

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.*

*This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

## **Genfit**

Year ended 31 December 2019

### **Statutory auditors' report on the consolidated financial statements**

**GRANT THORNTON**

Membre français de Grant Thornton International  
29, rue du Pont  
92200 Neuilly-sur-Seine  
S.A.S. au capital de € 2 297 184  
632 013 843 R.C.S. Nanterre

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

**ERNST & YOUNG et Autres**

14, rue du Vieux Faubourg  
59042 Lille cedex  
S.A.S. à capital variable  
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

**Genfit**

Year ended 31 December 2019

**Statutory auditors' report on the consolidated financial statements**

To the Annual General Meeting of Genfit,

**Opinion**

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Genfit for the year ended 31 December 2019. These consolidated financial statements were approved by the Board of Directors on 20 May 2020, on the basis of the information available at that date, in the evolving context of the health crisis related to Covid-19.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

**Basis for Opinion****■ Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

## ■ Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*).

## Emphasis of Matter

We draw attention to the matters set out in the following notes to the consolidated financial statements:

- Note 6.4.7.2 “Application of the new standard IFRS 16” which describes the application, as from 1 January 2019, of IFRS 16 “Leases”;
- Note 6.28 “Events after the reporting period” relating to the publication of the main preliminary results of the interim analysis of the RESOLV-IT Phase 3 trial.

Our opinion is not modified in respect of these matters.

## Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

## ■ Completeness of subcontracted research and development activities (clinical studies)

Key audit matter	Our response
<p>As stated in Note 6.19 to the consolidated financial statements, research and development services including the production of active ingredients and therapeutic units are subcontracted to third parties for regulatory reasons. The costs involved mainly concern the clinical and pre-clinical trials that are necessary for the development of Genfit’s drug candidates and biomarker candidates.</p> <p>These costs are representative of Genfit’s level of activity and represent a significant proportion of the operating expenses in the company’s financial statements.</p> <p>As at 31 December 2019, research and development services are being subcontracted. The company must determine the related accrual.</p>	<p>We obtained an understanding of the processes in place for the monitoring of the costs of the subcontracted research and development activities and for the calculation of the accrual for the year ended, based on the contracts signed with subcontractors, the invoicing booked, and the estimate of the services performed at closing date. This understanding was obtained mainly through:</p> <ul style="list-style-type: none"><li>▶ interviews with the process owners,</li><li>▶ the performance of walkthroughs,</li><li>▶ the identification of the main controls in place.</li></ul> <p>We obtained the progress reports from the main subcontractors for the clinical trials and we</p>

We therefore considered this to be a key audit matter.

compared them with the company's documentation used for the recognition of expenses and accruals.

We performed analytical procedures in order to assess the consistency of the trend in the amounts recognized, in view of the progress status of the research and development projects as a whole, the total amount budgeted, and the allocation by supplier.

We performed tests using sampling techniques in order to reconcile the amounts of the estimates with the underlying evidence (contract information, invoices, and progress reports).

■ **Revenue recognition: identification of the performance obligation and allocation of revenue (Terns Pharmaceuticals agreement)**

Risk identified	Our response
<p>As stated in Notes 6.2.2 and 6.4.4.2 to the consolidated financial statements, the company has signed a licence and collaboration agreement with Terns Pharmaceuticals, granting the latter the right to develop, register and market Elafibranor in Greater China (Mainland China, Hong-Kong, Macau and Taiwan).</p> <p>In this respect, Genfit has received an initial payment of USD35m and will be eligible to receive up to USD193m according to the forthcoming clinical, regulatory and commercial stages. The company has accounted for this agreement in accordance with IFRS 15 "Revenue from Contracts with Customers".</p> <p>According to IFRS 15, the company is required to exercise judgment to determine Genfit's performance obligations under this agreement and then to allocate the revenue to the performance obligations identified.</p> <p>We therefore considered this to be a key audit matter.</p>	<p>We obtained an understanding of the process in place to identify Genfit's performance obligations under the Terns Pharmaceuticals agreement and to allocate the revenue to the various performance obligations.</p> <p>For that purpose, we notably:</p> <ul style="list-style-type: none"> <li>▶ conducted interviews with Management and those concerned by the accounting process relating to this agreement, and compared it to current industry practices;</li> <li>▶ examined the analysis performed by the company on the identification of the performance obligations and the allocation of revenue based on the Terns Pharmaceuticals agreement.</li> </ul> <p>We analyzed the allocation of the company's revenue in respect of the Terns Pharmaceuticals agreement and the various performance obligations, in order to determine their relevance.</p> <p>Lastly, we examined the information disclosed by the company in order to determine whether it is sufficient and appropriate under IFRS 15.</p>

**Specific verifications**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' management report, as approved on 20 May 2020. Regarding any events that occurred and facts that became known after the date of the approval of the management report, relating to the effects of the Covid-19 crisis, Management has informed us that such events and facts will be communicated at the annual general meeting called to approve the financial statements.

We have no matters to report as to the fair presentation and consistency of this information with the consolidated financial statements.

## Report on Other Legal and Regulatory Requirements

### ■ Appointment of the Statutory Auditors

We were appointed as statutory auditors of Genfit by the annual general meeting held on 20 June 2014 for GRANT THORNTON and on 26 June 2012 for ERNST & YOUNG et Autres.

As at 31 December 2019, GRANT THORNTON was in its 6<sup>th</sup> year and ERNST & YOUNG et Autres in its 8<sup>th</sup> year of total uninterrupted engagement (which includes six years since securities of the Company were admitted to trading on a regulated market).

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

## Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

### ■ Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- ▶ Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- ▶ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- ▶ Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- ▶ Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

#### ■ **Report to the Audit Committee**

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Lille, 20 May 2020

The Statutory Auditors

*French original signed by:*

GRANT THORNTON  
Membre français de Grant Thornton  
International

ERNST & YOUNG et Autres

Jean François Baloteaud

Sandrine Ledez