dbv technologies

HALF YEAR FINANCIAL REPORT

2017

CONTENT

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I – FIRST HALF OF 2017 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(Amounts in thousands of euros)

	Note	6/30/2017	12/31/2016
ASSETS			
Non-current assets			
Intangible assets		156	96
Property, plant, and equipment		15,400	12,482
Other non-current financial assets	**4**	2,991	2,745
Total non-current assets		**18,548**	**15,323**
Current assets			
Inventories		-	-
Customer accounts receivable		18	1,250
Other current assets	**6**	20,659	14,454
Cash and cash equivalents	**7**	198,685	256,473
Total current assets		**219,363**	**272,177**
TOTAL ASSETS		**237,910**	**287,500**

	Note	6/30/2017	12/31/2016
LIABILITIES			
Shareholders' equity			
Share capital	**8**	2,471	2,465
Premiums related to the share capital		406,391	405,882
Reserves		(144,638)	(50,968)
Net Profit (loss)		(72,541)	(114,531)
Total shareholders' equity		**191,683**	**242,849**
Non-current Liabilities			
Long-term financial debt	**9**	3,737	4,049
Non-current provisions		853	853
Other non-current liabilities	**9**	9,130	10,746
Total non-current liabilities		**13,721**	**15,649**
Current Liabilities			
Bank overdrafts		-	-
Short-term financial debt	**9**	728	591
Supplier accounts payable	**10**	15,266	13,720
Other current liabilities	**10**	16,513	14,692
Total current liabilities		**32,507**	**29,003**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**237,910**	**287,500**

STATEMENT OF CONDENSED CONSOLIDATED INCOME (LOSS)
(Amounts in thousands of euros)

	Note	At June 30 2017	At June 30 2016
Operating income			
Revenues	**11**	-	-
Other income	**11**	7,616	4,750
Total income		**7,616**	**4,750**
Operating expenses			
Cost of goods sold		-	-
Research and development	**12**	(52,513)	(32,892)
Sales and marketing	**12**	(8,527)	(5,450)
General and administrative	**12**	(17,685)	(15,783)
Total expenses		**(78,725)**	**(54,126)**
Operating profit (loss)		**(71,109)**	**(49,376)**
Financial revenues	**14**	457	470
Financial expenses	**14**	(1,888)	(38)
Financial profit (loss)		**(1,431)**	**432**
Income tax		(1)	(500)
Net profit (loss)		**(72,541)**	**(49,443)**
Basic/diluted earnings per share (€/share)		**(2.94)**	**(2.03)**

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands of euros)

	At June 30	
	2017	**2016**
Net profit (loss)	**(72,541)**	**(49,443)**
Actuarial gains and losses on employee benefits, net of corporate tax	-	(154)
Profit (loss) directly recognized in shareholders' equity	**-**	**(154)**
Other items in the total profit (loss) to be recycled subsequently to the net profit (loss)	1,710	40
Total comprehensive income (loss)	**(70,832)**	**(49,557)**

In accordance with IAS 1 *Presentation of Financial Statements* (2007) (IAS 1), the Group, as defined in Note 1, presents a combined statement of other elements of comprehensive income or loss.

The Group does not hold any financial assets available for sale and non-current financial assets are measured at historical cost; therefore, no change in fair value is reflected in the statement of consolidated comprehensive income (loss).

STATEMENT OF CONDENSED CONSOLIDATED CASH FLOW
(Amounts in thousands of euros)

	Note	6/30/2017	6/30/2016
Cash flows from operating activities			
Net profit (loss) for the period		(72,541)	(49,443)
Reconciliation of the net profit (or loss) and the cash used for the operating activities:			
Amortization and depreciation		1,116	623
Retirement pension obligations		-	65
Expenses related to share-based payments		19,179	17,074
Other elements		50	(100)
Operating cash flows before change in working capital		**(52,197)**	**(31,781)**
Inventories		-	-
Customer accounts receivable		1,263	(10,017)
Other current assets		(6,194)	(4,525)
Supplier accounts payable		1,613	2,501
Other current and non-current liabilities		31	13,699
Change in working capital requirement		**(3,288)**	**1,658**
Net cash flow from operating activities		**(55,484)**	**(30,123)**
Cash flows from investing activities			
Acquisitions of property, plant, and equipment		(3,762)	(5,256)
Acquisitions of intangible assets		(204)	(222)
Acquisitions of non-current financial assets		(301)	(129)
Net cash flows from investing activities		**(4,267)**	**(5,607)**
Cash flows from financing activities			
Increase in conditional advances		-	-
(Decrease) in conditional advances		(214)	(64)
Treasury shares		(19)	153
Capital increases, net of transaction costs		515	999
Other cash flows related to financing activities		(11)	(10)
Net cash flows from financing activities:		**271**	**1,078**
(Decrease) / increase in cash		**(59,480)**	**(34,653)**
Net cash and cash equivalents at the beginning of the period		256,473	323,381
Impact of exchange rate fluctuations		1,692	33
Net cash and cash equivalents at the close of the period	**7**	**198,685**	**288,761**

CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY
(Amounts in thousands of euros)

	Share capital					
	Shares of common Stock					
	Number of shares (Note 8)	Amount	Premiums related to the share capital	Reserve	Profit (loss)	Total shareholders' equity
At January 1, 2016	**24,205,129**	**2,421**	**403,910**	**(39,580)**	**(44,674)**	**322,076**
Net profit (loss)		-	-	-	(49,443)	(49,443)
Foreign exchange translation		-	-	40	-	40
Profit (loss) directly recognized in shareholders' equity		-	-	(154)	-	(154)
Total profit (loss) directly recognized in shareholders' equity	**-**	**-**	**-**	**(114)**	**(49,443)**	**(49,557)**
Allocation of prior Income (Loss)		-	-	(44,674)	44,674	-
Increase in capital	360,699	36	492	-	-	528
Treasury shares		-	-	(104)	-	(104)
Issue of share warrants		-	471	-	-	471
Share-based payments		-	-	17,074	-	17,074
At June 30, 2016	**24,565,828**	**2,457**	**404,873**	**(67,398)**	**(49,443)**	**290,488**
At January 1, 2017	**24,648,828**	**2,465**	**405,882**	**(50,968)**	**(114,531)**	**242,849**
Net profit (loss)		-	-	-	(72,541)	(72,541)
Foreign exchange translation		-	-	1,710	-	1,710
Profit (loss) directly recognized in shareholders' equity		-	-	-	-	-
Total profit (loss) directly recognized in shareholders' equity	**-**	**-**	**-**	**1,710**	**(72,541)**	**(70,832)**
Allocation of prior income (loss)		-	-	(114,531)	114,531	-
Increase in capital	60,375	6	271	-	-	277
Treasury shares		-	-	(28)	-	(28)
Issue of share warrants		-	237	-	-	237
Share-based payments		-	-	19,179	-	19,179
At June 30, 2017	**24,709,203**	**2,471**	**406,391**	**(144,638)**	**(72,541)**	**191,683**

Note 1: The Company

Incorporated in 2002 under the laws of France, DBV Technologies S.A. ("DBV Technologies," or the "Company") is a clinical-stage specialty biopharmaceutical company focused on changing the field of immunotherapy by developing a novel technology platform called Viaskin. The Company's therapeutic approach is based on epicutaneous immunotherapy, or EPIT, a proprietary method of delivering biologically active compounds to the immune system through intact skin using Viaskin.

The Company's lead product candidate, Viaskin Peanut, is currently being evaluated as a treatment for peanut-allergic patients four to 11 years of age in a global Phase III program. Viaskin Peanut has obtained fast track designation and breakthrough therapy designation in children from the U.S. Food and Drug Administration, or FDA, which are regulatory designations intended to expedite or facilitate the process of reviewing new drugs and biological products that are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the disease or condition. The European Medicines Agency's, or EMA, Pediatric Committee has also adopted a positive opinion with respect to our Pediatric Investigation Plan, or PIP, for Viaskin Peanut, which is a prerequisite for the filing of marketing authorization for any new medicinal product in Europe.

In September 2014, positive topline results were announced for the Viaskin Peanut Efficacy and Safety, or VIPES, Phase IIb clinical trial of Viaskin Peanut for the treatment of peanut-allergic patients, which was followed by a full study report presented at the 2015 AAAAI Annual Meeting in Houston, Texas. Following results from the Phase IIb trial, the Company launched a comprehensive Phase III program designed to assess the efficacy and safety of Viaskin Peanut in children. As part of the Phase III program development, the Peanut EPIT Efficacy and Safety (PEPITES) study, a pivotal Phase III trial, was initiated in December 2015. PEPITES is designed to evaluate the safety and efficacy of Viaskin Peanut 250 µg in 356 peanut allergic patients four to 11 years of age. In November 2016, the REAL Life Use and Safety of EPIT (REALISE) study, which is designed to evaluate the use and safety of Viaskin Peanut 250 µg in routine clinical practice in 393 peanut allergic patients four to 11 years of age, was initiated. Results from both PEPITES and REALISE are expected during the second half of 2017.

In October 2016, topline results from the two-year OLFUS-VIPES study evaluating the long-term efficacy and safety profile of Viaskin Peanut for the treatment of peanut allergic children were announced, with detailed results presented at the 2017 AAAAI Annual Meeting in Atlanta, Georgia. OLFUS-VIPES, or OLFUS, is an open-label, follow-up study to VIPES.

The Company's second product candidate, Viaskin Milk, is being developed for the treatment of cow's milk protein allergy, or CMPA, in children two to 17 years of age, and received fast track designation from the FDA in September 2016. In November 2014, DBV initiated a multi-center, double-blind, placebo-controlled, randomized Phase I/II trial to study the safety and efficacy of Viaskin Milk in 198 patients with Immunoglobulin E, or IgE, mediated CMPA, called the Milk Efficacy and Safety, or MILES, trial. Results from MILES are expected in the first half of 2018. In November 2015, in partnership with the Company, the Children's Hospital of Philadelphia initiated an investigator-sponsored multi-center, double-blind, placebo-controlled, randomized trial to study safety and efficacy of Viaskin Milk in pediatric patient populations with milk-induced EoE. Results are expected in the first half of 2018.

The Company is also developing a third product candidate, Viaskin Egg, for the treatment of hen's egg allergy. Preclinical development for Viaskin Egg commenced in the first half of 2015 and is currently ongoing.

In addition to our development programs in food allergies, we are exploring the use of our Viaskin technology for the prevention and treatment of other areas of significant unmet medical need, including vaccines, inflammatory conditions and autoimmune diseases.

Major events during the first half of 2017

1. PARTNERSHIPS

On March 30, 2017, the Company, BioNet-Asia and Geneva University Hospitals announced results from a Phase I trial assessing Viaskin rPT's ability to boost immunity against pertussis by epicutaneously administering two doses of BioNet's recombinant pertussis toxin. The study evaluated the safety and immunogenicity of Viaskin rPT 25 µg (n=25) and 50 µg (n=25) in 60 healthy adults randomized 5:1 to each dose cohort versus placebo (n=10). The primary endpoint of the study was the incidence of treatment-emergent adverse events (AEs) related to the application of Viaskin rPT, and secondary objectives assessed humoral responses compared to placebo.

After further analysis of the data, limitations in study design and protocol were observed. The Company, HUG and BioNet continue to review preliminary study data, and are evaluating if further development pathways, including optimization of Viaskin rPT, will be explored.

2. CLINICAL PROGRAMS

On February 3, 2017, the Company announced completion of enrollment in SMILEE (Study of Efficacy and Safety of the Viaskin MILk in Milk Induced Eosinophilic Esophagitis in Children), a Phase IIa investigator-initiated clinical trial assessing the safety and efficacy of Viaskin Milk for the treatment of milk-induced Eosinophilic Esophagitis (EoE) in children ages 4-17. In this study, 20 children with milk-induced EoE have been randomized 3:1 to receive Viaskin Milk 500 µg or placebo for up to 11 months. Results for the SMILEE study are expected in the first half of 2018.

On March 5, 2017, the Company announced that detailed results from the two-year OLFUS-VIPES study supporting the durable effect and favorable safety profile of Viaskin Peanut for the treatment of peanut-allergic children were presented at AAAAI 2017 as a Late Breaking Oral Abstract.

On March 10, 2017, the Company completed enrollment of patients in REALISE, a multicenter, randomized 3:1, double-blind, placebo controlled Phase III trial, in which 393 pediatric peanut allergic patients will be treated with Viaskin Peanut 250 µg or placebo for six months. The primary endpoint of the study is safety as measured by adverse events, treatment-emergent adverse events and serious adverse events after six months of blinded treatment. Topline results from REALISE, as well as PEPITES, the Company's Phase III safety and efficacy trial, are expected in the second half of 2017.

3. CHANGE IN THE GROUP'S BOARD MEMBERS

On June 15, 2017, the Company announced the appointment of Julie O'Neill to its Board of Directors, effective immediately pursuant to her election at the Company's Annual General Meeting in Montrouge, France. Ms. Julie O'Neill is expected to serve on the Board for two years. With this addition, DBV's Board now is comprised of eight directors.

Note 2: General principles and statement of compliance

Scope of consolidation

The company DBV Technologies Inc. was established on April 7, 2014. The share capital of this US subsidiary is 100% owned by DBV Technologies S.A.

The consolidation scope includes two entities, a parent company DBV Technologies located in Montrouge, France on June 30, 2017 and a subsidiary, DBV Technologies Inc., located in Summit, New Jersey, fully consolidated (100 %) as the parent exercises control.

General principles

The interim consolidated condensed financial statements (the "Financial Statements") present the operations of DBV Technologies S.A. and its subsidiary (the "Group") as of June 30, 2017. DBV Technologies is a Corporate French venture under French law (*société anonyme*) and has its registered offices located at 177/181 avenue Pierre Brossolette, 92120 Montrouge (France).

The interim condensed consolidated financial statements at June 30, 2017 have been prepared under the responsibility of the management of DBV Technologies. These interim condensed financial statements were approved by the Board of Directors of the company on July 27, 2017.

The consolidated financial statements of the Group are expressed in thousands of euros unless stated otherwise.

For consolidation purposes, both DBV Technologies and its subsidiary DBV Technologies Inc. have prepared individual financial statements for the period ended June 30, 2017.

Statement of compliance

International accounting standards include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), as well as the interpretations issued by the Standing Interpretations Committee (SIC), and the International Financial Reporting Interpretations Committee (IFRIC).

The IFRS as adopted by the European Union differ in certain aspects with the IFRS published by the IASB. Nevertheless, the Group ensured that the financial information for the periods presented would not have been substantially different if it had applied IFRS as published by the IASB.

All text adopted by the European Union are available on the European Commission's website: https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en.

The interim consolidated condensed financial statements at June 30, 2017 were prepared in accordance with IAS34 -Interim Financial Reporting, as endorsed by the European Union, which requires the disclosure of selected explanatory notes only.

The condensed financial statements do not include all disclosures required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

The Group is not subject to significant seasonal effects.

Note 3: Accounting principles and methods used at June 30, 2017

These condensed consolidated financial statements are prepared using the same accounting policies and methods as those applied by DBV Technologies at December 31, 2016.

The Company did not elect for early application of the new standards, amendments and interpretations which were adopted by European Union but not mandatory as of June 30, 2017:

- IFRS 9 – Financial Instruments;
- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 16 - Leases.

New and revised standards and amendments that may be relevant to the Company's operations but are not yet effective:

- Amendments to IAS 7 – Statement of Cash flows;
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses;
- Amendments to IFRS 15 - Clarifications to IFRS 15 Revenue from contracts with customers;
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions;
- Amendments to IFRS 4 – Applying IFRS 9 with IFRS 4;
- Annual improvements - 2014-2016 cycle;
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 - Uncertainty over Income Tax Treatments.

Management is in the process of evaluating the impact of these standards and amendments and is therefore, not currently able to estimate reliably the impact of their adoption on the Company's results on financial position or cash flows.

Note 4: Non-current financial assets

(Amounts in thousands of euros)	**6/30/2017**	**12/31/2016**
Deposits	1,099	824
Pledged securities	611	611
Liquidity contract	1,282	1,310
Total non-current financial assets	**2,991**	**2,745**

The non-current 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 and the liquidity contract.

Under the liquidity agreement, 4,877 treasury shares were allocated for the reduction of shareholders' equity as of June 30, 2017 (3,747 treasury shares as of December 31, 2016) with the cash balance being maintained in financial assets.

Note 5: Customer accounts receivable and related receivables

As of June 30, 2016, accounts receivable mainly included the amounts due under collaboration agreement with Nestlé Health Science signed in May 2016.

Note 6: Other current assets

Other current assets are broken down as follows:

(Amounts in thousands of euros)	6/30/2017	12/31/2016
Research Tax Credit	13,513	7,228
Other tax claims	2,716	2,618
Other receivables	1,330	1,883
Prepaid expenses	3,101	2,725
Total	**20,659**	**14,454**

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

Prepaid expenses are comprised primarily of rental and insurance expenses, upfront payments deferred over clinical studies period, as well as legal and scientific consulting fees. Their variation is linked to an increase in insurance premiums. As of June 30, 2017, other current assets also include upfront payments which are recognized over the term of the ongoing clinical studies.

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 3.12 to the financial statements for the year ended December 31, 2016, the Research Tax Credit is recorded as "other income" during the year in which the eligible research expenses are incurred.

Research Tax Credits recorded over the last three fiscal years are presented as follows:

- 2015: €5.7 million (for 12 months), paid in 2016;
- 2016: €7.2 million (for 12 months), to be paid in 2017;
- 2017: €6.3 million (for 6 months), to be paid in 2018.

The Company recognized as other income a Research Tax Credit in the amount of €6.3 million at June 30, 2017 and €4.3 million at June 30, 2016.

Following a tax inspection led by the French tax authorities on fiscal years 2012, 2013 and 2014, the Company received on July 4, 2016 a proposition of adjustments primarily affecting the Research Tax credit. The proposed adjustment amounts to €0.9 million.
The Company, advised by its counsels, has sent a response to dispute the proposed reassessment. No provision has been recorded in the condensed consolidated financial statement as of June 30, 2017.

Note 7: Cash and cash equivalents

The cash and cash equivalents items are broken down as follows:

(Amounts in thousands of euros)	6/30/2017	12/31/2016
Cash	60,657	146,374
Cash equivalent term deposits	138,028	110,100
Total cash and cash equivalent as reported in the statement of financial position	**198,685**	**256,473**
Bank overdrafts	-	-
Total net cash and cash equivalents as reported in the statement of cash flows	**198,685**	**256,473**

Term deposits are immediately convertible into cash at no cost. They are measured using level 1 fair value measurements.

Note 8: Capital

The share capital as of June 30, 2017 is set at the sum of €2,470,920.30. It is divided into 24,709,203 fully authorized, subscribed and paid-up shares with a par value of €0.10.

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

Over the six months ended June 30, 2017, the capital increase of €6,037.50 is linked to the exercise of employee warrants. The Company issued 60,375 shares in aggregate.

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

The impact of share-based payments on net income (or loss) is presented in Note 13.

Note 9: Financial liabilities and other non-current liabilities

9.1 Financial liabilities

The conditional advances from public institutions are subject to contracts with OSEO and COFACE. The agreement with COFACE was terminated on December 31, 2016

As of June 30, 2017, the Company had two advance agreements with OSEO, which do not bear interest and are repayable at 100% in the event of technical and / or commercial success. The Company also benefited from a third grant from BpiFrance Financement in 2014.

The portion of the conditional advances for terms over one year is classified as non-current liabilities, while the portion for terms of less than one year is classified as current liabilities.

The table below presents the details of the debts recorded on the statement of financial position by the type of conditional advance:

(Amounts in thousands of euros)	3rd OSEO contract	4th OSEO contract	BPI advance	COFACE	Total
Balance sheet debt at start of period 01/01/2016	**318**	**1,669**	**2,666**	**156**	**4,809**
+ receipts	-	-	-	-	-
- repayments	(64)	-	-	-	(64)
+/- other transactions	1	8	42	3	54
Balance sheet debt as at 06/30/2016	**255**	**1,676**	**2,708**	**159**	**4,798**
Of which - non-current portion					4,373
Of which - current portion					425
Balance sheet debt at start of period 01/01/2017	**192**	**1,684**	**2,751**	**0**	**4,628**
+ receipts	-	-	-	-	-
- repayments	(64)	-	(150)	-	(214)
+/- other transactions	1	8	43	-	52
Balance sheet debt as at 06/30/2017	**128**	**1,692**	**2,644**	**0**	**4,466**
Of which - non-current portion					3,737
Of which - current portion					728
Stated interest rate	**Non**	**2,05%**	**Non**	**Non**	
Discount rate	**0.4%-1.9%**	**1.5%-1.8%**	**3.20%**	**4.25%**	
Maturity (in years)	**0-3**	**7-9**	**2-7**		

9.2 Other non-current liabilities

Other non-current liabilities mainly include the non-current part of deferred revenue from the collaboration agreement the Company entered into with Nestlé Health Science and the non-current part of accrual for employers' contribution on free share plans.

Note 10: Supplier accounts payable and other current liabilities

10.1 Supplier accounts payable and related payables

Supplier accounts payable and related payables are not discounted as amounts did not present payment terms longer than 1 year at the end of each fiscal year or period presented.

10.2 Other current liabilities

(Amounts in thousands of euros)	6/30/2017	12/31/2016
Social security	13,039	10,794
Tax liabilities	374	504
Other debts	371	146
Deferred revenues	2,730	3,248
Total	**16,513**	**14,692**

The other liabilities include short-term debt to employees, as well as social welfare and tax agencies. Deferred revenues include subsidies, conditional advances and current part of deferred revenues from the collaboration agreement with Nestlé Health Science.

Note 11: Operating Income

The operating income is broken down as follows:

	June 30	
(Amounts in thousands of euros)	**2017**	**2016**
Revenues	-	-
Research Tax Credit	6,285	4,282
Subsidies	114	155
Other operating income	1,218	313
Total	**7,616**	**4,750**

As of June 30, 2017, the Company also recorded a portion of the upfront fee and milestones agreed under the contract with Nestlé Health Science, as other income, which are deferred over the performance obligation.

Note 12: Operating expenses

The following table summarizes the major categories of the Group's research and development expenses:

	June 30	
(Amounts in thousands of euros)	**2017**	**2016**
Research and development expenses		
Personnel costs	21,297	15,848
Sub-contracting, collaborations and consultants	25,380	11,195
Research supplies	733	615
Rental	991	958
Conferences, travel expenses	1,268	1,304
Depreciation and amortization	681	576
Small equipment and other supplies	1,080	1,359
Other	1,083	1,037
Total research and development expenses	**52,513**	**32,892**

The following table summarizes the major categories of the Group's sales and marketing expenses:

	June 30	
(Amounts in thousands of euros)	**2017**	**2016**
Sales and marketing expenses		
Personnel expenses	3,527	2,324
Fees	2,007	2,266
Communication and travel expenses	2,698	709
Other	295	152
Total sales and marketing expenses	**8,527**	**5,450**

The following table summarizes the major categories of the Group's general and administration expenses:

	June 30	
(Amounts in thousands of euros)	**2017**	**2016**
General and administrative expenses		
Personnel expenses	11,603	10,032
Fees	3,375	3,330
Rental	309	233
Insurance policies	683	1,043
Communication and travel expenses	664	434
Depreciation and amortization	409	43
Other	642	668
Total general and administrative expenses	**17,685**	**15,783**

Personnel expenses

As of June 30, 2017, the average headcount of the Group was 192 employees, compared with 113 employees as of June 30, 2016.

Personnel expenses are broken down as follows:

	June 30	
(Amounts in thousands of euros)	**2017**	**2016**
Wages and salaries	10,314	6,384
Social security contributions	3,453	2,532
Expenses for pension commitments	722	60
Employer contribution to bonus shares	2,760	2,154
Share-based payments	19,179	17,074
Total	**36,427**	**28,204**

The increase in personnel charges is partly due to the increase in the Company's headcount and the increase of the share-based payments related to the global plans put in place during the second half of 2015 and in 2016.

Note 13: Share-based payments

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

The warrants granted may 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 recorded in the financial statements using the straight-line method as a personnel expense over the vesting period. The acquisition of bonus shares and exercise of stock options depend on the existence of an employment contract or holding a corporate office between the recipient and the Company. Similarly, the exercise of the equity warrants depends on the existence of a directorship or consultant contract between the beneficiary and the Company.

For the six months ended June 30, 2017:

- 9,000 equity warrants were granted to a new independent director at a unit subscription price of €5.90 and an exercise price of €59.05. The final subscription date for the BSAs issued in June 2017 is August 15, 2017, and none of these BSAs were subscribed as of June 30, 2017. These warrants may be exercised immediately;

- 281,500 stock options were granted to US employees with exercise prices between €59.05 and €69.35. These stock options can be vested over a four-year vesting period, on the basis of 25% per year. After the first year, the releases will be made on a proportional basis every six months; the options will be forfeited 10 years after their grant;

- 2 free shares plans were granted to French new employees for a total of 46,500 shares. The acquisition of free shares is contingent upon the achievement of the two performance criteria below:

    - Half of the shares allocated will not be acquired until the later of the following two dates: (i) the end of the two (2)-year acquisition period which runs from the grant date and (ii) submission of the application for market authorization from the FDA for Viaskin Peanut;

    - Half of the shares allocated will not be acquired until the later of the following two dates: (i) the end of the two (2)-year acquisition period which runs from the grant date and (ii) the first date of sale of Viaskin Peanut in the United States;

These free shares are not subject to a retention period.

The IFRS 2 expense recorded for the six months ended June 30, 2017 amounts to €19.2 million compared to €17.1 million for the six months ended June 30, 2016.

As of June 30, 2017, the total number of ordinary shares that can be created through a full exercise or definitive acquisition, depending on the case, of all of securities giving access to the capital and instruments issued to date amounts to 2,905,618 at a weighted average exercise price of €39.24 (this weighted average exercise price does not include the 1,080,900 of potential shares resulting from the definitive acquisition of performance shares).

Note 14: Financial revenue and expenses

The following table reflects financial revenue and expenses:

	June 30	
(Amounts in thousands of euros)	**2017**	**2016**
Financial revenues	457	470
Financial expenses	(1,888)	(38)
Total	**(1,431)**	**432**

The financial income is primarily composed of capital gains on the disposal of investment securities. Financial expenses primarily include foreign exchange losses and expenses related to the accretion of the OSEO and BpiFrance advances.

Note 15: Off balance sheet commitments

No significant changes occurred in contingent liabilities between December 31, 2016 and June 30, 2017.

Note 16: Related parties' transactions

The compensating amounts for the six months ended June 30, 2017 presented below, which were awarded to the members of the Board of Directors and the Executive Committee of the Company, totals €9.5 million.
Following the reorganization of the Company in 2016, the Company included Executive Committee members in the related parties' disclosure.

	June 30	
(Amounts in thousands of euros)	**2017**	**2016**
Members of the Board of Directors	397	320
Executive committee	1,170	876
Directors' fees	193	110
Share-based payments to members of the Board of Directors	7,704	6,384
Total	**9,464**	**7,690**

The valuation method for the estimate of the benefit of share-based payments is described in Note 13.

Statement of the debt towards related parties as of June 30, 2017:

	June 30	
(Amounts in thousands of euros)	**2017**	**2016**
Compensation	453	474
Directors' fees	218	110
Pension obligations	342	18
Total	**1,012**	**602**

Note 17: Subsequent events

The Company evaluated subsequent events that occurred after June 30, 2017 through the date of issuance of the unaudited condensed consolidated financial statements and determined that there are no significant events that require adjustments or disclosure in such unaudited condensed consolidated financial statements.

II - MANAGEMENT DISCUSSION & ANALYSES

ANALYSIS OF PROFIT & LOSS STATEMENT

Our **total operating revenue** increased by 60.3% and was €7.6 million and €4.8 million for the first half 2017 and 2016, respectively. This income was mainly generated by our CIR and by income recognized under the May 2016 collaboration agreement with Nestlé Health Science, and more marginally, by subsidies received for research projects conducted by us.

in thousands of euros	**June 30**	
	2017	**2016**
Revenues	-	-
Other income	7,616	4,750
of which Research Tax Credit	*6,285*	*4,282*
of which subsidies	*114*	*155*
of which other operating income	*1,218*	*313*
Total income	**7,616**	**4,750**

As R&D expenses are not capitalized until a marketing authorization is obtained, the Research Tax Credit related to such R&D programs is recorded as operating income. Grants received during the periods were deducted from the calculation of the Research Tax Credit.

For the six months ended June 30, 2017, we recorded a €6.3 million Research Tax Credit. For the six months ended June 30, 2016, we recorded a €4.3 million Research Tax Credit. We have requested the reimbursement of the 2016 Research Tax Credit (€7.2 million) in compliance with the E.C. tax treatment for small and medium companies. At the date of release of the Interim Financial Information as of June 30, 2017, the reimbursement had not been received.

The increase in Research Tax Credit between June 30, 2016 and June 30, 2017 reflects the acceleration of our various development programs in 2016 and 2017, mainly due to simultaneously conducting clinical trials for both Viaskin Peanut and Viaskin Milk and the Phase I study of Viaskin rPT for pertussis booster vaccination.

For the first half 2016 and 2017, respectively, we also recorded as other income a portion of the upfront fee and milestones agreed under the contract with Nestlé Health Science, which are deferred over the service obligation period.

Research and Development expenses increased in the first half 2017 by 59.7% to €52.5 million compared with €32.9 million in the first half 2016. This increase is due primarily to increased R&D activity for both pre-clinical research and clinical development, as well as the reinforcement of teams dedicated to R&D.

The following table summarizes research and development expenses:

in thousands of euros	June 30	
	2017	**2016**
Personnel expenses	21,297	15,848
Sub-contracting, collaborations and consultants	25,380	11,195
Research supplies	733	615
Rental	991	958
Conferences, travel expenses	1,268	1,304
Depreciation and amortization	681	576
Small equipment and other supplies	1,080	1,359
Other	1,083	1,037
Total research and development expenses	**52,513**	**32,892**

Research and development expenses increased by 59.7% between the six months ended June 30, 2017 and the six months ended June 30, 2016. Main changes are:

- An increase of 34.4% in total payroll associated with research and development resulting from both an increase in average staff from 86 employees at the end of June 2016 to 142 employees at the end of June 2017, and from an increase in share-based compensation expense following free shares' and stock options' plans. Excluding share-based expenses, the increase of R&D personnel expenses is 58.5%.

- An increase of 126.7% in sub-contracting, collaboration and consultant costs, which includes the costs of our service providers for the following clinical trials :
    - the Phase III PEPITES trial for Viaskin Peanut, which completed enrollment in June 2016, and the Phase III REALISE trial which completed enrollment in March 2017;
    - the Part B, or Phase II, of the Phase I/II study for Viaskin Milk, which we refer to as the MILES trial, for which enrollment was completed in November 2016;
    - the SMILEE study, a Phase IIa investigator-initiated clinical trial for Viaskin Milk for the treatment of milk-induced EoE in pediatric patient populations, which completed enrollment in February 2017; and
    - the Phase I study of Viaskin rPT for pertussis booster vaccination in collaboration with BioNet-Asia Co. Ltd. and the Geneva University Hospitals (HUG).

The decrease in purchases of small equipment and other supplies is mainly attributable to expenditure incurred in early 2016 in connection with the installation of the laboratory and the animal facilities in the new headquarters in Montrouge.

In the first half of 2017 and 2016, **Sales and Marketing expenses** were €8.5 million and €5.5 million respectively, an increase of 56.5%. Sales and marketing expenses mainly include payroll for the US staff and marketing related to the possible launch and commercialization of Viaskin Peanut in North America.

The following table summarizes sales and marketing expenses:

in thousands of euros	June 30	
	2017	**2016**
Personnel expenses	3,527	2,324
Fees	2,007	2,266
Communication and travel expenses	2,698	709
Other	295	152
Total sales and marketing expenses	**8,527**	**5,450**

Our direct sales and marketing expenses consist principally of personnel expenses and consultant fees.

The increase of 51.8% in total payroll associated with sales and marketing results primarily from an increase in average staff from 6 employees at the end of June 2016 to 12 employees at the end of June 2017, and from an increase in share-based compensation expense following free shares' and stock options' plans. Excluding share-based expenses, the increase of sales and marketing personnel expenses is 49.3%.

General and Administration expenses include mainly administrative and management personnel costs, building costs related to headquarters, and certain fees (such as audit, legal and consultants' fees). In the first half 2017, general and administration expenses increased by 12.1% and were €17.7 million compared with €15.8 million in the first half 2016.

The following table summarizes general and administrative expenses:

in thousands of euros	June 30	
	2017	**2016**
Personnel expenses	11,603	10,032
Fees	3,375	3,330
Rental	309	233
Insurance policies	683	1,043
Communication and travel expenses	664	434
Depreciation and amortization	409	43
Other	642	668
Total general and administrative expenses	**17,685**	**15,783**

Main changes between the six months ended June 30, 2017 and the six months ended June 30, 2016 are:

- An increase of 15.7% in total G&A payroll resulting from both an increase in average staff to 38 employees at the end of June 2017 from 20 employees at the end of June 2016, and from an increase in share-based compensation expense following free shares' and stock options' plans granted during the second half of 2016 and the first half of 2017. Excluding share-based expenses, the increase of the G&A staff cost is 50,2%.
- An increase of 53.0% in expenses related to supporting our corporate communications and investor relations efforts, including travel and Nasdaq listing expenses.

Those increases are partly offset by a decrease of 34.5% in insurance expenses, due to the July 2016 termination of the 12-month insurance policy in connection with our July 2015 follow-on offering.

The **financial profit (loss)** was €(1.4) million in the first half of 2017 compared to €0.4 million in the first half of 2016. This item includes the financial revenues on our financial assets, foreign exchange losses and undiscounting expenses in connection with OSEO and BpiFrance.

The **net profit (loss)** at the end of June 30, 2017 was €(72.5) million compared to €(49.4) million at the end of June 30, 2016. The loss per share (based on the weighted average number of shares outstanding over the period) was €(2.94) and €(2.03) for the first half of 2017 and 2016, respectively.

ANALYSIS OF THE BALANCE SHEET

Non-current assets include property, plant, and equipment, long-term intangible assets, and long-term financial assets. Non-current assets were €18.5 million and €15.3 million as of June 30, 2017 and December 31, 2016, respectively.

The increase results primarily from the purchase of tools and equipment for the design, development and manufacturing of industrial machines, such as Gen 4.0 and Cut Pack, and from the purchase of laboratory, clinical and other validation equipment.

Net current assets were €219.4 million and €272.2 million as of June 30, 2017 and December 31, 2016, respectively, due to an increase in cash burn from operating activities.

As a result, as of June 30, 2017 our net **cash position** was €198.7 million vs. €256.5 million as of December 31, 2016.

The net change in our **shareholder's equity** resulted mainly from the net loss over the period. Shareholders' equity was €191.7 million as of June 30, 2017 compared with €242.8 million as of December 31, 2016.

ANALYSIS OF CASH FLOW STATEMENT

in thousands of euros	June 30	
	2017	**2016**
Net cash flow used in operating activities	(55,484)	(30,123)
Net cash flow used in investing activities	(4,267)	(5,607)
Net cash flow from financing activities	271	1,078

Net cash used in operating activities totaled €(55.5) million for the six months ended June 30, 2017, as compared with €(30.1) million for the six months ended June 30, 2016. The €25.4 million increase was primarily attributed to the increase in R&D expense.

Net cash used in investing activities totaled €(4.3) million for the six months ended June 30, 2017, as compared with €(5.6) million for the six months ended June 30, 2016. Investing activities primarily included the purchase of tools and equipment for the design, development and manufacturing of industrial machines for the period ended June 30, 2017, as well as the period ended June 30, 2016. The decrease in investing activities compared to June 30, 2016 is due to the investments made in 2016 for the layout of our corporate headquarters in Montrouge.

Net cash from financing activities totaled €0.3 million for the six months ended June 30, 2017, as compared with €1.1 million for the six months ended June 30, 2016, primarily due the exercise of equity instruments.

III – INFORMATION REGARDING RELATIONSHIPS WITH RELATED PARTIES

The compensation awarded to the members of our Board of Directors and Executive Committee totaled €9.5 million for the first half of 2017.

Following our reorganization in 2016, we included Executive Committee members in the related parties' disclosure.

in thousands of euros	June 30	
	2017	**2016**
Members of the Board of Directors	397	320
Executive Committee	1,170	876
Directors' fees	193	110
Share-based payments to members of the Board of Directors	7,704	6,384
Total	**9,464**	**7,690**

The valuation method for the estimate of the benefit of share-based payments is described in Note 17 to the consolidated financial statements for the year ended December 31, 2016.

Statement of the debts towards related parties as of June 30, 2017:

in thousands of euros	June 30	
	2017	**2016**
Compensation	453	474
Directors' fees	218	110
Pension obligations	342	18
Total	**1,012**	**602**

IV – RISK FACTORS

Risk factors are disclosed in section 1.4 of the "Document de Référence" on the consolidated financial statements as of December 31, 2016 filed at the AMF on March 23, 2017 (number AMF D.17-0210). The main risks and uncertainties the Company could face in the next six months are similar to the ones disclosed in the Document de Référence available on the website of the Company. Those risks may happen in the course of the six remaining months of the fiscal year.

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