 11,460 | 2,533 |
| - Negative foreign exchange translation differences | 8,983 | 5,764 |
| - Allowances for financial provisions | 1,436 | - |
| *Financial Expenses* | *21,879* | *8,297* |
| **Financial profit (loss)** | **40,504** | **12,241** |

## Note 4 – EXCEPTIONAL PROFIT OR LOSS

The exceptional income or loss is broken down as follows:

| In euros | 31-Dec-11 | 31-Dec-10 |
|---|---|---|
| - Recapture of exceptional amortization and/or depreciation | 15,546 | - |
| *Exceptional revenue* | *15,546* | - |
| - Allowances for amortization, depreciation, and provisions | 26,241 | 383,831 |
| - Other exceptional expenses for share capital transactions | 167 | - |
| - Other exceptional expenses for management operations | 69 | 382 |
| *Exceptional Expenses* | *26,477* | *384,213* |
| **Exceptional Profit (Loss)** | **(10,931)** | **(384,213)** |

## Note 5 – WORKFORCE

| | Workforce 31-Dec-11 | Workforce 31-Dec-10 |
|---|---|---|
| Managers | 16 | 12 |
| Employees | 8 | 5 |
| **Total** | 24 | 17 |

The *Droit Individuel à la Formation* (DIF) [Individual Right to Training] for the 2011 fiscal year amounted to 1,330 hours.

## Note 6 - INCREASES AND REDUCTIONS IN THE FUTURE TAX DEBT (BASIS) NOT POSTED TO THE ACCOUNTS

At the close of the 2011 fiscal year, the amount of deficits that can be carried forward indefinitely is broken down as follows:

| (in euros) | Basis | Potential Corporate Tax Savings |
|---|---|---|
| Losses that can be carried forward or back | 32,331,513 | 10,776,093 |
| **Total** | **32,331,513** | **10,776,093** |

## Note 7 – THE RESEARCH TAX CREDIT

The Company benefits from the provisions in Articles 244 *quater* B and 49 *septies* F of the French Tax Code related to the Research Tax Credit (*Crédit Impôt Recherche*, "CIR").

The changes in this Research Tax Credit over the last two fiscal years are presented as follows:

2010: EUR 1,386,989, reimbursed in 2011,
2011: EUR 1,699,080.

**Note 8 – COMPENSATION PAID TO THE CORPORATE OFFICERS**

The compensation amounts presented below, which were allocated to the members of the Board of Directors of the Company, were posted to the accounts as expenses during the course of the fiscal years presented (in Euros):

| | **2011** |
|---|---|
| Members of the Board of Directors | 253,101 |
| Directors' fees | 18,000 |
| Fees paid to SCP Benhamou Vannerom | 164,513 |
| **Total** | **435,614** |

The fees paid to SCP Benhamou Vannerom correspond to scientific consulting services, in particular, to the design of the clinical studies and the production of the protocols.

**Note 9 – FEES PAID TO THE STATUTORY AUDITORS**

The amount of the fees of the Statutory Auditors posted to the accounts as expenses during the 2011 fiscal year amounted to EUR 53,669.

**Note 10 – OFF-BALANCE-SHEET COMMITMENTS**

**10.1. Compensation payable to employees upon retirement**

The commitment related to the compensation payable to employees upon retirement amounted to EUR 118,000 as of 31/12/2011.

Within the framework of the estimation of the retirement commitments, the following assumptions were used for all the categories of employees:

- Discount rate: 3.50%;
- Rate of increase in salaries: 3.30%;
- Rate of social security contributions: 50%;
- Retirement age: 64 years old (managers); 62 years old (non-managers)
- Mortality table: TGH05-TGF05
- Collective agreement: *Convention Collective Nationale de l'Industrie Pharmaceutique* [National Collective Agreement in the Pharmaceutical Industry]
- Turnover of the personnel declining with age.

**10.2. Obligations under the terms of the ordinary rental agreements**

On 28 April 2011, the Company signed a rental agreement with the company SELECTINVEST 1 for its premises. The amount of the future rents and expenses under those agreements is broken down as follows as of 31 December 2011:

| | **31/12/2011** |
|---|---|
| The Year 2012 | 251,864 |
| The Year 2013 | 251,864 |
| The Year 2014 | 251,864 |
| The Year 2015 | 285,768 |
| The Year 2016 | 309,986 |
| The Year 2017 | 309,986 |
| The Year 2018 | 309,986 |
| The Year 2019 | 309,986 |
| The Year 2020 | 129,161 |
| **Total** | **2,410,465** |

The company has signed various ordinary rental agreements for office equipment. The amount of the future rents under those agreements is broken down as follows as of 31 December 2011:

- 2012: EUR 30,175;
- 2013: EUR 27,242;
- 2014: EUR 23,945;
- 2015: EUR 18,391;
- 2016: EUR 13,488.

**10.3. Obligations under the terms of other agreements**

As it has sub-contracted several important functions, the company has been required to conclude, within the framework of its current operations, sub-contracting contracts or short- or medium-term delegation contracts with various third parties, in France and abroad, which include various obligations that are usual in these circumstances.

On 10 May 2010, the Company signed a sub-contracting contract with a CRO, Kendle International, within the framework of the launch of its Phase I clinical study for the *Viaskin® Peanut* product. The amount of that study, which began in July 2010, totals EUR 2,171,933. An amendment signed on October 2011 brought the total amount of that study to EUR 2,609,427.
As of 31 December 2011, the amount that remained to be paid under the terms of this contract in the year 2012 amounted to EUR 161,666.

On 30 July 2010, the Company concluded an agreement with *Assistance Publique-Hôpitaux de Paris* (AP-HP) within the framework of a study of the effectiveness and safety of a treatment of the allergy to peanuts by epicutaneous immunotherapy in allergic children. The amount of that study totals EUR 418,511. As of 31 December 2011, the amount of the future commitments amounted to EUR 130,776.

On 5 December 2011, the Company signed a sub-contracting contract with a CRO within the framework of the launch of its Phase II clinical study for the *Viaskin® Peanut* product. The amount of that study is equal to EUR 5,390,637.
As of 31 December 2011, the amount that remained to be paid under that contract for the years 2012 and 2013 was EUR 4,774,907.

**Note 11 – EVENTS AFTER THE CLOSE OF THE FISCAL YEAR**

On 30 January 2012, the Company had a *Document de Base* registered by the *Autorité des Marchés Financiers* under Number I. 12-004 for the purpose of a listing of the Company's stock on the NYSE-Euronext stock exchange in Paris which should occur during the course of 2012, depending on the market conditions and after issuance of a stamp of approval on the *Document de Base* related to the transaction.

## 19.4 VERIFICATION OF THE ANNUAL HISTORICAL FINANCIAL INFORMATION

### 19.4.1 Report of the Statutory Auditors on the audit of the financial statements prepared in accordance with IFRS standards – Fiscal Year ended 31 December 2011

*This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

To the Board of Directors,

In our capacity as Statutory Auditors of DBV Technologies and pursuant to Commission Regulation (EC) No. 809/2004, we have audited the accompanying financial statements of DBV Technologies, which were prepared in accordance with IFRS, as adopted within the European Union, for the fiscal year ended 31 December 2011.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements prepared for the purpose of updating the prospectus present fairly, in all material respects, and pursuant to the IFRS framework as adopted within the European Union, the financial position and the assets and liabilities of the Company as of 31 December 2011, and the results of its operations for the year then ended.

Without calling into question the opinion expressed above, we draw your attention to Note 3.1 "Accounting standards," which sets forth the financial position of the Company as of 31 December 2011, as well as the measures announced by Management to enable the Company to continue as a going concern.

This report does not constitute the statutory report stipulated in Article L. 823-9 of the French Commercial Code concerning annual financial statements prepared in accordance with French accounting regulations.

This report is governed by French law. The French courts shall have exclusive jurisdiction over any claim, dispute or difference that may arise from our aforementioned procedures or from this report.

Paris and Neuilly-sur-Seine, 22 February 2012

The Statutory Auditors

| CHD AUDIT & CONSEIL | Deloitte & Associés |
|---|---|
| Jean-Marc BULLIER | Fabien BROVEDANI |

### 19.4.2 Additional information verified by the statutory auditors

**Report of the Statutory Auditors on the financial statements. Fiscal Year ended 31 December 2011**

*This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

To the shareholders,

In accordance with our appointment as statutory auditors by your Annual General Meeting, we hereby report to you for the year ended 31 December 2011 on:

- the audit of the accompanying financial statements of DBV Technologies,
- the justification of our assessments,
- and the specific procedures and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

**<u>I. Opinion on the annual financial statements</u>**

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using samples testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of 31 December 2011 and the results of its operations for the year then ended in accordance with French accounting regulations.

Without calling into question the opinion expressed above, we draw your attention to Note 1 "Accounting policies," which describes the Company's financial position as of 31 December 2011 and the measures announced by management to enable it to continue as a going concern.

**II. Justification of our assessments**

Pursuant to Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we hereby bring the following matters to your attention:

As mentioned in the first part of this report, Note 1 "Accounting policies" specifies the context in which the going concern principle was applied. Based on our procedures and the information communicated to us to date, and as part of our assessment of the accounting policies adopted by your company, we believe that the Notes to the financial statements provide an appropriate disclosure on the company's situation with respect to the going concern principle.

These assessments were performed as part of our audit approach for the annual financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

**III. Specific procedures and disclosures**

We have also performed the other procedures required by law, in accordance with the professional standards applicable in France.

With the exception of any impact arising from the events described in the first part of this report, we have no comment to make as to the fair presentation and consistency with the financial statements of the information given in the Board of Directors' management report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Paris and Neuilly-sur-Seine, 22 February 2012

The Statutory Auditors

CHD AUDIT & CONSEIL
Jean-Marc BULLIER

Deloitte & Associés
Fabien BROVEDANI

### 19.5 DATE OF THE MOST RECENT FINANCIAL INFORMATION

31 December 2011.

## 19.6 INTERIM FINANCIAL INFORMATION

This section is described in the *Document de Base* and remains unchanged.

### 19.7 DIVIDEND DISTRIBUTION POLICY

This section is described in the *Document de Base* and remains unchanged.

### 19.8 LEGAL AND ARBITRAL PROCEEDINGS

As of the filing date of this Update, there do not exist any governmental, legal, or arbitral proceedings, including any proceeding of which the Company has knowledge, which is pending or with which it is threatened, that might have or had significant effects on the financial position, the business activity, or the financial results of the company during the last 12 months.

### 19.9 SIGNIFICANT CHANGE IN THE FINANCIAL OR COMMERCIAL POSITION

To the Company's knowledge, there has been no significant change in the financial or commercial position of the company since 31 December 2011.

## 20 ADDITIONAL INFORMATION

This section is described in the *Document de Base* and remains unchanged.

# 21 SIGNIFICANT AGREEMENTS

This section is described in the *Document de Base* and remains unchanged.

# 22 INFORMATION PROVIDED BY THIRD PARTIES, APPRAISERS' CERTIFICATIONS, AND DECLARATIONS OF INTERESTS

This section is described in the *Document de Base* and remains unchanged.

# 23 DOCUMENTS ACCESSIBLE TO THE PUBLIC

This section is described in the *Document de Base* and remains unchanged.

# 24 INFORMATION CONCERNING THE INTERESTS

This section is described in the *Document de Base* and remains unchanged.

## 25 GLOSSARY

This section is described in the *Document de Base* and remains unchanged.