HALF YEAR FINANCIAL REPORT

2018

dbv technologies

CONTENT

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I – FIRST HALF OF 2018 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(thousands of euros)

	Note	6/30/2018	12/31/2017
ASSETS			
Non-current assets			
Intangible assets		26	123
Property, plant, and equipment		17,418	17,808
Other non-current financial assets	4	2,544	3,012
Total non-current assets		**19,989**	**20,942**
Current assets			
Inventories		-	-
Customer accounts receivable		3	1,265
Other current assets	6	28,033	17,721
Cash and cash equivalents	7	202,245	137,880
Total current assets		**230,281**	**156,865**
TOTAL ASSETS		**250,270**	**177,807**

	Note	6/30/2018	12/31/2017
LIABILITIES			
Shareholders' equity			
Share capital	8	3,001	2,499
Premiums related to the share capital		538,668	406,709
Reserves		(264,671)	(131,592)
Net (loss)		(72,074)	(147,693)
Total shareholders' equity		**204,924**	**129,923**
Non-current liabilities			
Long-term financial debt	9	1,550	1,825
Non-current provisions		1,379	1,260
Other non-current liabilities	9	7,496	8,869
Total non-current liabilities		**10,424**	**11,954**
Current liabilities			
Bank overdrafts		-	-
Short-term financial debt	9	2,048	2,325
Current provisions		58	913
Supplier accounts payable	10	21,599	16,941
Other current liabilities	10	11,217	15,751
Total current liabilities		**34,921**	**35,930**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**250,270**	**177,807**

STATEMENT OF CONDENSED CONSOLIDATED INCOME (LOSS)

(thousands of euros)

	Note	Six months ended June 30, 2018	2017
Operating income			
Revenues	11	-	-
Other income	11	7,283	7,616
Total income		**7,283**	**7,616**
Operating expenses			
Cost of goods sold		-	-
Research and development	12	(49,946)	(52,513)
Sales and marketing	12	(9,728)	(8,527)
General and administrative	12	(21,135)	(17,685)
Total expenses		**(80,809)**	**(78,725)**
Operating (loss)		**(73,526)**	**(71,109)**
Financial revenues	14	1,813	457
Financial expenses	14	(360)	(1,888)
Financial profit (loss)		**1,452**	**(1,431)**
Income tax		-	(1)
Net (loss)		**(72,074)**	**(72,541)**
Basic and diluted earnings per share (€/share)		**(2.60)**	**(2.94)**

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

(thousands of euros)

	Six months ended June 30,	
	2018	2017
Net (loss)	**(72,074)**	**(72,541)**
Actuarial gains and losses on employee benefits, net of corporate tax	72	-
(Loss) directly recognized in shareholders' equity	**72**	**-**
Other comprehensive income	(1,566)	1,710
Total comprehensive (loss)	**(73,568)**	**(70,832)**

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).

Other comprehensive income mainly includes, as of June 30, 2017 and 2018, the change in consolidated translation reserves.

STATEMENT OF CONDENSED CONSOLIDATED CASH FLOW

(thousands of euros)

	Note	6/30/2018	6/30/2017
Net profit (loss) for the period		(72,074)	(72,541)
Reconciliation of the net profit (or loss) and the cash used for the operating activities:			
Amortization and depreciation		162	1,116
Retirement pension obligations		190	-
Expenses related to share-based payments		16,758	19,179
Other elements		242	50
Operating cash flows before change in working capital		**(54,722)**	**(52,197)**
Inventories		-	-
Customer accounts receivable		1,262	1,263
Other current assets		(10,163)	(6,194)
Supplier accounts payable		2,811	1,613
Other current and non-current liabilities		(4,357)	31
Change in working capital requirement		**(10,448)**	**(3,288)**
Net cash flow used in operating activities		**(65,170)**	**(55,484)**
Cash flows used in investing activities			
Acquisitions of property, plant, and equipment		(498)	(3,762)
Acquisitions of intangible assets		(10)	(204)
Acquisitions of non-current financial assets		(171)	(301)
Net cash flows from investment activities		**(679)**	**(4,267)**
Cash flows from financing activities			
Increase in conditional advances		-	-
(Decrease) in conditional advances		(648)	(214)
Treasury shares		(12)	(19)
Capital increases, net of transaction costs		132,460	515
Other cash flows related to financing activities		(135)	(11)
Net cash flows used in financing activities		**131,666**	**271**
(Decrease) in cash		**65,817**	**(59,480)**
Cash and cash equivalents at beginning period		137,880	256,473
Impact of exchange rate fluctuations		(1,452)	1,692
Cash and cash equivalents at the close of the period	7	**202,245**	**198,685**

CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(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, 2017	**24,648,828**	**2,465**	**405,882**	**(50,968)**	**(114,531)**	**242,849**
Net (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 (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**
At January 1, 2018	**24,990,822**	**2,499**	**406,709**	**(131,592)**	**(147,693)**	**129,923**
Net (loss)	-	-	-	-	(72,074)	(72,074)
Foreign exchange translation	-	-	-	(1,566)	-	(1,566)
Profit (loss) directly recognized in shareholders' equity	-	-	-	72	-	72
Total profit (loss) directly recognized in shareholders' equity	**-**	**-**	**-**	**(1,494)**	**(72,074)**	**(73,568)**
Allocation of prior (loss)	-	-	-	(147,693)	147,693	-
Increase in capital	5,015,530	502	131,821	-	-	132,323
Treasury shares	-	-	-	(650)	-	(650)
Issue of share warrants	-	-	138	-	-	138
Share-based payments	-	-	-	16,758	-	16,758
At June 30, 2018	**30,006,352**	**3,001**	**538,668**	**(264,671)**	**(72,074)**	**204,924**

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, has completed a global Phase III program for the treatment of peanut-allergic patients four to 11 years of age. In February 2018, the Company announced that the U.S. Food and Drug Administration, or FDA, agreed that the available efficacy and safety data for Viaskin Peanut supports the submission of a Biologics License Application, or a BLA, for the treatment of peanut allergy in children four to 11 years of age. The FDA provided written responses to the clinical pre-BLA meeting package we submitted. These responses reflect agreement on the content of the clinical module of the BLA for Viaskin Peanut. The Company plans to file its BLA in the fourth quarter of 2018. In August 2017, the Company initiated Part A of a Phase III trial of Viaskin Peanut in peanut-allergic children ages one to three. Part B of the trial is expected to commence in the fourth quarter of 2018.

The Company is developing its second product candidate, Viaskin Milk, for the treatment of cow's milk protein allergy, or CMPA, in children two to 17 years of age, which received fast track designation from the FDA in September 2016. In November 2014, the Company 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, which the Company refers to as the Milk Efficacy and Safety, or MILES, trial. In June 2015, we announced completion of Part A of the MILES study, or Phase I, and we launched Part B, or Phase II, in October 2015. In February 2018, the Company announced preliminary results from Part B of the MILES study. Following analyses of the data, the 300 µg dose was identified as the dose with the greatest observed clinical activity for children (intent-to-treat, p=0.042). The Company believes these preliminary results support further advancement of the Viaskin Milk program and intends to discuss findings with regulatory authorities to determine the design of future studies. All patients in the open-label extension trial are being switched to the 300 µg dose for treatment of up to 24 months.

In February 2015, the Company announced the development of a third product candidate, Viaskin Egg, for the treatment of patients suffering from hen's egg allergy. Preclinical development for Viaskin Egg commenced in the first half of 2015 and is currently ongoing. The Company plans to initiate clinical trials for Viaskin Egg in 2019.

In addition to our development programs in food allergies, we are exploring the use of our Viaskin technology for the treatment of inflammatory and autoimmune diseases with high unmet medical need. Human proof-of-concept trials are ongoing with Viaskin in Eosinophilic Esophagitis (EoE) and as a booster vaccination against Bordetella pertussis (whooping cough) in healthy adults. The Company's other earlier stage research programs include vaccination for respiratory syncytial virus, as well as potential treatments for Crohn's disease, hemophilia A, celiac disease and type I diabetes.

Major events during the first half of 2018

1. FINANCING

On March 23, 2018 the Company announced the closing of an underwritten global offering of an aggregate of 3,527,752 ordinary shares in (i) a public offering of 1,392,015 ordinary shares in the form of 2,784,030 American Depositary Shares (ADSs) in the United States, Canada and certain other countries outside Europe at a public offering price of $21.26 per ADS (on the basis of an exchange rate of $1.2246=€1.00) and (ii) a concurrent private placement of 2,135,737 ordinary shares in Europe (including France) at a public offering price of €34.71 per ordinary share. Each ADS represents the right to receive one-half of one ordinary share.

In addition, the Company announced on March 26, 2018 the issuance and the settlement and delivery of an aggregate of an additional 529,162 ordinary shares, including 208,802 ordinary shares in the form of 417,604 ADSs, on the same terms and conditions as the securities previously sold in the global offering, pursuant to the exercise of the underwriters' option to purchase additional ordinary shares, including in the form of American Depositary Shares (ADSs), in the Company's previously announced global offering (the "Option Closing"). Following the Option Closing, the gross proceeds to the Company from the global offering were approximately $172.9 million (approximately €140.6 million), before deducting underwriting commissions and estimated offering expenses.

2. CLINICAL PROGRAMS

On February 14, 2018, the Company provided an update on the regulatory progress for Viaskin Peanut and announced that the U.S. Food and Drug Administration (FDA) has agreed that the available efficacy and safety data for Viaskin Peanut supports the submission of a Biologics License Application (BLA) for the treatment of peanut allergy in children four to 11 years of age.

The FDA provided written responses to the clinical pre-BLA meeting package submitted by the Company, which reflected agreement on the content of the clinical module of the BLA for Viaskin Peanut. The Company plans to submit its BLA in the fourth quarter of 2018.

On February 26, 2018, the Company announced preliminary results from Part B, or Phase II, of a Phase I/II study evaluating the efficacy and safety of three dose regimens of Viaskin Milk (150 µg, 300 µg, 500 µg) in 198 patients for the treatment of IgE-mediated cow's milk protein allergy (CMPA). The MILES (Milk Efficacy and Safety) study was designed to determine a safe and effective dose in two age groups: children ages two to 11 and adolescents ages 12 to 17. Following analyses of the data, the 300 µg dose was identified as the most effective tested dose for children (intent-to-treat (ITT), p=0.042). The Company believes these preliminary results support further advancement of the Viaskin Milk program and intends to discuss findings with health authorities in key markets worldwide to determine the design of future studies.

3. CHANGE IN THE GROUP'S BOARD MEMBERS AND EXECUTIVE MANAGEMENT

On May 16, 2018, the Company announced that Michel de Rosen has been appointed to the Company's Board of Directors, in replacement of George Horner III. Michel de Rosen's appointment was confirmed at the Company's Ordinary and Extraordinary General Meeting on June 22, 2018, in Montrouge, France. With this addition, DBV's Board now comprises eight directors.

On June 22, 2018, the Company announced that Joan Schmidt has been appointed as Executive Vice President, General Counsel. She is responsible for all legal affairs and compliance at DBV, reporting to the Deputy Chief Executive Officer, David Schilansky. Joan Schmidt also serves as a member of the Executive Committee.

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, 2018 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, 2018. 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, 2018 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 September 6, 2018.

The interim condensed 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, 2018.

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, 2018 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, 2017.

The Group is not subject to significant seasonal effects.

Note 3: Accounting principles and methods used at June 30, 2018

These condensed consolidated financial statements are prepared using the same accounting policies and methods as those applied by DBV Technologies at December 31, 2017.

The following amendments are mandatorily effective for annual periods beginning on or after January 1st, 2018:

- IFRS 15 – Revenue from Contracts with Customers;
- Amendments to IFRS 15 - Clarifications to IFRS 15 Revenue from contracts with customers;
- Amendments to IFRS 4 – Applying IFRS 9 with IFRS 4;
- IFRS 9 – Financial Instruments;
- Annual improvements - 2014-2016 cycle;
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions;
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration.

The impacts of the first-time application of IFRS 15 are described in detail in Note 3.1.
The other amendments have not had any impact on the condensed consolidated financial statements as of June 30, 2018.

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, 2018:

- IFRS 16 – Leases;
- Amendments to IFRS 9 - Prepayment features with negative compensation;
- IFRIC 23 - Uncertainty over Income Tax Treatments.

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

- Amendments to IAS 28 – Long-term interests in associates and joint ventures;
- Annual improvements - 2015-2017 cycle.
- Amendments to IAS 19 - plan amendment, curtailment or settlement;
- IFRS 17 – Insurance contracts;
- IFRS 14 – Regulatory deferral accounts;
- Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture.

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 3.1: Impact of IFRS 15 application on June 30, 2018 financial statements

IFRS 15 became applicable on January 1, 2018, requiring the Company to update its accounting policies on revenue.

The concepts of "transfer of control", which is used primarily to determine the date of revenue recognition, and "performance obligations" do not call for any change in the accounting treatment of the Company's contracts. The concept of "variable consideration" does not materially alter the principles and methods used to measure net sales.

In particular, an analysis has been led on performance conditions, revenue recognition method for milestones payment and on the sale price allocation for the collaboration contract signed with Nestlé in 2016. It has been determined that the license and developments to be made by the Company are a unique performance obligation.

According to IFRS 15, the revenue from the Nestlé contract will be recognized on a percentage of completion basis, without exceeding the milestones achieved at the as of date.

Thus, IFRS 15 application does not materially affect the way in which the Company accounts for revenue. As of June 30, 2018, as well as of December 31, 2017, a deferred revenue has been recorded and will be deferred until the service obligation is met.

As of June 30, 2018, the service obligation period over which the revenue from Nestle is deferred is expected to end in September 2021.

Note 3.2: Going concern

The Company has primarily funded these losses through equity financings. To date, the Company has no product revenue, and management expects operating losses to continue for the foreseeable future.

As the Company continues to actively prepare for the launch of a product in the United States in 2019, if approved, current cash and cash equivalents on hand are not projected to be sufficient to support the Company's current operating plan for a period of 12 months following the date of issuance of these interim condensed consolidated financial statements. As such, there are material uncertainties regarding the Company's ability to continue as a going concern.

The Company expects to seek additional funds, most likely from equity or debt financings. To the extent that the Company raises additional funds by issuing equity securities, stockholders may experience significant dilution. However, no assurance can be given at this time as to whether the Company will be able to achieve these financing objectives. If the Company does not obtain sufficient funds when needed, the Company could scale back its operating plan, notably by deferring or limiting some or all of its research or development projects.

The financial statements have been prepared on a going concern basis assuming that the Company will either be successful in its financing objections or that the Company will modify its operating plans such that the Company's current cash and cash equivalents will be sufficient to fund the Company's operations for a period of at least 12 months following the date of issuance of these interim condensed consolidated financial statements. As such, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Refer to the liquidity risk disclosed in Note 23 to the financial statements for the year ended December 31, 2017.

Note 4: Non-current financial assets

(thousands of euros)	6/30/2018	12/31/2017
Deposits	739	577
Pledged securities	1,123	1,102
Liquidity contract	682	1,333
Total non-current financial assets	2,544	3,012

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, 24,313 treasury shares were allocated for the reduction of shareholders' equity as of June 30, 2018 (4,939 treasury shares as of December 31, 2017) with the cash balance being maintained in financial assets.

Note 5: Customer accounts receivable and related receivables

As of June 30, 2017, 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:

(thousands of euros)	6/30/2018	12/31/2017
Research tax credit	14,870	9,217
Other tax claims	9,182	5,258
Other receivables	1,146	1,192
Prepaid expenses	2,835	2,054
Total other current assets	**28,033**	**17,721**

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 upfront payments deferred over 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, 2017, 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:

- 2016: €7.2 million (for 12 months), paid in 2017;
- 2017: €9.2 million (for 12 months), to be paid in 2018;
- 2018: €5.4 million (for 6 months), to be paid in 2019.

The Company recognized as other income a Research Tax Credit in the amount of €5.4 million at June 30, 2018 and €6.3 million at June 30, 2017.

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 2014 Research Tax credit. The proposed adjustment amounted to €0.9 million and had been accrued in the financial statements as of December 31, 2017.

On June 25, 2018, the Company received the final reassessment for €58 thousand. The accrual initially recognized has been reversed in the June 30, 2018 financial statements.

Note 7: Cash and cash equivalents

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

(thousands of euros)	6/30/2018	12/31/2017
Cash	156,729	32,054
Cash equivalent term deposits	45,515	105,826
Total cash and cash equivalent as reported in statement of financial position	**202,245**	**137,880**

Bank overdrafts	-	-
Total net cash and cash equivalents as reported in the statement of cash flow	**202,245**	**137,880**

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, 2018 is set at the sum of €3,000,635.20. It is divided into 30,006,352 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, 2018, the capital increase of €501,553 is linked to:

- the issuance of 4,056,914 ordinary shares pursuant to the global offering of March 2018 and the exercise of the underwriters' option to purchase additional ordinary shares;
- the issuance of 958,616 shares in aggregate pursuant to:
    - the exercise of 32,460 employee warrants and on-employee warrants;
    - the exercise of 199,000 employee's stock options;
    - the acquisition of 727,156 free shares.

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

As of June 30, 2018, the Company had:

- A conditional advance of €1,768,489, granted in 2013 by OSEO to the Company as part of a collaborative research and clinical development in mite allergy in young children. Following the interruption of the project in September 2017, the repayment has been rescheduled in 13 monthly repayments, starting on May 31, 2018;
- An interest-free Innovation loan of €3,000,000 granted in 2014 by BpiFrance to DBV Technologies to help finance the pharmaceutical development of Viaskin Milk. This amount was received in a single disbursement on November 27, 2014. The planned repayment is scheduled in 20 quarterly repayments of €150,000 each, starting on June 30, 2017.

In 2011, OSEO Innovation also granted to the Company a grant in the form of a conditional advance of €640,000 to finance the development of its program to treat the allergy to proteins in cow's milk. This advance has been fully repaid as of June 30, 2018.

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:

(thousands of euros)	3rd OSEO contract	4th OSEO contract	BPI advance	Total
At January 1, 2017	**192**	**1,684**	**2,751**	**4,628**
Receipts	-	-	-	-
Repayments	(128)	-	(450)	(578)
Other transactions	2	16	84	101
At December 31, 2017	**64**	**1,700**	**2,386**	**4,150**
Of which - Non-current portion				1,825
Of which - Current portion				2,325
At January 1, 2018	**64**	**1,700**	**2,386**	**4,150**
Receipts	-	-	-	-
Repayments	(64)	(284)	(30)	(648)
Other transactions	-	59	36	96
At June 30, 2018	**-**	**1,476**	**2,122**	**3,598**
Of which - Non-current portion				1,550
Of which - Current portion				2,048

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 the Montrouge premises' free rent deferred over the lease term.

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

(thousands of euros)	6/30/2018	12/31/2017
Social security	7,721	12,094
Tax liabilities	247	428
Other debts	762	440
Deferred revenues	2,487	2,789
Total other current liabilities	**11,217**	**15,751**

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:

	Six months ended June 30,	
(thousands of euros)	2018	2017
Revenues	-	-
Research tax credit	5,653	6,285
Subsidies	191	114
Other operating income	1,439	1,218
Total operating income	**7,283**	**7,616**

As of June 30, 2018, and June 30, 2017, other operating income is mainly composed by the portion of the upfront fee and milestones agreed under the contract with Nestlé Health Science, 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:

	Six months ended June 30,	
(thousands of euros)	2018	2017
Research and development expenses		
Personnel expenses	22,051	21,297
Sub-contracting, collaborations and consultants	21,023	25,380
Rental	965	991
Conferences and travel expenses	1,234	1,268
Depreciation and amortization	489	681
Small equipment and supplies	2,581	1,813
Others	1,604	1,083
Total research and development expenses	**49,946**	**52,513**

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

	Six months ended June 30,	
(thousands of euros)	2018	2017
General and administrative expenses		
Personnel expenses	11,379	11,603
Fees	5,322	3,375
Rental	582	309
Insurance policies	726	683
Corporate communication and travel expenses	995	664
Depreciation and amortization	323	409

Others	1,808	642
Total general and administrative expenses	**21,135**	**17,685**

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

	Six months ended June 30,	
(thousands of euros)	2018	2017
Sales and marketing expenses		
Personnel expenses	4,147	3,527
Fees	3,869	2,007
Communication and travel expenses	1,692	2,698
Others	19	295
Total sales and marketing expenses	**9,728**	**8,527**

Personnel expenses

As of June 30, 2018, the average headcount of the Group was 244 employees, compared with 192 employees as of June 30, 2017.

Personnel expenses are broken down as follows:

	Six months ended June 30,	
(thousands of euros)	2018	2017
Wages and salaries	14,256	10,314
Social security contributions	4,556	3,453
Expenses for pension commitments	1,100	722
Employer contribution to bonus shares	906	2,760
Share-based payments	16,758	19,179
Total personnel expenses	**37,577**	**36,427**

The increase in personnel charges is mainly due to the increase in the Company's headcount. This increase is partly offset by the decrease of the share-based payments expense and employer contribution to bonus shares.

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, 2018:

- 44,000 equity warrants were granted to 6 directors at a unit subscription price of €3.72 and an exercise price of €37.24. The final subscription date for the BSAs issued in May 2018 is July 2, 2018, and only 37,000 of these BSAs were subscribed as of June 30, 2018. These warrants may be exercised immediately;

- 122,100 stock options were granted to new US employees with exercise prices between €37.22 and €43.60. Contingent upon the holders' continued employment with the Company, these stock options can be vested over a four-year vesting period, on the basis of 25% per year and, for 50,000 of these options, the exercise will be subject to the following performance condition: approval of Viaskin Peanut by the American Food and Drug Administration (USA FDA). The options will be forfeited 10 years after their grant;

- One free shares plan was granted to all French employees for a total of 486,153 shares. The definitive allocation of the free shares will only occur at the later of the following two dates: (i) expiry of the current vesting period as from their initial allocation and (ii) approval of Viaskin Peanut by the American Food and Drug Administration (USA FDA) (performance condition). These free shares are subject to a 2 years' retention period.

The IFRS 2 expense recorded for the six months ended June 30, 2018 amounts to €16.8 million compared to €19.2 million for the six months ended June 30, 2017.

As of June 30, 2018, 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 2,850,596 at a weighted average exercise price of €43.32 (this weighted average exercise price does not include the 579,428 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:

	Six months ended June 30,	
(thousands of euros)	2018	2017
Financial revenues	1,813	457
Financial expenses	(360)	(1,888)
Total	**1,452**	**(1,431)**

The financial income is primarily composed of unrealized exchange effect of U.S.-dollar-denominated intercompany advances and 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.

The change in the financial result between June 30, 2017 and June 30, 2018 is mainly due to the foreign exchange result linked with the EUR/USD conversion rate fluctuation.

Note 15: Off balance sheet commitments

No significant changes occurred in contingent liabilities between December 31, 2017 and June 30, 2018.

Note 16: Related parties' transactions

Compensation for the six months ended June 30, 2018 presented below, which were awarded to the members of the Board of Directors and the Executive Committee of the Company, totals €10.1 million. Following the reorganization of the Company in 2016, the Company included Executive Committee members in the related parties' disclosure.

	Six months ended June 30,	
(thousands of euros)	2018	2017
Members of the Board of Directors	474	397
Executive committee	1,857	1,170
Directors' fees	235	193
Share-based payments to members of the Board of Directors	7,566	7,704
Total	10,133	9,464

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, 2018:

	Six months ended June 30,	
(thousands of euros)	2018	2017
Compensation	705	453
Directors' fees	235	218
Pension obligations	538	342
Total	1,477	1,012

Note 17: Subsequent events

The Company evaluated subsequent events that occurred after June 30, 2018 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** was €7.2 million and €7.6 million for the first half 2018 and 2017, 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	Six months ended June 30,	
	2018	2017
Revenues	-	-
Other income	7,283	7,616
of which Research Tax Credit	*5,653*	*6,285*
of which subsidies	*191*	*114*
of which other operating income	*1,439*	*1,218*
Total income	7,283	7,616

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, 2018, we recorded a €5.3 million Research Tax Credit. For the six months ended June 30, 2017, we recorded a €6.3 million Research Tax Credit. We have requested the reimbursement of the 2017 Research Tax Credit (€9.2 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, 2018, the reimbursement had not been received.

For the first half 2017 and 2018, 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 decreased in the first half 2018 by 4.9% to €49.9 million compared with €52.5 million in the first half 2017.

This decrease is due primarily to:

- The decrease in expenses linked with our clinical trials, due to the high level of expenses incurred on the first half of 2017, including associated with the PEPITES and REALISE Phase III trials of Viaskin Peanut;
- The decrease in manufacturing expenses incurred for the design and set up of the GEN4.0 machine, which was completed in 2017.

During the first half 2018, the Company continued to increase its R&D activity for both pre-clinical research and clinical development, as well as reinforcing the teams dedicated to R&D.

The following table summarizes research and development expenses:

in thousands of euros	Six months ended June 30,	
	2018	2017
Personnel expenses	22,051	21,297
Sub-contracting, collaborations and consultants	21,023	25,380
Rental	965	991
Conferences and travel expenses	1,234	1,268
Depreciation and amortization	489	681
Small equipment and other supplies	2,581	1,813
Other	1,604	1,083
Total research and development expenses	**49,946**	**52,513**

In particular, we have incurred:

- An increase of 3.5% in total payroll associated with research and development, resulting from an increase in average staff from 142 employees at the end of June 2017 to 179 employees at the end of June 2018, partly offset by a decrease in share-based compensation expense and employer contribution to free shares. Excluding share-based expenses and contribution on free shares, the increase of research and development personnel expense is 44.7%.

- A decrease of 17.2% in sub-contracting, collaboration and consultant costs, which is mainly attributable to the expenses related to the completion of the manufacturing of industrial machines and the PEPITES clinical trial in the first half of 2017;

- An increase in small equipment and other supplies, resulting from the purchase of supplies used in the manufacturing of clinical patches for our clinical trials and validation batches.

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 2018, general and administration expenses were €21.1 million compared with €17.7 million in the first half 2017.

The following table summarizes general and administrative expenses:

in thousands of euros	Six months ended June 30,	
	2018	2017
Personnel expenses	11,379	11,603
Fees	5,322	3,375
Rental	582	309
Insurance policies	726	683
Corporate communication and travel expenses	995	664
Depreciation and amortization	323	409
Other	1,808	642
Total general and administrative expenses	**21,135**	**17,685**

Main changes between the six months ended June 30, 2018 and the six months ended June 30, 2017 are:

- An increase by €1.9 million in fees, primarily due to consulting fees incurred in the first half of 2018 to support the implementation of our new information system, and for corporate and legal fees;
- A decrease by 1.9% in total general and administrative payroll resulting from a decrease in share-based compensation expense and employer contribution on free shares, partially offset by an increase in average staff to 54 employees at the end of June 2018 from 38 employees at the end of June 2017. Excluding share-based expenses and contribution to free shares, the increase of the general and administrative employee-related expenses was 35.6%.

The increase in other general and administrative expenses is mainly attributable to the increase in license fees associated with the implementation of our new information system during the first half of 2018.

In the first half of 2018 and 2017, Sales and Marketing expenses were €9.7 million and €8.5 million, respectively. Sales and marketing expenses primarily include payroll for the U.S. employees, as well as fees related to pre-commercialization activities for Viaskin Peanut in North America.

The following table summarizes sales and marketing expenses:

in thousands of euros	Six months ended June 30,	
	2018	2017
Personnel expenses	4,147	3,527
Fees	3,869	2,007
Marketing, tradeshows and travel expenses	1,692	2,698
Other	19	295
Total sales and marketing expenses	**9,728**	**8,527**

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

The increase of 17.6% in total payroll associated with sales and marketing results primarily from an increase in share-based compensation expense and employer contribution on free shares. The average staff dedicated to sales and marketing remained 12 employees at the end of June 2018 from the end of June 2017.

The increase in professional fees resulted from an acceleration in the expenses linked with the preparation of the launch of Viaskin Peanut in North America.

The financial profit was €1.5 million in the first half 2018, compared to a loss of €(1.4) million in the first half of 2017. This item includes the financial revenues on our financial assets, foreign exchange losses and undiscounting expenses in connection with OSEO and BpiFrance.

The change in the financial profit (loss) is mainly attributable to the change in the unrealized exchange effect of U.S.-dollar-denominated intercompany advances.

The net (loss) at the end of June 30, 2018 was €(72.1) million compared to €(72.5) million at the end of June 30, 2017. The loss per share (based on the weighted average number of shares outstanding over the period) was €(2.60) and €(2.94) for the first half 2018 and 2017, 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 €20.0 million and €20.9 million as of June 30, 2018 and December 31, 2017, respectively. The decrease results primarily from a decrease in the cash value of our liquidity plan as of June 30, 2018.

Net current assets were €230.3 million and €156.9 million as of June 30, 2018 and December 31, 2017, respectively. The increase in net current assets is mainly due to the €130.6 million net proceeds received in connection with our March 2018 public offering, partly offset by the increase in cash burn from operating activities.

As a result, as of June 30, 2018, our net cash position was €202.2 million, compared to €137.9 million as of December 31, 2017.

The net change in our shareholder's equity resulted mainly from the net loss over the period and the March 2018 public offering. Shareholders' equity was €204.9 million as of June 30, 2018 compared with €129.9 million as of December 31, 2017.

ANALYSIS OF CASH FLOW STATEMENT

in thousands of euros	Six months ended June 30,	
	2018	2017
Net cash used in operating activities	(65,170)	(55,484)
Net cash used in investing activities	(679)	(4,267)
Net cash provided by financing activities	131,666	271

Net cash used in operating activities totaled €(65.2) million for the six months ended June 30, 2018, as compared to €(55.5) million for the six months ended June 30, 2017. The €9.7 million increase is attributed to the expenses to support the launch and commercialization of Viaskin Peanut in North America, if the appropriate regulatory approvals are received.

Net cash used in investing activities totaled €(0.7) million for the six months ended June 30, 2018, as compared to €(4.3) million for the six months ended June 30, 2017. Investing activities primarily included the purchase of tools and equipment for the design, development and manufacturing of industrial machines. Those investments significantly decreased in 2018 due to the finalization of our two main industrial machines' setup.

Net cash from financing activities totaled €131.7 million for the six months ended June 30, 2018, as compared to €0.3 million for the six months ended June 30, 2017, primarily due to the capital increase in March 2018 and, more marginally, to 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 and the statement of the debts towards related parties are disclosed in Note 16.

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, 2017 filed at the AMF on March 16, 2018 (number AMF D.18-0144). 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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