HALF-YEAR BUSINESS AND FINANCIAL REPORT AT JUNE 30, 2019

(English version for information only*)

GENFIT

TOWARDS BETTER MEDICINE

*This report has been translated in English for information only. In the event of any differences between the French text and the English text, the French language version shall supersede.

SUMMARY

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HALF-YEAR BUSINESS AND FINANCIAL REPORT AS OF JUNE 30, 2019

This report contains certain forward-looking statements, including those within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to GENFIT, including, but not limited to statements about the potential for the RESOLVE-IT interim results to be conclusive, the timing and potential success of the market launch of elafibranor in NASH and of NIS4, the Company's future expansion and growth, the Company's capacity and the timeline on which it will be able to offer treatments and diagnostic solutions, the preparation of the NDA for elafibranor in NASH, the launch of a Phase 3 clinical trial evaluating elafibranor in PBC, the launch of a POC clinical trial evaluating elafibranor in combination with a GLP1 agonist and SGLT2 inhibitor, the potential for elafibranor to improve the quantity and quality of fat in the liver, the Company's capacity to publish the top line results of the trial evaluating NTZ in mid-2020, the Company's capacity to ensure a strong commercial launch and long-term sales growth for elafibranor in NASH and PBC and the beginning of new clinical trials and advancement of our clinical development pipeline and development of our NIS4 IVD test.. The use of certain words, including "believe," "potential," "expect" and "will" and similar expressions, is intended to identify forward-looking statements. Although the Company believes its expectations are based on the current expectations and reasonable assumptions of the Company's management, these forward-looking statements are subject to numerous known and unknown risks and uncertainties, which could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking statements. These risks and uncertainties include, among other things, the uncertainties inherent in research and development, including related to safety, biomarkers, progression of, and results from, its ongoing and planned clinical trials, review and approvals by regulatory authorities of its drug and diagnostic candidates and the Company's continued ability to raise capital to fund its development, as well as those risks and uncertainties discussed or identified in the Company's public filings with the French Autorité des marchés financiers ("AMF"), including those listed in Section 4 "Main Risks and Uncertainties" of the Company's 2018 Registration Document filed with the AMF on February 27, 2019 under n° D.19-0078, which is available on GENFIT's website (www.genfit.com) and on the website of the AMF (www.amf-france.org) and public filings and reports filed with the U.S. Securities and Exchange Commission ("SEC"), including the Company's final prospectus dated March 26, 2019, and subsequent filings and reports filed with the AMF or SEC, or otherwise made public, by the Company. In addition, even if the Company's results, performance, financial condition and liquidity, and the development of the industry in which it operates are consistent with such forward-looking statements, they may not be predictive of results or developments in future periods. These forward-looking statements speak only as of the date of publication of this document. Other than as required by applicable law, the Company does not undertake any obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.

1. OVERVIEW OF THE GROUP AND ITS MAIN R&D PROGRAMS

GENFT is a late-stage clinical biopharmaceutical group (the "Group", including GENFIT SA, and its two wholly-owned subsidiaries, GENFIT CORP and GENFIT PHARMACEUTICALS) dedicated to the discovery and development of innovative drug candidates and diagnostic solutions targeting metabolic and liver-related diseases where there is considerable unmet medical need.

GENFIT is a leader in the field of nuclear receptor-based drug discovery with a rich history and strong scientific heritage spanning almost two decades.

We are evaluating our most advanced drug candidate, elafibranor, in a pivotal Phase 3 clinical trial as a potential treatment for nonalcoholic steatohepatitis, or NASH, and as a potential treatment for primary biliary cholangitis, or PBC.

NASH is a liver disease that affects millions of people and for which there are currently no approved therapies. NASH is characterized by an accumulation of fat, inflammation and degeneration of hepatocytes, and may ultimately lead to life-threatening conditions like cirrhosis, liver failure or liver cancer requiring liver transplant. There are no approved medications to treat NASH currently on the market.

PBC, a chronic, progressive liver disease that leads to inflammation and scarring of the small bile ducts in the liver. Although a relatively rare disease, PBC can develop into cirrhosis and other serious liver complications. There is currently no cure for PBC, and the two drugs approved for the treatment of PBC are limited by drug intolerance, lack of patient response and safety issues. Based on our clinical data, we believe elafibranor's unique mechanism of action can provide benefits for patients with PBC without significant side effects, such as the serious liver injury or death and pruritis that have been associated with approved PBC treatments.

In NASH, elafibranor, in our Phase 2b clinical trial, achieved resolution of NASH without worsening of fibrosis, which is the primary endpoint of our ongoing global Phase 3 clinical trial. We have already achieved the enrollment necessary to perform an interim cohort analysis. The last biopsy of the last patient required for the interim analysis is expected to occur in the fourth quarter of 2019, and we expect to be able to publish the top line interim results in the first quarter of 2020. We believe these results, if positive, could support accelerated approval from the U.S. Food and Drug Administration, or FDA, and conditional approval from the European Medicines Agency, or EMA, end of 2020 – beginning of 2021. Elafibranor has received fast track designation from the FDA for the treatment of NASH and the FDA has authorized GENFIT to begin a Phase 2 trial in pediatric NASH patients.

In PBC, elafibranor achieved positive preliminary results from our Phase 2 clinical trial evaluating elafibranor for the treatment of PBC. Elafibranor met the primary endpoint of the trial, which was the change at week 12 in serum alkaline phosphatase, or ALP, from baseline, with statistical significance compared to placebo in both doses evaluated. Elafibranor also achieved with high statistical significance compared to placebo, the composite endpoint of ALP and bilirubin. Elafibranor has received Breakthrough Therapy designation from the FDA and Orphan Drug designation from the FDA and EMA for the treatment of PBC. We expect to be able to begin a Phase 3 trial of elafibranor in PBC in the first quarter of 2020.

A key differentiator of our development strategy is our NASH biomarker-based diagnostic program, in which we are developing a new in vitro diagnostic, or IVD, test to identify patients with NASH who may be appropriate candidates for drug therapy. NASH is a silent disease. Patients often have no symptoms until the first signs of liver failure, and the lack of an accurate, non-invasive diagnosis tool contributes to under-diagnosis. Currently, liver biopsy is the standard for diagnosis, and variation in clinical practice and physician reluctance lead to under-diagnosis. Our blood-based IVD test, NIS4, is a novel, standalone diagnostic that we believe can address the urgent need for a non-invasive Our blood-based IVD test is a novel, standalone diagnostic that we believe can address the urgent need

for a non-invasive, cost-effective, accessible and validated test, thereby decreasing the need for liver biopsy. We believe NIS4 has the potential to benefit patients, improve overall clinical care and facilitate the identification of NASH patients to be treated. We anticipate marketing our IVD test first as a laboratory-developed test, or LDT, and then submitting our IVD test for FDA marketing authorization in 2020, and to take the necessary steps to receive, as soon as practicable, the CE marking in Europe. In January 2019, we entered into a license agreement with LabCorp to allow them to deploy NIS4 in the clinical research space and anticipate its commercial launch through Covance's central labs in the fourth quarter of 2019.

We are also advancing a clinical-stage program based on drug repositioning to develop an anti-fibrotic drug. Our lead drug candidate in this program, nitazoxanide, or NTZ, is an approved anti-parasitic agent that has shown promising activity against fibrosis in our preclinical disease models. An investigator-initiated Phase 2 proof-of-concept trial to evaluate NTZ for the treatment of NASH patients with significant or severe fibrosis is underway. We expect the results of this trial to be made public mid-2020.

Our TGFTX1 preclinical program is focused on the discovery and development of innovative drug candidates targeting ROR gamma t, a nuclear receptor involved in certain inflammatory and autoimmune diseases. We are currently conducting pre-IND studies for a topical treatment of mild to moderate psoriasis.

The following table summarizes our drug candidate and diagnostic development pipeline. We have retained worldwide rights to all of our programs.

PROGRAM	INDICATION	TARGET	DEVELOPMENT STAGE	TIMELINE
Elafibranor	ADULT NASH	PPAR α/δ	PHASE 3	LAST PATIENT'S LAST BIOPSY – 4Q19 PHASE 3 INTERIM RESULTS – 1Q20
	PBC	PPAR α/δ	PHASE 2	PHASE 3 TRIAL INITIATION – 1Q20
	PEDIATRIC NASH	PPAR α/δ	PHASE 2	PHASE 2 - ENROLLING
	NAFL	PPAR α/δ	PHASE 2	PHASE 2 POC - ENROLLING
	NASH Combination	PPAR α/δ SGLT2, GLP1	PHASE 2	PHASE 2 POC INITIATION – 1Q20
Nitazoxanide	FIBROSIS	Undisclosed	PHASE 2	PHASE 2 DATA READOUT – MID 2020
TGFTX1	AUTO-IMMUNE	RORγt	PRECLIN	PRE-IND STUDIES
NIS4	NASH DIAGNOSTIC	NAS≥4, F2+	CLINICAL COMMERCIAL	LDT COMMERCIALISATION CENTRAL LAB – 2H19 REGULATORY SUBMISSION for IVD – 2020

Preclinical development*: regulatory pharmacology and toxicology studies on animals*
Clinical development*:*

> ***Phase 1*** *clinical trials: the molecule is administered to healthy subjects in order to assess its safety, identify potential side effects and assess its tolerance at the doses administered, as well as their distribution and metabolism ;*
> ***Phase 2*** *clinical trials are carried out on a limited population of patients affected by the disease. The objective is to provide initial proof of the drug's efficacy, determine its dosage and assess its tolerance when administered in effective doses ;*
> ***Phase*** *3clinical trials are conducted on a broader population of patients affected by the disease studied. The objective is to demonstrate the product's efficacy and tolerance in comparison with products already on the market or placebos, in order to compile a dossier containing sufficient data to be filed with the regulatory authorities ;*
> ***Clinical commercial:*** *development stage specific to IVD tests*

Our current Chairman of the Board of Directors, Jean-François Mouney, co-founded our company in 1999. On September 2, 2019, on his proposal, the Board of Directors decided to separate the position of Chairman of the Board of Directors and CEO and appointed Pascal Prigent as CEO of Genfit SA, effective September 16, 2019.

Since his arrival at the Company in May 2018, Pascal Prigent has worked closely with Jean-François Mouney, as well as with Dean Hum, Chief Operating Officer and Chief Scientific Officer of Genfit. A key member of Genfit's Executive Committee, Pascal has been instrumental in establishing a global team of high profile collaborators and consultants with the objective to prepare for the potential commercialization of elafibranor and NIS4.

We are led by an executive team and board of directors with deep experience at leading biotech companies, large pharmaceutical companies and academic institutions, including Dr. Carol L. Addy, who recently joined as Chief Medical Officer.

We have over 180 employees at our offices in Lille and Paris, France and Cambridge, Massachusetts.

The chairman of our scientific advisory board, Bart Staels, is a co-founder of our company and a world-renowned expert in nuclear receptors. Our scientific advisory board is comprised of internationally recognized key opinion leaders in the field of metabolic and inflammatory diseases, with a particular focus on the liver and gastroenterology.

Genfit's shares are listed on the regulated market of Euronext in Paris (compartment B – ISIN: FR0004163111) and, since March 2019, on the Nasdaq Global Select Market in the United States, under the symbol "GNFT".

2. KEY EVENTS OF THE FIRST HALF 2019 AND MAIN EVENTS AFTER THE REPORTING PERIOD

GENFIT's R&D Programs

- **Elafibranor development program in NAFLD / NASH**

RESOLVE-IT Phase 3 study in NASH

Enrollment of patients in the RESOLVE-IT Phase 3 clinicl trial of elafibranor in NASH progressed actively during the first half 2019. All patients required for the interim analysis have already been enrolled and the last biopsy to be performed on the last patient required for the interim analysis is expected to occur in the fourth quarter of 2019. In May, the Company also announced the results of the 36 month review of the Data Safety Monitoring Board (DSMB), based on tolerability and safety data. The DSMB issued a positive recommendation for the continuation of the RESOLVE-IT Phase 3 trial in NASH without any modifications. This sixth DSMB planned review did not identify any safety issues, as was the case with the previous reviews.

Pediatric Program in NASH

In March, we announced protocol clearance by the FDA for a Phase 2 trial evaluating elafibranor in children and adolescents with non-alcoholic steatohepatitis (NASH).

The trial, which is enrolling patients, is designed as follows:

- Study to assess the pharmacokinetic and pharmacodynamic profile and the safety and tolerability of two dose levels of elafibranor (80 mg and 120 mg);
- 20 patients between 8 to 17 years of age, with NASH;
- 12-week trial duration;
- Open-label study;
- Randomized across two arms;
- U.S. multicenter study.

Disease awareness program in NASH

In 2017, the Company launched a disease awareness initiative through the endowment fund it founded, *The NASH Education Program™*, confirming its leadership in NASH, and sparked an unprecedented wave of interest in the French media. This initiative is crucial in the context of enrollment for a little known and asymptomatic pathology like NASH.

During the first half of 2019, the Company continued its disease awareness effort by participating in the 2nd Annual International NASH Day that was organized on June 12, 2019 by the Global Liver Institute, with support from organizations including the American Liver Foundation, EASL International Liver Foundation, European Liver Patients Association, NASH Knowledge and Fat Liver Foundation.

Opportunities in NASH combination therapy

After having identified several molecules having a synergistic activity with elafibranor, we presented our ongoing approach to evaluating elafibranor as the basis for combination therapies in NASH during the 2019 International Liver Congress (ILC), which was held in Vienna, Austria from April 10-14, 2019. The abstract of the poster presented at the ILC *"Elafibranor, a drug candidate for first line NASH monotherapy and a universal backbone for drug combination treatment,*" is available on the ILC's website.

In May and on this basis, we announced our intention to launch a Phase 2 study to evaluate synergies between elafibranor and certain diabetes medications, namely between elafibranor and a GLP-1 receptor agonist, and elafibranor in combination with an SGLT2 inhibitor. This clinical trial, which is expected to launch in the first quarter of 2020, will be a proof of concept study evaluating safety, tolerability and exploratory markers of efficacy in both combinations for the treatment of NASH.

Trial Design:

- Study to assess safety, tolerability and exploratory markers of efficacy of elafibranor (120mg) in combination with a GLP1 analogue or in combination with an SGLT2 inhibitor;
- Study will enroll and monitor patients with suspected NASH and significant to advanced fibrosis, through the use of non-invasive technologies;
- U.S. multi-center study with 24-week trial duration.

The study will also utilize non-invasive diagnostic tools, including NIS4, GENFIT's innovative diagnostic blood test for NASH patient identification and monitoring.

New Phase 2 clinical trial in NAFLD

In June, the Company announced the launch of a Phase 2 clinical trial evaluating elafibranor's activity on liver fat quantity and – most importantly – fat composition in nonalcoholic fatty liver disease (NAFLD) patients.

NAFLD is a common disorder referring to a condition associated with an accumulation of fat in the liver. Although persistent fat in the liver is common and can remain static, NAFLD is known to be a precursor for a much more serious condition, non-alcoholic steatohepatitis or NASH. The composition of hepatic lipids is altered in NASH, especially in patients with diabetes, where polyunsaturated fatty acids are more prominent and give rise to toxic lipid species, such as hepatic ceramides. It is therefore crucial for NASH-targeted drugs to preferentially eliminate lipid species that are substrates for toxic lipid production.

In this context, elafibranor's pluripotent mechanism of a PPAR alpha and delta and its beneficial effects on cardiometabolic lipids (LDL decrease, HDL increase, and TG decrease), glucose metabolism (HbA1c, HOMA-IR, FPG, FFA, C-peptide) could be beneficial in improving the quantity and quality of

fat in the liver, specifically targeting the more harmful, lipotoxic fat subtypes that buildup in NAFLD and drive progression to NASH.

The trial, for which patient enrolment is underway, is a Phase 2 randomized, placebo-controlled, double-blind, cross-over study in sixteen patients with NAFL as identified with magnetic resonance spectroscopy (H-MRS). The primary objective will evaluate the effects of treatment with elafibranor (120mg/daily) for 6-weeks vs. placebo on changes in hepatic lipid composition in subjects with fatty liver. Secondary measurements include impact on hepatic glucose production (HGP), glucose homeostasis, lipid metabolism, inflammatory markers and liver function, as well as safety. The trial is conducted in The Netherlands.

- **Elafibranor development program in Primary Biliary Cholangitis (PBC)**

In April, during the 2019 ILC, Genfit presented new data from the positive Phase 2 results of elafibranor in PBC, for which the top line results had been published by the company in December 2018, in particular on the primary endpoint of ALP percentage change from baseline to week 12. The anti-cholestatic effects of elafibranor were evaluated in a 12-week double-blind randomized placebo-controlled Phase 2 trial of non-cirrhotic patients with PBC and with inadequate response to ursodeoxycholic acid (UDCA). Patients were randomly assigned to receive elafibranor 80 mg/day, 120 mg/day or placebo (15 patients per group).

In addition to significant reductions in ALP already published in December 2018, the new data set presented at the 2019 ILC showed that patients, in both elafibranor-treated groups, showed improvements in other PBC markers. The effect on gamma-glutamyl transferase (GGT) was highly significant as compared to placebo: -39% (80mg) and -40% (120mg), ($p=0.001$ and $p=0.002$ respectively). Improvements in lipid markers including total cholesterol, low-density lipoprotein and triglycerides, as well as reduction of anti-inflammatory markers (such as IgM, CRP, haptoglobin and fibrinogen); and a decrease in C4, an intermediate of bile acid synthesis, were also noted.

This new data set also suggests an improvement in pruritus – a major symptom of PBC. By self-reported visual analogue scale (VAS) in patients with pruritus at baseline (10/group), the VAS median percentage change from baseline to week 12 was -24%, -49% and -7% in the 80mg, 120 mg and Pbo groups, respectively.

On the basis of this positive data set and the results announced in December 2018, the Company announced its plans to launch a phase 3 trial of elafibranor in PBC expected in the first quarter of 2020.

Also in April, the Company announced that the FDA had granted elafibranor Breakthrough Therapy Designation for the treatment of PBC in adults with inadequate response to UDCA

Breakthrough Therapy Designation is granted by the FDA to expedite the development and review of drugs designed to treat serious conditions for which preliminary data and evidence indicate that the product candidate may demonstrate substantial improvements over existing therapies on one or more clinically significant endpoints.

Finally, in July 2019, the Company announced that the FDA and EMA had granted Orphan Drug designation to elafibranor for the treatment of PBC.

- **Diagnostic biomarker program in NASH (NIS4)**

At the 2019 ILC, the Company presented a poster entitled "Assessment of NIS4 clinical utility for identification of patients with active NASH (NAS>=4) and significant fibrosis (F>=2) in patients at risk of NASH".

This poster, the abstract of which can be viewed and downloaded on the ILC's website, provides key insights on the use of clinically meaningful threshold NIS4 values for non-invasive screening of patients with risk factors for NASH and accurate identification of patients who should be considered for pharmacological intervention (NASH with NAS≥4 and significant fibrosis defined as F≥2).

As indicated below, in January 2019, the Company signed a license agreement with Covance regarding NIS4 (see section 2.2 below).

- **Repurposing of nitazoxanide in fibrosis (TGFTX4 program)**

Enrollment of patients in the Phase 2 proof-of-concept study to evaluate nitazoxanide in NASH patients with advanced fibrosis continued throughout the first half of 2019. We expect to publish the top line results of this trial in mid-2020.

In April, at the 2019 ILC, Genfit presented its ongoing approach to evaluating elafibranor as the basis for combination therapies in NASH in an oral presentation "Elafibranor and nitazoxanide synergize to reduce fibrosis in a NASH model" that highlighted new results on the complementary actions of both GENFIT drug candidates, elafibranor and nitazoxanide, to reduce fibrosis in NASH. The abstract is available to view and download on the ILC's website.

2.2 Business Development

Our business development efforts to sign licensing agreements or joint marketing agreements with one or more pharmaceutical companies with the financial capacity and specific expertise required to successfully complete clinical trials and bring medicines and/or diagnostic tools to market materialized in the first half of 2019 with the signature of two agreements, one in the field of diagnostics and the other concerning the development of elafibranor in China.

In January, the Company signed a licensing agreement with Covance, LabCorp's drug development business. The licensing agreement aims to expand access to NIS4, a non-invasive IVD test developed by Genfit to identify and monitor NASH patients, in the clinical research space. The primary focus of the licensing agreement is to deploy NIS4 in the clinical research space through Covance's central laboratories to further validate the test's use for better identification and characterization of patients, and to generate new biological insights on NASH disease pathogenesis.

Both LabCorp Diagnostics and Covance have been involved in the development of drugs and diagnostics for more than 20 years, and Covance is a recognized global leader in NASH clinical trials.

At the end of June, the Company announced the signing of a licensing and collaboration agreement with Terns Pharmaceuticals ("Terns"), granting Terns the rights to develop and commercialize elafibranor, GENFIT's proprietary compound, in Greater China. Under the terms of the licensing agreement, GENFIT received an upfront payment from Terns of $35 million and will be eligible to receive up to $193 million in potential clinical, regulatory and commercial milestone payments. Terns obtains the exclusive rights to develop, register and market elafibranor in mainland China, Hong Kong, Macau and Taiwan ("Greater China") for both NASH and PBC. Upon commercial launch of elafibranor for the treatment of NASH in Greater China, GENFIT will be entitled to receive mid-teen percentage royalties from Terns based on sales in the territory.

As part of the deal, GENFIT and Terns will also undertake joint R&D projects in liver disease, including the development of elafibranor in combination with Terns' proprietary compounds.

Backed by experienced investors in the pharmaceutical industry, including Orbimed, Lilly Asia Ventures, Vivo Capital and Decheng Capital, Terns, an international company based in the United States and China, has extensive clinical development capabilities in China and a robust pipeline of early-stage candidates that present promising opportunities for potential combination therapy with elafibranor.

We believe that, with a strong presence in China, a seasoned leadership team, and roots in the San Francisco Bay Area biotechnology hub, Terns is well-positioned to maximize elafibranor's value in China. Terns' large footprint in both geographies provides an advantage in navigating the development and regulatory processes required to obtain approvals in Greater China territories, while also ensuring the preparation for a strong commercial launch and long-term sales growth.

2.3 Corporate Development

At the end of March, the Company completed its initial public offering on the Nasdaq Select Global Market, raising a total gross amount of approximately US $ 155.4 million in a global offer of American Depositary Shares (ADS) in the United States and a private placement of shares in Europe (including in France) and other countries outside the United States. GENFIT placed 7,647,500 new shares at an issue price of USD 20.32 per ADS and EUR 18.00 per new share. The offer represented approximately 20% of the share capital before the transaction and brought the total number of shares after IPO to 38,831,421.

Genfit's ordinary shares are listed on the regulated market of Euronext in Paris under the symbol "GNFT". Since March 27, 2019, our ADSs are listed on the Nasdaq Global Select Market in the United States, under the symbol "GNFT".

2.4 Main events after the reporting period

At the end of July, the Company announced that the FDA and EMA had granted Orphan Drug designation to elafibranor for the treatment of PBC.

Early September, following the decision of Jean-François Mouney to focus exclusively on his roles as Chairman of the Board and member/chairman of several of its committees, the Company announced that it would separate the roles of Chairman and CEO. On his recommendation, Pascal Prigent, currently the EVP of Marketing and Commercial Development, has been appointed as CEO by the Board, starting from September 16, 2019. Dr. Dean Hum, Chief Operating Officer and Chief Scientific Officer, was named Chairman of Genfit Corp, the Company's US subsidiary.

Since joining GENFIT in May 2018, Pascal Prigent has worked closely with Jean-François Mouney and Dr. Hum, since his arrival. A member of the Executive Committee, Pascal is instrumental in establishing a global team of high profile collaborators and consultants with the objective to prepare for the potential commercialization of elafibranor and NIS4. Prior to GENFIT, Pascal had over 20 years of experience in the pharmaceutical industry, including international management roles with Eli Lilly and GlaxoSmithKline.

In September, we also announced the:

- arrival of Dr. Carol L. Addy as Chief Medical Officer. Dr. Addy, who is based in the Cambridge, M.A. office, will drive the medical strategy of the Company, including clinical development and medical affairs. She brings with her over 20 years of experience in the healthcare space, and over 10 years leading clinical development teams in the pharmaceutical industry, supporting early and late-stage investigation of novel drugs and creating innovative solutions for the life-cycle management of approved therapies in obesity and diabetes. Prior to joining GENFIT, she held various leadership roles, including most recently, Chief Medical Officer at Health

Management Resources, a subsidiary of Merck & Co., and as Associate Director, Director and Senior Principal Scientist at Merck Research Laboratories.

- the promotion of Dr. Suneil Hosmane to Head of Global Diagnostics. Suneil, who joined GENFIT Corp. in 2018 as Executive Vice President of Strategic Development, will manage the development and marketing activities related to NIS4. Beyond NIS4, Suneil will also be spearheading the in-house biomarker discovery program and designing additional non-invasive diagnostic solutions for metabolic and liver diseases.

Dr. Addy and Dr. Hosmane have both joined the Company's Executive Committee.

Finally, through its strategic partnership with Terns Pharmaceuticals, the Company received, after the reporting period, the USD $35 million upfront payment under the license and collaboration agreement.

See also Note 6.27 to the 2019 half year consolidated financial statements for other events after the reporting period.

3. OPERATING AND FINANCIAL REVIEW

3.1 Comments on the condensed statement of net income for the periods ended June 30, 2018 and June 30, 2019

(i) Revenue and other income

The Company's revenue and other income results was primarily the result of the research tax credit

Given the date of the signature of the agreement with Terns Pharmaceuticals (June 24, 2019) and the obligations there under, the Company considered that the revenues from the USD$35 million upfront payment would be recognized in the second half of 2019 (see Note 6.4.2 of the condensed consolidated 2019 half year financial statements).

Revenue and other income	Half-year ended	
(in € thousands)	2018/06/30	2019/06/30
Revenues	64	1
Government grants	0	2
Research Tax Credit	4 981	5 350
Other operating income	76	4
TOTAL	**5 122**	**5 357**

Revenue and other income was € 5,357 thousand at June 30, 2019 compared to €5,122 thousand for the same period in the previous year.

(ii) Operating expenses and other operating income by destination

The tables below break down operating expenses by destination mainly into research and development expenses on the one hand, and general and administrative expenses on the other, for the half years ended June 30, 2018 and 2019.

Operating expenses and other operating income (expenses) (in € thousands)	Half-year ended 2018/06/30	Of which: Raw materials and consumables used	Contracted research and development activities conducted by third parties	Employee expenses	Other expenses (maintenance, fees, travel, taxes…)	Depreciation, amortization and impairment charges	Gain / (loss) on disposal of property, plant and equipment
Research and development expenses	(32 072)	(922)	(22 745)	(4 624)	(3 000)	(781)	(1)
General and administrative expenses	(4 565)	(70)	(2)	(1 687)	(2 882)	74	2
Other operating income and (expenses)	(40)	0	0	0	(40)	0	0
TOTAL	**(36 677)**	**(992)**	**(22 747)**	**(6 311)**	**(5 921)**	**(707)**	**2**

Operating expenses and other operating income (expenses)	Half-year ended 2019/06/30	Of which: Raw materials and	Contracted research	Employee expens	Other expenses	Depreciation, amortization	Gain / (loss) on disposal

(in € thousands)		consumables used	and development activities conducted by third parties	es	(maintenance, fees, travel, taxes…)	and impairment charges	of property, plant and equipment
Research and development expenses	(38 899)	(1 068)	(25 909)	(6 206)	(2 564)	(3 152)	0
General and administrative expenses	(12 402)	(114)	(1)	(4 964)	(7 206)	(117)	0
Other operating income and (expenses)	7	0	0	0	6	0	1
TOTAL	**(51 294)**	**(1 182)**	**(25 910)**	**(11 170)**	**(9 764)**	**(3 269)**	**1**

Operating expenses in the first half 2019 amounted to €51,294 thousand compared to €36,677 thousand in first half 2018, or a 40% increase. They include, in particular:

- **research and development expenses**, which include employee-related expenses for employees in research and development functions (€6,206 thousand at June 30, 2019 compared to €4,624 thousand at June 30, 2018), the cost of consumables and contracted research and development activities (particularly clinical and pharmaceutical expenses) representing €26,977 thousand at June 30, 2019 compared to €23,667 thousand at June 30, 2018) and expenses related to intellectual property. These research and development expenses amounted to €38,899 thousand at June 30, 2019 compared to €32,072 thousand at June 30, 2018, or 76% and 87% of operating expenses, respectively.

  The increase in contracted research and development expenses is mainly due to the start of new phase 3 RESOLVE-IT satellite studies, work necessary to prepare the new drug application for elafibranor in NASH, and the increase in production of active principal ingredient required to carry out the various clinical studies.

  Changes in employee-related expenses for employees in research and development functions is mainly due to increased headcount (117 vs. 89), changes in employee profiles, related increases in compensation as well as bonuses granted to employees for their contributions to the Group's development.

  The increase in depreciation, amortization and provisions related to research and development is mainly due to the provisions recorded in the dispute with the tax authorities concerning the CIR and the application as from January 1, 2019 of IFRS 16 to leases.

  We expect that our research and development expenses will continue to increase in the near future, as we begin new clinical trials and advance our clinical development pipeline and the development of our NIS4 IVD test.

- **general and administrative expenses**, which include the costs of personnel not assigned to research (€4,964 thousand at June 30, 2019 compared to €1,687 thousand at June 30, 2018), and administrative and commercial costs.

These general and administrative expenses amounted to €12,402 thousand in the first half 2019 compared with €4,565 thousand in the first half 2018, or 24% and 12% of operating expenses and other operating income, respectively.

Changes in general and administrative expenses are mainly related to increases in the cost of insurance premiums in relation to the listing of the Company's shares on the Nasdaq, accounting and statutory auditor fees related to the listing, and expenses for market access and pre-marketing projects.

Changes in employee-related expenses paid to employees in general and administrative functions was primarily the result of an increase in headcount (57 vs. 41 employees), changes in employees profiles, a related increase in salaries, in particular for Genfit Corp, as well as bonuses that were granted to employees for their contribution to the Group's development.

We expect that our general and administrative expenses will continue to increase in correlation with the growth of our support functions, in light of the expected increase in research and development activities and the potential commercialization of our drug candidates and diagnostics.

(iii) Operating expenses and other operating income by type

Broken down by type instead of by destination, operating expenses mainly included the following:

Contracted research and development activities

Contracted research and development expenses amounted to €25,910 thousand in the first half 2019 compared to €22,747 thousand in the first half 2018, corresponding to a 14% increase, which is mainly due to the new phase 3 RESOLVE-IT satellite studies, work necessary to prepare the new drug application for elafibranor in NASH, and the increase in production of active principal ingredient required to carry out the various clinical studies.

Employee expenses

Employee expenses	Half-year ended	
(in € thousands)	2018/06/30	2019/06/30
Wages and salaries	(4 387)	(7 998)
Social security costs	(1 617)	(2 748)
Changes in pension provision	(36)	(69)
Share-based compensation	(271)	(356)
TOTAL	**(6 311)**	**(11 170)**

Employee expenses excluding share-based compensation amounted to €10,814 thousand in the first half 2019 compared to €6,040 thousand in the first half 2018, or a 79% increase, mainly due to an increase in headcount (174 vs. 130 employees), changes in employee profiles, a related increase in salaries, as well as bonuses that were granted to employees for their contribution to the Group's development.

The amount recognized as share-based compensation (BSA, BSAAR, SO and AGA) free of any impact on cash flow amounted to €356k in the first half 2019 compared to €271 thousand in the first half 2018. The expenses recorded in the first half of 2019 relate to the SO and AGA plans put in place in

December 2016, and to the BSA, SO and AGA plans put in place in December 2017, and to the SO and AGA plans put in place in November 2018.

Other expenses

Other expenses amount to €9,764 thousand in the first half 2019 compared to €5,921 thousand in the first half 2018. They include, in particular:

- "fees," which include legal, audit, and accounting, the fees of various advisors (press relations, investor relations, communication, IT), as well as the fees of certain scientific advisers. This amount also includes intellectual property expenditures corresponding the fees incurred by the Company in connection with the registration and protection of its patents;
- Insurance premiums specific to the listing of the Company's shares on Nasdaq: a non-recurring Public Offering of Securities insurance policy and a recurring Directors & Officers civil liability insurance policy;
- expenses related to the use and maintenance of Group offices;
- expenses related to external service providers (guard, security, reception, clinical trial management and IT); and
- expenses related to business travel and conferences mainly for employees as well as the costs of participation in scientific, medical, financial, and business development conferences.

These changes are mainly related to increases in costs of insurance premiums in relation to the listing of the Company's shares on the Nasdaq, accounting and statutory auditor fees related to the listing, and expenses for market access and pre-marketing projects.

Financial income (expense)

Financial income (expense) as of June 30, 2019 amounted to a loss of €5,485 thousand compared to financial loss of €5,241 thousand in the previous half year, consisting primarily of realized and unrealized foreign currency exchange rate loss of €1,563k partially compensated by foreign exchange rate gains and an increase in financial income due to the increase of cash held in US dollars and to investments in US dollars where the return is significantly higher than investments in euros.

(i) Net income (loss)

The first half 2019 resulted in a net loss of €51,132 thousand compared to a net loss of €36,675 thousand in the first half 2018. The net loss for the 2018 fiscal year amounted to €79,521 thousand.

3.2 Liquidity and capital resources at June 30, 2019

At June 30, 2019 the total amount of the Group's Statement of Financial Position amounted to €323,710 thousand compared to €229,478 thousand as of December 31, 2018.

At June 30, 2019, the Group's cash, cash equivalents and other financial assets amounted to €282,975 thousand, compared to €208,553 thousand as of December 31, 2018.

(i) Non current assets

Non-current assets, which include trade and other receivables, goodwill and intangible, tangible, and financial assets, increased from €11,362 thousand as of December 31, 2018 to €19,322 thousand at June 30, 2019. This increase is mainly due the impact of first time IFRS 16 application that lead to recording a right of use to leased premises (for more information, see the 2019 half year consolidated financial statements).

(ii) Current assets

Current assets amounted to €304,389 thousand at June 30, 2019 compared to €218,116 thousand as of December 31, 2018.

Cash and cash equivalents went from €207,240 thousand at December 31, 2018 to €281,920 thousand at June 30, 2019, or a decrease of 36%, in a period where the Company carried out an approximately USD$155.4 capital raise (gross) at the end of March 2019.

Cash is mainly placed in low risk, highly-liquid short term placements.

The variation of trade and other receivables is mainly due to the €3,000k (tax included) due by the lessor following delivery of the extension of the Company's headquarters and by the recognition of the estimated amount of the Research Tax Credit receivable for the first half 2019. Additional details regarding these receivables are provided in note 6.9 to the 2019 half year consolidated financial statements.

The variation of trade and other receivables corresponds to the increase in expenses recognized in advance related to current operating expenses. This increase follows the increase in operating expenses in the first half 2019.

(iii) Shareholders' equity

As of June 30, 2019, the Group's shareholders' equity totaled €96,044 thousand compared to €20,939 thousand as of December 31, 2018.

The change in the Company's shareholders' equity is mainly due to capital raising during the first half 2019 and the recognition of the half year loss reflecting the Company's efforts in research and development, carrying out pre-clinical studies, and clinical studies related to elafibranor.

The Notes to the 2019 half year consolidated financial statements included herein, as well as the Table of Changes in Shareholders' Equity established under IFRS provide details on the change in the Company's share capital and the Group's shareholders' equity, respectively.

(iv) Non current liabilities

This mainly concerns:

- The convertible bond (OCEANE) issued in October 2017 and due October 2022;

As well as the part of contractual obligations of the following liabilities reaching maturity in more than one year:

- A conditional advance granted to GENFIT SA by Bpifrance for the purpose of financing the research programs detailed in Note 6.12.2.1 "Refundable and Conditional Advances" of the notes to the 2019 half year consolidated financial statements included herein; and
- bank loans; and
- and the debt related to operating leases pursuant to IFRS 16, as of January 1, 2019.

(v) Current liabilities

Current liabilities	As of	
(in € thousands)	2018/12/31	2019/06/30
Current convertible loans	1 312	1 312
Current loans & borrowings	1 848	3 061
Current trade & other payables	35 974	40 948
Current deferred income and revenue	1	1
Current provisions	112	1 906
Total	**39 248**	**47 229**

This balance sheet item mainly includes interest payments on the OCEANE issued in October 2017, bank loans and trade and social security payables and debts under operating leases. . The change in current liabilities is mainly due to the increase in operational subcontracting expenses and the impact of IFRS 16 as of January 1, 2019. See also notes 6.12 and 6.13 to the consolidated financial statements for the first half of 2019 below.

4. MAIN INTRAGROUP TRANSACTIONS

Effective as from January 1, 2019, GENFIT CORP and GENFIT SA renewed their intragroup services agreement through which GENFIT CORP provides certain services to GENFIT SA, particularly services associated with the clinical trials monitoring, investor relations in the United States, and business development. This agreement provides for the cost of said services to be equal to the fees and expenses incurred by GENFIT CORP while performing the services described in the agreement, plus 8%. "Structural" costs are billed at cost. In the first half 2019, GENFIT CORP billed USD $3,973 thousand (USD $2,642 thousand in the first half 2018) to GENFIT SA.

In addition, GENFIT and GENFIT CORP renewed their cash management agreement effective as of January 1, 2019. The purpose of this agreement will be to ensure GENFIT SA's continued financing of its American subsidiary's operations via interest-bearing cash advances. This agreement is in place pursuant to the terms of Article L.511-7-3° of the French Monetary and Financial Code.

5. MAIN TRANACTIONS WITH RELATED PARTIES

This information is available in note 6.24 to the 2019 half year consolidated financial statements published in this report.

6. SHARE CAPITAL

Changes in the Company's share capital since 2006 are shown in the table below:

Changes in issued capital & premium	Share capital			Share premium	Merger premium	Premium
	Number of shares	Face value	Share capital			
At 31 December 2005	150 001	16,00	**2 400 016**	0	0	**0**
06/27/2006 - Division of shares' par value	9 600 064	0,25	**2 400 016**	609 796	0	**609 796**
10/18/2006 - Private placement	11 270 626	0,25	**2 817 657**	14 323 832	0	**14 323 832**
11/21/2006 - Absorption of IT.OMICS	11 270 626	0,25	**2 817 657**	14 323 832	37 833	**14 361 665**
02/16/2010 - Private placement	11 662 166	0,25	**2 915 542**	16 240 395	37 833	**16 278 228**
07/15/2011 & 07/19/2011 - Private placement	13 340 295	0,25	**3 335 074**	20 864 969	37 833	**20 902 802**
10/04/2011 - Reserved share capital increase	13 424 328	0,25	**3 356 082**	20 968 324	37 833	**21 006 157**
10/28/2011 - Reserved share capital increase	13 580 578	0,25	**3 395 145**	21 427 072	37 833	**21 464 905**
10/28/2011 - Share capital increase - offset against receivables (BSA 2011)	13 630 578	0,25	**3 407 645**	21 406 881	37 833	**21 444 714**
02/22/2012 - Reserved share capital increase - exercise of BSA (2011)	13 726 762	0,25	**3 431 691**	21 606 965	37 833	**21 644 798**
From 03/07/2012 to 07/03/2012 - Reserved share capital increase	15 085 665	0,25	**3 771 416**	23 707 055	37 833	**23 744 888**
08/01/2012 - Share capital increase - offset against receivables (OCA 2012)	15 148 321	0,25	**3 787 080**	23 690 141	37 833	**23 727 974**
From 09/05/2012 to 10/14/2012 - Conversion of bonds (OCA 2012)	15 969 232	0,25	**3 992 308**	25 437 239	37 833	**25 475 072**
From 12/21/2012 to 03/08/2013 - Share capital increase - offset against receivables (OCA 201	16 029 806	0,25	**4 007 452**	25 415 946	37 833	**25 453 779**
From 12/27/2012 to 04/11/2013 - Conversion of bonds (OCA 2012-2)	17 370 068	0,25	**4 342 517**	30 687 145	37 833	**30 724 978**
04/17/2013 - Private placement	20 299 516	0,25	**5 074 879**	43 389 868	37 833	**43 427 701**
04/19/2013 & 05/02/2013 - Share capital increase - offset against receivables (OCA 2012-2)	20 317 291	0,25	**5 079 323**	43 382 924	37 833	**43 420 757**
From 04/24/2013 to 08/02/2013 - Conversion of bonds (OCA 2012-2)	20 541 821	0,25	**5 135 455**	44 270 698	37 833	**44 308 531**
02/03/2014 - Share capital increase - maintenance of preferential subscription rights	21 257 671	0,25	**5 314 418**	48 839 327	37 833	**48 877 160**
06/20/2014 - Private placement	23 374 238	0,25	**5 843 560**	95 698 624	37 833	**95 736 457**
12/17/2014 - Private placement	23 957 671	0,25	**5 989 418**	115 718 226	37 833	**115 756 059**
10/29/2015 & 11/04/2015 - Share capital increase by exercise of BSAAR	23 958 904	0,25	**5 989 726**	115 720 750	37 833	**115 758 583**
02/29/2016 - Private placement	26 354 794	0,25	**6 588 699**	163 099 866	37 833	**163 137 699**
10/12/2016 - Private placement	28 049 794	0,25	**7 012 449**	193 895 034	37 833	**193 932 867**
11/02/2016 - Private placement	31 166 437	0,25	**7 791 609**	234 926 121	37 833	**234 963 954**
12/15/2018 - Share capital increase by alloting AGA	31 183 921	0,25	**7 795 980**	234 926 121	37 833	**234 963 954**
03/29/2019 - Share capital increase	38 831 421	0,25	**9 707 855**	358 291 502	37 833	**358 329 335**

At the end of March 2019, the Company completed its initial public offering on the Nasdaq Select Global Market, raising a total gross amount of approximately US $ 155.4 million in a global offer of American Depositary Shares (ADS) in the United States and a private placement of shares in Europe (including France) and other countries outside the United States. GENFIT placed 7,647,500 new shares and brought the total number of shares after IPO to 38,831,421.

Our shares are listed on the regulated market of Euronext in Paris (compartment B) and, since March 2019, on the Nasdaq Global Select Market in New York, under the symbol “GNFT”.

7. MAIN RISKS AND UNCERTAINTIES

The risk factors affecting the Company are discussed in Section 4 “Main Risks and Uncertainties” of the Company’s 2018 Registration Document filed with the AMF on February 27, 2019 under n° D.19-0078, which is available on GENFIT’s website (www.genfit.com) and on the website of the AMF (www.amf-france.org) and public filings and reports filed with the SEC, including the Company’s final prospectus dated March 26, 2019, and subsequent filings and reports filed with the AMF or SEC, or otherwise made public, by the Company. With the exception of the “Exchange rate risk” risk factor, the main risks and uncertainties which the Company could face in the remaining six months of the fiscal year are identical to those presented in the above-mentioned documents.

The nature and exposure of the Company to exchange rate risk has evolved for the reasons indicated in note 6.5.1 to the 2019 half year financial statements. As such, the following table shows the sensitivity of the Company’s expenses in US dollars to a variation of 10% of the US dollar during the course of the first half of 2019 and 2018:

Sensitivity of the Group's cash and cash equivalents to a variation of +/- 10% of the US dollar against the euro (in € thousands or in US dollar thousands, as applicable)	As of 2018/12/31	As of 2019/06/30
Cash and cash equivalents denominated in US dollars	1 188	131 282
Equivalent in euros, on the basis of the exchange rate described below	1 038	115 362
Equivalent in euros, in the event of an increase of 10% of US dollar vs euro	1 153	128 180
Equivalent in euros, in the event of a decrease of 10% of US dollar vs euro	944	104 874

Sensitivity of the Group's expenses to a variation of +/- 10% of the US dollar against the euro (in € thousands or in US dollar thousands, as applicable)	Half-year ended 2018/06/30	Half-year ended 2019/06/30
Expenses denominated in US dollars	4 296	18 079
Equivalent in euros, on the basis of the exchange rate described below	3 685	15 886
Equivalent in euros, in the event of an increase of 10% of US dollar vs euro	4 094	17 651
Equivalent in euros, in the event of a decrease of 10% of US dollar vs euro	3 350	14 442

Equivalent in euros, on the basis of a 1 euro = 1,138 US dollar ratio
Equivalent in euros, on the basis of a 1 euro = 1,145 US dollar ratio

8. LEGAL AND ARBITRATION PROCEEDINGS

The main legal and arbitration proceedings are presented in chapter 20.9 "Legal and Arbitration Proceedings" of the Company's 2018 Registration Document filed with the AMF on February 27, 2019 under D.19-0078, which is available on the websites of GENFIT (www.genffit.fr) and the AMF (www.amf.org) and in public documents and reports filed with the SEC, the final prospectus of which is dated March 26, 2019, and in the documents and reports filed with the AMF and the SEC, or otherwise made public by the Company.

Updated information concerning some of the ongoing litigation proceedings (the Research Tax Credit dispute and URSSAF litigation) are available in the note 6.23 to the consolidated financial statements for the first half of 2019 below.

9. STRATEGY AND OUTLOOK

Our goal is to become a leader in the development of innovative therapies and diagnostics in metabolic and liver-related diseases. The key elements of our strategy to achieve this goal include:

- **Obtain regulatory approval for, and commercialize, elafibranor for the treatment of NASH.** We are currently conducting our Phase 3 registrational trial, RESOLVE-IT, evaluating the efficacy and safety of a once-daily 120 mg dose of elafibranor in patients with NASH and fibrosis. We expect to enroll approximately 2,000 patients in this double-blind, placebo-controlled trial and in the second quarter of 2018, we announced that we had achieved the recruitment goal of 1,000 patients necessary for the interim cohort analysis. We expect to announce results from our interim analysis in the first quarter of 2020 and, if positive, use these results to support an accelerated regulatory approval pathway (Subpart H) in the United States and conditional approval in Europe. If approved, we may decide to market elafibranor for NASH in certain territories on our own and in other territories in collaboration with one or more pharmaceutical partners or specialized local distributors.

- **Rapidly advance the Phase 3 clinical development of elafibranor for the treatment of PBC**. We are advancing clinical development of elafibranor for the treatment of adult patients with PBC who have had inadequate response to ursodeoxycholic acid, or UDCA. In December 2018 and in April 2019, we announced positive results from our Phase 2 clinical trial evaluating elafibranor for the treatment of PBC. We plan to discuss our clinical development program with the FDA and to advance our PBC program into Phase 3, which is expected in the first quarter of 2020.

- **Complete development and prepare for potential commercialization of our NASH IVD test.** In 2017, we began the product and regulatory development phases for our novel, blood-based IVD test designed to identify patients with NASH who may be appropriate candidates for drug therapy and to offer an attractive means of decreasing the need for liver biopsies. We initially intend to market the test as an LDT starting from the fourth quarter of 2019 and then seek to obtain FDA marketing authorization of our IVD test in 2020 and a CE marking in Europe as soon as practicable, in parallel with commercialization of elafibranor. We believe that, if validated and authorized for marketing, our non-invasive, blood-based and accessible IVD test can easily integrate into routine clinical care for the comprehensive management of NASH. We are currently in discussions with multiple global diagnostic partners to discuss worldwide commercialization of our IVD test. Our license agreement with LabCorp allows for the deployment of our IVD test in the clinical research space through its central laboratories which we believe will provide expanded access to, and further validation of our IVD test and generate new biological insights on NASH disease pathogenesis.

- **Advance other drug candidates in our pipeline, both alone and in combination with elafibranor.** In addition to developing our other drug candidates to independently target metabolic and liver-related diseases, we believe elafibranor's unique approach in targeting PPAR□alpha and PPAR□delta creates opportunities to explore combination therapies, either with our other drug candidates, third-party drug candidates or approved drugs. In our development program for fibrotic diseases, we have chosen to initially advance NTZ into Phase 2 clinical development. In December 2018, we announced the initiation of an investigator-initiated Phase 2 proof-of-concept trial to evaluate NTZ for the treatment of fibrosis in NASH patients with significant or severe fibrosis. We believe NTZ could be developed as an anti-fibrotic monotherapy and as combination therapy with elafibranor. We also plan to explore opportunities to expand the use of elafibranor through combination therapies such as with the GLP-1 receptor, and also SGLT2 inhibitor, but also in association with farnesoid X receptor, or FXR agonists, Acetyl-CoA Carboxylase, or ACC, inhibitors, in particular through our strategic partnership with Terns Pharmaceuticals, or with our drug candidate NTZ as part of our strategy in NASH.

- **Actively manage our development pipeline and opportunistically enter into strategic collaborations.** We plan to continue to strengthen our development pipeline by in-licensing rights to drug candidates in Phase 1 or Phase 2 clinical development in our therapeutic areas of interest. We may sign a licensing agreement or co-marketing agreement with one or more pharmaceutical laboratories with the financial capacity and specific expertise to successfully conduct clinical trials and bring drugs to market.

- **Increase public awareness of NASH through The NASH Education Program.** The NASH Education Program is dedicated to the development of NASH awareness and education activities aimed at the medical community and the general public. We believe that this program, through the production and dissemination of essential medical knowledge, can increase early diagnosis of NASH patients and provide physicians and patients with critical information about diagnostic and therapeutic solutions.

10. DECLARATION BY THE PERSON RESPONSIBLE FOR THE INFORMATION

"I hereby declare, to the best of my knowledge, that the financial statements for the most recent half year have been prepared in accordance with the applicable generally accepted accounting principles and give a true and fair view of the assets and liabilities, the financial position and the results of the Company at June 30, 2019, and that the half year business and financial report gives a true and fair view of the important events of the first six months of the fiscal year and their impact on the half year financial statements, the main related party transactions as well as a description of the main risks and uncertainties for the six months to come."

Pascal Prigent
Chief Executive Officer

Loos, September 30, 2019

HALF-YEAR FINANCIAL STATEMENTS AS OF JUNE 30, 2018

HALF YEAR
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

FOR THE HALF YEAR ENDED JUNE 30, 2019

This document has been translated from French into English for information purposes only. In the event of any differences between the French text and the English text, the French language version shall supersede.

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1. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS (in € thousands)	Notes	As of 2018/12/31	 2019/06/30
Current assets			
Cash and cash equivalents	6.6.	207 240	281 920
Current trade and others receivables	6.9.	8 794	19 161
Other current assets	6.11.	2 078	3 303
Inventories	-	4	4
Total - Current assets		218 116	304 389
Non-current assets			
Intangible assets	6.7.	796	1 017
Property, plant and equipment	6.8.	7 764	17 250
Non-current trade and others receivables	6.9.	1 489	0
Other non-current financial assets	6.10.	1 313	1 055
Deferred tax assets	6.21.	0	0
Total - Non-current assets		11 362	19 322
Total - Assets		**229 478**	**323 710**

SHAREHOLDERS' EQUITY AND LIABILITIES (in € thousands)	Notes	As of 2018/12/31	 2019/06/30
Current liabilities			
Current convertible loans	6.12.	1 312	1 312
Other current loans and borrowings	6.12.	1 848	3 061
Current trade and other payables	6.13.	35 974	40 948
Current deferred income and revenue	-	1	1
Current provisions	6.14.	112	1 906
Total - Current liabilities		39 248	47 229
Non-current liabilities			
Non-current convertible loans	6.12.	159 176	161 612
Other non-current loans and borrowings	6.12.	7 255	16 048
Non-current employee benefits	6.15.	1 085	1 291
Deferred tax liabilities	6.21.	1 773	1 486
Total - Non-current liabilities		169 291	180 437
Shareholders' equity			
Share capital	6.16.	7 796	9 708
Share premium	-	251 554	376 477
Accumulated deficit	-	(158 897)	(239 014)
Currency translation adjustment	-	6	7
Net loss	-	(79 521)	(51 132)
Total shareholders' equity - Group share		20 939	96 044
Non-controlling interests	-	0	0
Total - Shareholders' equity		20 939	96 044
Total - Shareholders' equity & liabilities		**229 478**	**323 710**

2. CONSOLIDATED STATEMENTS OF OPERATIONS

(in € thousands, except earnings per share data)	Notes	Half-year ended	
		2018/06/30 corrected (*)	2019/06/30
Revenues and other income			
Revenue	-	64	1
Other income	6.17.	5 057	5 356
Revenues and other income		5 122	5 357
Operating expenses and other operating income (expenses)			
Research and development expenses	6.18.	(32 072)	(38 899)
General and administrative expenses	6.18.	(4 565)	(12 402)
Other operating income (expenses)	6.18.	(40)	7
Operating loss		(31 555)	(45 936)
Financial income	6.20.	331	1 755
Financial expenses	6.20.	(5 572)	(7 240)
Financial loss		(5 241)	(5 485)
Net loss before tax		(36 796)	(51 422)
Income tax expense	6.21.	121	289
Net loss		**(36 675)**	**(51 132)**
Attributable to owners of the Company		(36 675)	(51 132)
Attributable to non-controlling interests		0	0
Basic and diluted loss per share			
Basic loss per share (€/share)	6.22.	(1.18)	(1.64)

*See note 6.3.3 Correction of errors

3. CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS

(in € thousands)	Notes	Half-year ended	
		2018/06/30 corrected (*)	2019/06/30
Net loss		**(36 675)**	**(51 132)**
Actuarial gains and losses net of tax	6.15.	0	(128)
Other comprehensive income (loss) that will never be reclassified to profit or loss		0	(128)
Exchange differences on translation of foreign operations		8	1
Other comprehensive income (loss) that are or may be reclassified to profit or loss		8	1
Total other comprehensive loss		**(36 667)**	**(51 260)**
Attributable to owners of the Company		(36 667)	(51 260)
Attributable to non-controlling interests		0	0

*See note 6.3.3 Correction of errors

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

(in € thousands)	Half-year ended 30/06/2018 corrected (*)	Year ended 31/12/2018	Half-year ended 30/06/2019
Cash flows from operating activities			
+ Net loss	(36 675)	(79 521)	(51 132)
+ Non-controlling interets	0	0	0
Reconciliation of net loss to net cash used in operating activities			
Adjustments for:			
+ Amortization	832	1 819	1 542
+ Depreciation and impairment charges	(25)	(208)	1 804
+ Expenses related to share-based compensation	271	787	356
- Gain on disposal of property, plant and equipment	(2)	(2)	(1)
+ Net finance expenses	5 469	10 971	5 669
+ Income tax expense	(121)	(354)	(289)
+ Other non-cash items	1	0	(11)
Operating cash flows before change in working capital	(30 250)	(66 507)	(42 062)
Change in:			
Decrease / (increase) in inventories	(0)	(0)	0
Increase in trade receivables and other assets	(5 657)	(724)	(10 103)
Increase in trade payables and other liabilities	4 300	11 056	5 307
Change in working capital	(1 356)	10 332	(4 797)
Income tax paid	59	93	0
Net cash flows used in operating activities	**(31 547)**	**(56 081)**	**(46 859)**
Cash flows from investment activities			
- Acquisition of property, plant and equipment	(983)	(2 938)	(65)
+ Proceeds from disposal of property, plant and equipment	0	3	(0)
- Acquisition of financial instruments	(48)	(1 050)	(128)
+ Proceeds from sale of financial instruments	0	0	0
- Acquisition of subsidiary, net of cash acquired	0	0	0
Net cash flows used in investment activities	**(1 031)**	**(3 986)**	**(193)**
Cash flows from financing activities			
+ Proceeds from issue of share capital (net)	0	0	126 479
+ Proceeds from subscription / exercise of share warrants	0	37	0
+ Proceeds from new loans and borrowings net of issue costs	800	1 800	0
- Repayments of loans and borrowings	(961)	(2 000)	(1 513)
- Financial interests paid (including finance lease)	(3 071)	(6 351)	(3 234)
Net cash flows provided by / (used in) financing activities	**(3 232)**	**(6 514)**	**121 732**
Increase / (decrease) in cash and cash equivalents	**(35 810)**	**(66 580)**	**74 680**
Cash and cash equivalents at the beginning of the period	**273 820**	**273 820**	**207 240**
Cash and cash equivalents at the end of the period	**238 010**	**207 240**	**281 920**

*See note 6.3.3 Correction of errors

5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in € thousands)	Share capital		Share premium	Treasury shares	Accumulated deficit	Currency translation adjustment	Net loss	Total shareholders' equity Group share	Non-controlling interests	Total shareholders' equity
	Number of shares	Share capital								
As of January 1, 2018 corrected (*)	**31 166 437**	**7 792**	**251 932**	**(127)**	**(102 404)**	**(8)**	**(55 728)**	**101 457**	**0**	**101 457**
Net loss							(36 675)	(36 675)		(36 675)
Other comprehensive income (loss)					0	8		8		8
Total comprehensive income (loss)	**0**	**0**	**0**	**0**	**0**	**8**	**(36 675)**	**(36 667)**	**0**	**(36 667)**
Allocation of prior period profit (loss)					(55 728)		55 728	0		0
Capital increase	0	0	0		0			0		0
Equity component of OCEANE			0					0		0
Share-based compensation			271					271		271
Treasury shares				0				0		0
Other movements			0					0		0
As of June 30, 2018 corrected (*)	**31 166 437**	**7 792**	**252 203**	**(127)**	**(158 131)**	**0**	**(36 675)**	**65 061**	**0**	**65 061**
Net loss							(42 845)	(42 845)		(42 845)
Other comprehensive income (loss)					(31)	6		(25)		(25)
Total comprehensive income (loss)	**0**	**0**	**0**		**(31)**	**6**	**(42 845)**	**(42 871)**	**0**	**(42 871)**
Allocation of prior period profit (loss)					0		0	**0**		0
Capital increase	17 484	4	(1 201)		(4)			(1 201)		(1 201)
Share-based compensation			516					516		516
Treasury shares				(603)				(603)		(603)
Other movements			37					37		37
As of December 31, 2018	**31 183 921**	**7 796**	**251 554**	**(730)**	**(158 167)**	**6**	**(79 521)**	**20 939**	**0**	**20 939**
Net loss							(51 132)	(51 132)		(51 132)
Other comprehensive income (loss)					(128)	1		(127)		(127)
Total comprehensive income (loss)	**0**	**0**	**0**		**(128)**	**1**	**(51 132)**	**(51 260)**	**0**	**(51 260)**
Allocation of prior period profit (loss)					(79 521)		79 521	**0**		0
Capital increase	7 647 500	1 912	124 567		0			126 479		126 479
Share-based compensation			356					356		356
Treasury shares				(469)				(469)		(469)
Other movements			0					0		0
As of June 30, 2019	**38 831 421**	**9 708**	**376 477**	**(1 199)**	**(237 815)**	**7**	**(51 132)**	**96 044**	**0**	**96 044**

The expenses incurred as of June 30, 2019 in relation to fundraisings are deducted from the share issue premium (see section 6.2.1 Initial Public Offering on the Nasdaq Global Select Market).

6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1. THE COMPANY

Founded in 1999 under the laws of France, GENFIT S.A. (the "Company") is a late-stage biopharmaceutical company dedicated to the discovery and development of innovative drugs and diagnostic tools biomarkers in liver diseases, in particular those of metabolic origin, which are therapeutic areas of high unmet need due in particular to the lack of effective treatments.

The consolidated financial statements of the Company include the financial statements of GENFIT S.A. and those of its wholly-owned subsidiaries: GENFIT CORP (U.S. subsidiary) and GENFIT PHARMACEUTICALS SAS (French subsidiary) (together referred to as "GENFIT" or the "Group").

6.2. MAJOR EVENTS IN THE PERIOD

6.2.1. Initial Public Offering on the Nasdaq Global Select Market

On March 29, 2019, Genfit completed a capital increase to specified categories of investors of an aggregate of

(a) 7,147,500 ordinary shares in the form of American Depositary Shares, each representing one ordinary share ("ADSs"), at a public offering price of $20.32 per ADS (the "ADS Offering"), and
(b) 500,000 ordinary shares in Europe (including France) and countries outside of the United States at the corresponding offering price of €18.00 per ordinary share (the "European Private Placement," and together with the ADS Offering, the "Global Offering").

The number of shares issued in the ADS Offering includes an additional 997,500 ADSs issued upon the full exercise by the underwriters for the Global Offering (the "Underwriters") of their option to purchase additional ADSs (the "Underwriters' Option").
Aggregate gross proceeds of the Global Offering, before deducting underwriting discounts and commissions and offering expenses payable by the Company, were approximately USD$155.4 million or €137.6 million, All of the ADSs and ordinary shares in the Global Offering were offered by GENFIT (see the consolidated statements of changes in equity.)

The ADSs have been listed for trading on Nasdaq since March 27, 2019.

The expenses incurred and deducted from the issue premium are broken down as follows:

Expenses related to the global offering (in € thousands)	
Registration, filing, listing fees	(290)
Underwriting	(9 634)
Legal fees and expenses	(1 225)
Accounting fees and expenses	(1 045)
Printing expenses	(160)
TOTAL	**(12 354)**

A total of €12,354k in expenses were incurred of which €1,201k were incurred and recorded at December 31, 2018.

6.2.2. Licensing Agreements

Labcorp Agreement

In January, the Company signed a licensing agreement with Covance, LabCorp's drug development business. The licensing agreement will expand access to NIS4, a non-invasive IVD test developed by Genfit to identify and monitor NASH patents, in the clinical research space. The primary focus of the licensing agreement will be to deploy NIS4 in the clinical research space through Covance's central laboratories to further validate the test's use for better identification and characterization of patients. The commercial launch of NIS44 as a Laboratory Developed Test through Covance's central laboratories is expected in the fourth quarter of 2019.

Terns Pharmaceuticals Agreement

On June 24, 2019, the Company signed a of a licensing and collaboration agreement with Terns Pharmaceuticals, an international company based in the United States and China, dedicated to the development of new therapies for the treatment of liver diseases.

Pursuant to the agreement, Terns Pharmaceuticals obtains the exclusive rights to develop and market elafibranor in mainland China, Hong Kong, Macau and Taiwan ("Greater China") for both NASH and PBC.

The main terms of the agreement include:

- An exclusive license with the right to sublicense to develop, manufacture, distribute and market elafibranor for the treatment of patients suffering from NASH and PBC in Greater China;
- The Company's undertaking to transfer to Terns Pharmaceuticals its know-how and data regarding elafibranor;
- The Company's undertaking to provide, or have provided to Terns Pharmaceuticals the drug product it requires for its clinical trials.

As part of the agreement, GENFIT and Terns Pharmaceuticals will also undertake joint R&D projects in liver disease, including the development of elafibranor in combination with Terns Pharmaceuticals' proprietary compounds.

Under the terms of the licensing agreement, GENFIT has received or may receive:

- A $35 million upfront payment upon the signature of the agreement, received on July 3, 2019;
- Clinical and regulatory milestone payments;
- Commercial milestone payments;
- Mid-teen percentage royalties based on sales in the territory.

The potential clinical, regulatory and commercial milestone payments represent up to USD$193 million.

6.3. BASIS OF PRESENTATION

The Consolidated Financial Statements of GENFIT have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), at June 30, 2019. The term IFRS includes International Financial Reporting Standards ("IFRS"), International Accounting Standards (the "IAS"), as well as the Interpretations issued by the Standards Interpretation Committee (the "SIC"), and the International Financial Reporting Interpretations Committee ("IFRIC"). Comparative figures are presented for the year ended December 31, 2018 and the half year ended June 30, 2018.

In accordance with European Commission Regulation No 1606/2002, these consolidated financial statements for the six-month period ended June 30, 2019 have been prepared in accordance with IAS 34 relating to interim financial information, the IFRS standard as adopted by the European Union, and must be read in conjunction with the most recent consolidated annual financial statements for the year ended December 31, 2018. They do not include all the information required for a complete set of financial statements in accordance with IFRS but a selection of notes explaining significant events and transactions with a view to understanding the changes in the Group's financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements include for the first time the impacts of the adoption of IFRS 16, Leases. Changes in accounting methods with significant effects are described in Note 6.3.1. Changes in accounting policies and new standards or amendments.

The consolidated financial statements have been prepared using the historical cost measurement basis except for certain assets and liabilities that are measured at fair value in accordance with IFRS.

These condensed consolidated financial statements for the six month period ended June 30, 2019 were prepared under the responsibility of the Board of Directors that approved such statements on September 30, 2019.

The principal accounting methods used to prepare the condensed Consolidated Financial Statements are described below.

All financial information (unless indicated otherwise) is presented in thousands of euros (€).

6.3.1. Changes in accounting policies and new standards or amendments

With the exception of the following statements, the accounting policies used in these interim financial statements are the same as those applied in the most recent annual financial statements.

The following changes in accounting policies should also concern the Group's consolidated financial statements for the year ended December 31, 2019.

The Group adopted IFRS 16, Leases, for the first time on January 1, 2019. A number of other new standards came into effect on January 1, 2019, including IFRIC 23 – "Uncertainty over income tax treatments", but they have no significant effect on Group financial statements.

6.3.2. Standards, interpretations and amendments issued but not yet effective

The Group has not identified any standards or amendments to a mandatory standard as of January 1, 2020 that may have an impact on the Group's consolidated financial statements.

6.3.3. Correction of errors

In the context of the preparation of its 2018 consolidated financial statements, and in accordance with IAS 8, the Company restated the financial statements previously published for the 2017 fiscal year.

These changes were approved by the Board of Directors at its meeting on February 4, 2019 (see note 6.2.3 "Correction of errors" to the annual consolidated financial statements for the year ended December 31, 2018).

The impact on the consolidated statement of financial position at June 30, 2018, compared to what was previously published prior to the correction of this error follows:

(in € thousands, except earnings per share data)	Half-year ended 2018/06/30 as published	Correction: proper effective interest rate of convertible loan	Correction: proper accounting under IAS 12	Half-year ended 2018/06/30 as corrected	See explanatory note below
Revenues and other income					
Revenue	64			64	
Other income	5 057			5 057	
Revenues and other income	5 122	0	0	5 122	
Operating expenses and other operating income (expenses)					
Research and development expenses	(32 546)			(32 072)	
General and administrative expenses	(4 091)			(4 565)	
Other operating income (expenses)	(40)			(40)	
Operating loss	(31 555)	0	0	(31 555)	
Financial income	331			331	
Financial expenses	(3 149)	(2 423)		(5 572)	A
Financial loss	(2 818)	(2 423)	0	(5 241)	
Net loss before tax	(34 373)	(2 423)	0	(36 796)	
Income tax expense	(140)		261	121	B
Net loss	**(34 512)**	**(2 423)**	**261**	**(36 675)**	
Attributable to owners of the Company	(34 512)	(2 423)	261	(36 675)	
Attributable to non-controlling interests	0	0	0	0	
Basic and diluted loss per share					
Basic loss per share (€/share)	(1.11)			(1.18)	

The corrections mainly related to the following:

A	Correction of the effective interest rate taken into account for the calculation of financial expenses related to the OCEANE at the transaction date of October 16, 2017 for an amount of €2,423k (increase of financial expenses).
B	Cancellation of a deferred tax liability for €140k at June 30, 2018 and the recognition of the changes in differed tax liability between June 30, 2018 and December 31, 2017 taking into account corrections made at December 31, 2017, as described in note 6.2.3 to the annual consolidated financial statements for December 31, 2018.

These corrections led to an increase in the net loss in the amount of €2,163 thousand, bringing the total net loss to €36,675k compared to €34,512k as previously published.

6.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used for these interim financial statements are the same as those used for the most recent annual financial statements, except as discussed below.

6.4.1. Leases

6.4.1.1. IFRS 16 and IAS 17

The Group has applied IFRS 16 in accordance with the modified retrospective method, under which the cumulative effect of the adoption of IFRS 16 is recorded as an adjustment to the balance of retained earnings as at January 1, 2019. As a result, comparative information presented for 2018 has not been restated and is therefore presented, as before, in accordance with the principles of IAS 17 and its interpretations. The resulting changes in accounting policies are explained in detail below.

Significant accounting policies of IAS 17

Finance leases

When substantially all of the risks and rewards of ownership are transferred from the lessor to the lessee, the leases are classified as finance leases, resulting in the initial recognition of an asset equal to the fair value of the relevant property or the present value of the minimum future payments due under the contract, whichever is lower. They are subsequently amortized or depreciated, as the case may be. The resulting financial liabilities are recorded under "Non-current financial liabilities" and "Current financial liabilities".

Operating leases

A lease agreement is qualified as an operating lease when substantially all of the risks and rewards of ownership are not transferred to the lessee. Payments under operating leases are recognized as an expense on a straight-line basis over the term of the lease. Benefits received from the lessor such as rental deductibles or variable payments are allocated on a straight-line basis over the term of the lease.

Significant accounting policies of IFRS 16 standard

IFRS 16 introduces for the lessee a single model of accounting on the balance sheet for leases. The lessee recognizes a "right of use" asset which represents its right to use the underlying asset, and a lease liability for his obligation to pay the rent.

The Group recognizes a "right of use" asset and a lease liability at the start of the lease term. The "right of use" asset is initially measured at cost and then at cost less any amortization and accumulated impairment losses, the amount that can be adjusted based on certain revaluations of the lease liability.

The lease liability is initially measured at the discounted value of the rents owed and not yet paid at the start date of the contract. The discount rate used is the implicit interest rate of the contract or, if it cannot be easily determined the Company's incremental borrowing rate. The Group generally uses the latter as the discount rate.

The lease liability is then increased by the interest expense minus the amounts of rent paid. It is revalued in the event of a change in future rents following a change in the index or rate, a new estimate of the amount to be paid under a residual

value guarantee or, where applicable, a revaluation of the exercise of an option to purchase or to extend, or the non-exercise of an option to terminate (which then becomes reasonably certain).

The Group has exercised its judgment in determining the term of the lease agreements providing for an extension option. The fact that the Group has determined that it is reasonably certain to exercise such options has an impact on the lease term used and has a significant impact on the amount of lease debt and the "right of use" asset in the accounts.

6.4.1.2. Application of the new IFRS 16 standard

IFRS 16 “Leases”, adopted by the European Union on October 31, 2017, is mandatorily applicable for the reporting periods starting on or after January 1, 2019. It replaces IAS 17 “Leases” and its interpretations.
This new standard removes the concepts of finance lease and operating lease for the lessee and requires all leases to be recognized on the lessee's balance sheet in the form of a "right of use" asset with the corresponding entry for a financial liability. The Group's leases, formerly classified as operating leases in accordance with IAS 17, concern real estate assets, including the Group's corporate headquarters.

Contracts formerly classified as finance leases include, in particular, scientific equipment.

As part of the transition, the Group adopted the "modified retrospective" method and chose to apply some of the practical expedients offered by IFRS 16, namely:

- The exclusion of contracts of less than 12 months duration;
- Exclusion of low value contracts;
- Identical takeover of finance lease contracts under IAS 17 "Leases".

The new standard is implemented as follows:

- The lease term for a contract corresponds to its non-cancellable period, extended, as the case may be, based on the Group's assessment of the reasonably certain nature of the exercise of contractual renewal or cancellation options;
- The discount rate applied is the incremental borrowing rate corresponding to the duration of the contract, in the absence of an implicit rate in the contract. To carry out this exercise, the Group determined the remaining term of the contracts as from January 1, 2019. The weighted average incremental borrowing rate at January 1, 2019 was 1.26%. Duration is the average life of financial flows weighted by their discounted value.

"Right of use" assets and lease liabilities were recognized in the Group's balance sheet as at January 1, 2019 for € 9,227 and € 8,947 thousand, respectively. The resulting opening equity adjustment did not result in the recognition of deferred tax, given the Group's tax income situation.

In accordance with IFRS 16, the Group has chosen not to present the “right of use” separately from other assets and added them to assets of the same type as the underlying leased assets.

As of December 31, 2018, the differences between the commitments related to operating leases presented in application of IAS 17 and the lease liability estimated in accordance with IFRS 16 can be explained as follows:

In € thousands	12/31/2018
Operating lease commitments as a lessee, as of 12/31/2018 as published	*4 791*
Differences related to cancellation and extension options for which the exercise is reasonably certain	5 264

Differences in the amounts retained for the calculation of undertakings and lease liability	(396)
Expenses not included in the lease liability but included in the undertakings	(190)
Undiscounted lease liability estimated under IFRS 16 at 12/312018	*9 469*
Impact of discount	(522)
Lease liability estimated under IFRS 16 at 12/31/2018	*8 947*

The impact related to the amounts retained for the calculation of the undertakings and lease liability is entirely attributable to the Group's headquarters, where an agreement to extend the building led to a revision of the commitment period for Genfit and the lessor under this lease.

The lease expense that would have been recognized in the first half of 2019 if IAS 17 had applied would have amounted to € 634 thousand. Under IFRS 16, charges recognized in the first half of 2019 amounted to € 537 thousand in depreciation for the right of use asset and € 59 thousand in interest expense.

6.4.2. Revenues from ongoing activities under client agreements

The signature of the agreement with Terns Pharmaceuticals on June 24, 2019 (see section 6.2.2 Licensing Agreements) has led the Group to apply IFRS 15 for the first time.

6.4.2.1. IFRS 15

Under IFRS 15, revenue is recognized when the Company fulfills a performance obligation by providing separate goods or services to a customer, i.e., when the customer obtains control of those goods or services. An asset is transferred when the customer obtains control of that asset or service.

Under this standard, each contract must be analyzed, on a case-by-case basis, in order to verify whether it contains performance obligations towards third parties, and, if applicable, to identify their nature in order to determine the appropriate accounting of amounts that the Company has received or is entitled to receive from third parties, for example:

- The transfer of control over the intellectual property, via a license granted by the Company, as it exists at the time of the transfer (i.e., right to use), the date of which will determine that of the revenue recognition;
- If the license is considered as a right of access to the intellectual property of the Company over the life of the license, the revenue would be recognized over this lifetime;
- The supply of products whose revenues would be recognized at the time of transfer of control of the delivered products; and
- Potential revenue from milestones, or from royalties or royalties based on sales, would not be recognized until the milestone or completion of the sale.

6.4.2.2. Application to the Terns Pharmaceuticals license agreement

The Company’s analysis of this agreement consisted in identifying the three performance obligations provided for therein, and in determining the terms and the rate of recognition of the related products:

- The license grants the right to develop and market elafibranor in NASH and PBC in Greater China (i.e., the right to use the license). Revenue must be recognized when control has been transferred.
- The Company's has a performance obligation to transfer to Terns Pharmaceuticals its know-how and data regarding elafibranor. Revenue will be recognized over the course of the services provided by the Company.
- The supply by the Company to Terns Pharmaceuticals of drug product to carry out its clinical trials will be recognized as revenue control over the products is transferred.

The accounting impact on this contract under IFRS 15 is as follows:

- The USD 35 million up front payment will be recognized as revenue from the transfer of control of the license to Terns Pharmaceuticals which occurred in July 2019;
- The associated expenses will be recognized in the second half of 2019;
- Milestones payments whose payment depends on the achievement of certain scientific, regulatory or commercial objectives as provided for in this contract will be recognized as revenue when the performance obligation is met;
- Royalties on commercial sales by Terns Pharmaceuticals will be recognized as revenue pursuant to information given to the Company by Terns Pharmaceuticals, under the terms and timeframes set out in the agreement.

As part of this agreement, Genfit and Terns Pharmaceuticals will also undertake joint research and development projects in liver disease, including the development of elafibranor in combination with Terns Pharmaceuticals' proprietary compounds. This collaboration agreement is only potential at the date of signing the license agreement and does not yet constitute a reciprocal commitment. It therefore has no accounting impact at this time.

As this is a contract where there are several services to be provided, the Company has ensured, as required by IFRS 15, that the transaction price allocation corresponds to the fair value of each performance obligation.

6.5. FINANCIAL RISKS MANAGEMENT

The condensed, consolidated half year accounts do not include all of the information regarding the management of financial risks which are described in the Registration Document for the reporting period ending on December 31, 2018.

6.5.1. Foreign exchange risk

At the date of this document, the nature and exposure of the Company to currency risk has evolved due to a growing portion of its operations being denominated in US dollars, the choice has been made not to convert into euros the US dollar denominated cash it raised in March 2019 fundraising. Cash held in US dollars will thus be used by the Company to meet its expenses denominated in this currency over the next few years. These arrangements will enable the Company to hedge against a significant portion of the foreign exchange risk and benefit from significantly higher interest rates on investments in US dollars than in Euros.

In the future, and in particular with respect to its clinical trials and pre-marketing activities, the Group will manage an increasing number of transactions denominated in foreign currencies or indirectly exposed to currency risk.

The increase in the overall exposure of the Company to this risk will depend, in particular, on:

- the currencies in which the Group receives its revenues;
- the currencies chosen when agreements are entered into, such as licensing agreements, or co-marketing or co-development agreements;
- the location of clinical trials on drug or biomarker candidates;
- the ability, for its co-contracting parties to indirectly transfer foreign exchange risk to the Company; and
- the Group's foreign exchange risk policy.

During the first half of 2019, the Company did not use any specific hedging arrangements in light of the Company's decision to leave a significant part of its cash in US dollars.

The following table shows the sensitivity of the Company's cash and cash equivalents and expenses in US dollars to a variation of 10% of the US dollar in the first half of 2018 and 2019:

Sensitivity of the Group's cash and cash equivalents to a variation of +/- 10% of the US dollar against the euro (in € thousands or in US dollar thousands, as applicable)	As of	
	2018/12/31	2019/06/30
Cash and cash equivalents denominated in US dollars	1 188	131 282
Equivalent in euros, on the basis of the exchange rate described below	1 038	115 362
Equivalent in euros, in the event of an increase of 10% of US dollar vs euro	1 153	128 180
Equivalent in euros, in the event of a decrease of 10% of US dollar vs euro	944	104 874

Sensitivity of the Group's expenses to a variation of +/- 10% of the US dollar against the euro (in € thousands or in US dollar thousands, as applicable)	Half-year ended	
	2018/06/30	2019/06/30
Expenses denominated in US dollars	4 296	18 079
Equivalent in euros, on the basis of the exchange rate described below	3 685	15 886
Equivalent in euros, in the event of an increase of 10% of US dollar vs euro	4 094	17 651
Equivalent in euros, in the event of a decrease of 10% of US dollar vs euro	3 350	14 442

2019/06/30 : Equivalent in euros, on the basis of a 1 euro = 1,138 US dollar ratio
2018/12/31 : Equivalent in euros, on the basis of a 1 euro = 1,145 US dollar ratio

Since the amounts in US dollars are converted at the rate at the balance sheet date, this can generate significant gains or losses in the income statement.

For the first half 2019, the net impact of the operational exchange rate risk amounted to realized and unrealized foreign exchange loss of €99k and €1,464k, respectively, partially compensated by realized and unrealized foreign exchange gains of €88k and €585k and for the first half 2018, a realized and unrealized foreign exchange rate loss of €127k, partially compensating by realized and unrealized foreign exchange gains of €101k.

These historical gains and losses do not predict the future impact of exchange rate risk.

6.6. CASH AND CASH EQUIVALENTS

The main components of cash equivalents were:

- UCITS and interest-bearing current accounts, available immediately;
- Term accounts, available within the contractual maturities or by the way of early exit; and
- negotiable medium term notes, available with a quarterly maturity or by the way of early exit.

These investments, summarized in the tables below, are short-term, highly liquid and subject to a low risk of changes in value.

Cash and cash equivalents	As of	
(in € thousands)	2018/12/31	2019/06/30
Short-term deposits	201 522	266 567
Cash on hand and bank accounts	5 718	15 353
TOTAL	**207 240**	**281 920**

Short-term deposits	As of	
(in € thousands)	2018/12/31	2019/06/30
UCITS	29 189	5 099
TERM ACCOUNTS	124 316	213 444
INTEREST-BEARING CURRENT ACCOUNT	48 017	48 024
TOTAL	**201 522**	**266 567**

Trésorerie, équivalents de trésorerie & actifs financiers	As of					
(En milliers d'euros)	2018/12/31			2019/06/30		
Currency at origin	EUR	USD	TOTAL	EUR	USD	TOTAL
Cash and cash equivalents	206 199	1 041	207 240	165 957	115 962	281 920
Current and non current financial assets	1 303	10	1 313	952	103	1 055
TOTAL	**207 502**	**1 051**	**208 553**	**166 909**	**116 066**	**282 975**

Cash held in US dollars is expected to be used by the Company over the coming years to pay for expenses denominated in this currency.

6.7. INTANGIBLE ASSETS

Intangible assets mainly comprise office and administrative software as well as scientific software purchased by the Group.

Intangible assets - Variations (in € thousands)	As of 31/12/2018	Increase	Decrease	Translation adjustments	Reclassification	As of 30/06/2019
Gross						
Software	2 049	108	(29)	0	0	2 129
Patents	21	70	0	0	0	91
Other intangibles	313	553	(313)	0	0	553
TOTAL - Gross	**2 384**	**731**	**(342)**	**0**	**0**	**2 773**
Accumulated depreciation and impairment						
Software	(1 567)	(197)	29	0	0	(1 735)
Patents	(21)	0	0	0	0	(21)
Other intangibles	0	0	0	0	0	0
TOTAL - Accumulated depreciation and impairment	**(1 588)**	**(197)**	**29**	**0**	**0**	**(1 756)**
TOTAL - Net	**796**	**534**	**(313)**	**0**	**0**	**1 017**

6.8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment - Variations (in € thousands)	As of 31/12/2018	Increase	Decrease	Translation adjustments	Reclassification	As of 30/06/2019
Gross						
Buildings on non-freehold land	1 458	11 700	0	0	(1 447)	11 711
Scientific equipment	10 879	413	(120)	0	(54)	11 118
Fittings	1 531	55	0	0	(5)	1 582
Vehicles	99	0	0	0	0	99
Computer equipment	1 446	171	(15)	0	(8)	1 595
Furniture	361	27	(3)	0	0	385
In progress	0	(1 514)	0	0	1 514	0
TOTAL - Gross	**15 774**	**10 852**	**(137)**	**0**	**0**	**26 489**
Accumulated depreciation and impairment						
Buildings on non-freehold land	(1)	(542)	0	0	0	(542)
Scientific equipment	(5 988)	(636)	119	0	0	(6 505)
Fittings	(769)	(50)	0	0	0	(819)
Vehicles	(45)	(10)	0	0	0	(55)
Computer equipment	(915)	(119)	12	0	0	(1 022)
Furniture	(292)	(6)	3	0	0	(295)
In progress	0	0	0	0	0	0
TOTAL - Depreciation and impairment	**(8 010)**	**(1 363)**	**133**	**0**	**0**	**(9 239)**
TOTAL - Net	**7 764**	**9 489**	**(4)**	**0**	**0**	**17 250**

Assets related to contracts that were classified as finance leases under IAS 17 are scientific equipment. As mentioned above, these contracts are treated in the same manner under IFRS 16. Their net carrying value as of June 30, 2019 amounted to € 1,684k (as of December 31, 2018: € 1,889k).

Delivery of the extension of the registered office was taken on April 30, 2019. The amounts relating to the extension that were recognized as fixed assets in progress at December 31, 2018 were transferred to the right of use assets at June 30, 2019, following IFRS 16 guidance.

In accordance with IFRS 16, the Group has chosen not to present the “right of use” separately from other assets and added them to assets of the same type as the underlying leased assets.

The related user fees and depreciation included in the table relate to:

- The line item “Building on non freehold land”, of € 11,455k and € 537k, respectively;
- The line item "Scientific equipment", at € 4,346k and € 2,662k, respectively.

6.9. TRADE AND OTHER RECEIVABLES

Trade and other receivables - Total	As of	
(in € thousands)	2018/12/31	2019/06/30
Trade receivables, net	25	3 016
Research tax credit	8 785	14 134
Social security costs receivables	10	9
VAT receivables	1 103	1 405
Other receivables	361	596
TOTAL	**10 284**	**19 161**

Trade and other receivables - Current	As of	
(in € thousands)	2018/12/31	2019/06/30
Trade receivables, net	25	3 016
Research tax credit	7 295	14 134
Social security costs receivables	10	9
VAT receivables	1 103	1 405
Other receivables	361	596
TOTAL	**8 794**	**19 161**

Trade and other receivables - Non-current	As of	
(in € thousands)	2018/12/31	2019/06/30
Trade receivables, net	0	0
Research tax credit	1 489	0
Social security costs receivables	0	0
VAT receivables	0	0
Other receivables	0	0
TOTAL	**1 489**	**0**

As part of the construction of the extension of the Group's headquarters, the agreement with the lessor stipulated that an amount of € 3,000k (tax included) would be invoiced upon delivery of the premises. This amount is included in the receivables item and was settled in July 2019.

Research tax credit

The research tax credit receivable as of June 30, 2019 includes:

- a partial payment of the assessment (€333k) due to an ongoing tax audit
- the balance of the amount due for the 2014 fiscal year (€1,140k)
- the balance of the amount due for the 2016 fiscal year (€447k), the two amounts are used as partial compensation with the assessment notices and the tax notice related to the 2014 CIR, as discussed in section 6.23 Litigation and contingent liabilities
- the amount of the research tax credit for the 2018 fiscal year (€7,295k),
- the amount received following the favorable decision of the Montreuil court (€432k) having been deducted.

To this amount should be added to the amount estimated at June 30, 2019 of the research tax credit receivable of €5,350k. A provision of €1,892k for the research tax credit litigation was recorded which appears as debt in the consolidated statement of financial position.

Other debts

At June 30, 2019:

- The line item "other debtors" primarily consists of VAT receivables in the amount of €1,405k.

- The line item “other receivables” primarily consists of credit notes from suppliers for €596k.

6.10. OTHER FINANCIAL ASSETS

Other financial assets consisted of the following:

Financial assets - Total	As of	
(in € thousands)	2018/12/31	2019/06/30
Loans	259	284
Deposits and guarantees	284	387
Liquidity contract net	770	384
TOTAL	**1 313**	**1 055**

Financial assets - Current	As of	
(in € thousands)	2018/12/31	2019/06/30
Loans	0	0
Deposits and guarantees	0	0
Liquidity contract net	0	0
TOTAL	**0**	**0**

Financial assets - Non current	As of	
(in € thousands)	2018/12/31	2019/06/30
Loans	259	284
Deposits and guarantees	284	387
Liquidity contract net	770	384
TOTAL	**1 313**	**1 055**

The liquidity contract consists of a share buyback program contracted to an investment service provider in order to facilitate the trading of the Group's shares.

As of June 30, 2019, the liquidity agreement had a cash balance of €384k.

CMC-CIC Market Solutions holds on behalf of Genfit 54,112 shares, i.e., €953k, recorded as a deduction from equity.

6.11. OTHER ASSETS

Other assets of €3,303k at June 30, 2019 and €2,078 at December 31, 2018, consisted of amounts prepaid related to current operating expenses. This increase follows the increase in operating expenses in the first half of 2019.

6.12. LOANS AND BORROWINGS

6.12.1. Breakdown of convertible loan

On October 16, 2017, GENFIT SA issued OCEANEs (due October 16, 2022) for a nominal amount of €180 million.

Convertible loan - general overview	
Number of bonds	6 081 081
Nominal amount of the loan	179 999 997,60 €
Nominal unit value of the bonds	29,60 €
Conversion / exchange premium	30% To GENFIT's reference share price (22,77 €).
Annual nominal interest rate	3,5% Payable semi-annually in arrears
Annual nominal interest rate	7,3%
Offering	10/16/2017 At par
Redemption	10/16/2022 Redemption prior to maturity at the option of the Company from 11/06/2020 if the arithmetic volume-weighted average price of GENFIT's listed share price and the then pravailing conversion ratio (over a 20-trading period) exceeds 150% of the nominal value of the OCEANEs.

Convertible loan - Total (in € thousands)	As of 2018/12/31	 2019/06/30
Convertible loan	160 489	162 925
TOTAL	**160 489**	**162 925**

Convertible loan - Current (in € thousands)	As of 2018/12/31	 2019/06/30
Convertible loan	1 312	1 312
TOTAL	**1 312**	**1 312**

Convertible loan - Non-current (in € thousands)	As of 2018/12/31	 2019/06/30
Convertible loan	159 176	161 612
TOTAL	**159 176**	**161 612**

The conversion of all of the convertible bonds would result in a dilution of 13.5% (expressed as a percentage of share capital).

6.12.2. Breakdown of loans and borrowings

Other loans and borrowings consisted of the following:

Other loans and borrowings - Total	As of	
(in € thousands)	2018/12/31	2019/06/30
Refundable and conditional advances	3 229	3 229
Bank loans	3 964	3 247
Obligations under leases	1 900	12 623
Accrued interests	3	2
Other financial loans and borrowings	7	7
TOTAL	**9 104**	**19 109**

Other loans and borrowings - Current	As of	
(in € thousands)	2018/12/31	2019/06/30
Refundable and conditional advances	0	0
Bank loans	1 319	1 154
Obligations under leases	520	1 897
Accrued interests	3	2
Other financial loans and borrowings	7	7
TOTAL	**1 848**	**3 061**

Other loans and borrowings - Non current	As of	
(in € thousands)	2018/12/31	2019/06/30
Refundable and conditional advances	3 229	3 229
Bank loans	2 645	2 093
Obligations under leases	1 381	10 725
Accrued interests	0	0
Other financial loans and borrowings	0	0
TOTAL	**7 255**	**16 048**

The line item “obligations under leases” is impacted by the adoption of IFRS 16. See note 6.4.1 Leases.

6.12.2.1. Refundable and conditional advances

The following table summarizes the advance outstanding as of June 30, 2019.

BPI FRANCE IT-DIAB	The advance granted by BPI France was part of a framework innovation aid agreement involving several scientific partners and for which GENFIT was the lead partner. The contribution expected at each stage by each of the partners in respect of work carried out and results achieved is defined in the framework agreement. For GENFIT, the aid consists of: • a €3,229k repayable advance; • a €3,947k non-repayable government grant; The program ended on December 31, 2014. In the event of success, defined as the commercial spin-offs of the IT-DIAB program which involves the discovery of drugs or diagnostics for type 2 diabetes, the financial returns generated will be used initially to repay the €3,229k advance. The agreement stipulates that the repayable advance will be regarded as repaid in full when the total payments made in this regard by the recipient, discounted at the rate of 5.19%, equal the total amount, discounted at the same rate, of the aid received. Any further amounts will be classified as additional payments and capped at €14,800k.

6.12.2.2. Bank loans

The Group did not take out any new bank loans in 2019.

6.12.3. Maturities of financial liabilities

Maturity of financial liabilities (in € thousands)	As of 2019/06/30	Less than 1 year	Less than 2 years	Less than 3 years	Less than 4 years	Less than 5 years	More than 5 years
BPI FRANCE - IT-DIAB	3 229	0	0	0	0	0	3 229
TOTAL - Refundable and conditional advances	**3 229**	**0**	**0**	**0**	**0**	**0**	**3 229**
Convertible loans	162 925	1 312	0	0	161 612	0	0
Bank loans	3 247	1 154	1 091	761	241	0	0
Obligations under finance leases	12 623	1 897	1 879	1 715	1 228	1 104	4 799
Accrued interests	2	2	0	0	0	0	0
Other financial loans and borrowings	7	7	0	0	0	0	0
TOTAL - Other loans and borrowings	**178 804**	**4 373**	**2 971**	**2 476**	**163 081**	**1 104**	**4 799**
TOTAL	**182 034**	**4 373**	**2 971**	**2 476**	**163 081**	**1 104**	**8 028**

The convertible bond results in the payment of yearly interest of €6,300 (payable semi-annually) and a reimbursement at par in October 2022. The nominal amount of the convertible loan of €180,000k is due in less than 4 years.

6.13. TRADE AND OTHER PAYABLES

Trade and other payables - Total	As of	
(in € thousands)	2018/12/31	2019/06/30
Trade payables	32 649	35 800
Social security costs payables	2 949	4 297
Employee profit sharing	17	17
VAT payables	1	1
Taxes payables	286	788
Other payables	71	45
TOTAL	**35 973**	**40 948**

Trade and other payables - Current	As of	
(in € thousands)	2018/12/31	2019/06/30
Trade payables	32 649	35 800
Social security costs payables	2 949	4 297
Employee profit sharing	17	17
VAT payables	1	1
Taxes payables	286	788
Other payables	71	45
TOTAL	**35 974**	**40 948**

Trade and other payables - Non current	As of	
(in € thousands)	2018/12/31	2019/06/30
Trade payables	0	0
Social security costs payables	0	0
Employee profit sharing	0	0
VAT payables	0	0
Taxes payables	0	0
Other payables	(1)	0
TOTAL	**(1)**	**0**

6.14. PROVISIONS

At June 30, 2019, this line item amounted to €1,906k (at December 31, 2018: €112k).

The accruals recorded are mainly related to the research tax credit. See section 6.23 Litigation and contingent liabilities.

6.15. EMPLOYEE BENEFITS

In France, pension funds are generally financed by employer and employee contributions and are accounted for as a defined contribution plans with the employer contributions recognized as expense as incurred. The Group has no actuarial liabilities in connection with these plans. Expenses recorded in the half years ended June 30, 2019 and June 30, 2018 amounted to €451k and €348k respectively.

French law also requires payment of a lump sum retirement indemnity to employees based on years of service and annual compensation at retirement, which are accounted for as a defined benefit plan. Benefits do not vest prior to retirement. The Group is paying this defined benefit plan. It is calculated as the present value of estimated future benefits to be paid, applying the projected unit credit method whereby each period of service is seen as giving rise to an additional unit of benefit entitlement, each unit being measured separately to build up the final. At June 30, 2019, pension provisions recorded were €1,291k as compared to €1,085k at December 31, 2018.

For the half years ended June 30, 2018 and June 30, 2019, the provision for retirement indemnities is calculated on the basis of one-half of the projected expenses that was calculated as of December 31, 2018, updated to a discounted rate at June 30, 2019.

As part of the measurement of the retirement indemnity to employees, the following assumptions were used for all categories of employees:

Population	Permanent staff
Retirement age	65
Terms of retirement	Initiated by the employee
Life expectancy	On the basis of the INSEE table
Probability of continued presence in the company at retirement age	On the basis of the DARES table

Rate	As of	
(in € thousands)	2018/12/31	2019/06/30
Salary growth rate - in 2020	5.8%	5.8%
Salary growth rate - beyond	3.%	3.%
Discount rate	1.53%	0.8%

The discount rates are based on the market yield at December 31, 2018 and at June 30, 2019 on high quality corporate bonds.

The following table presents the changes in the present value of the defined benefit obligation:

Changes in the present value of the defined benefit obligation (in € thousands)	As of 2019/06/30
Defined benefit obligation as of January 1, 2018	**936**
Current service cost	104
Interest cost on benefit obligation	14
Actuarial losses on obligation	31
Past service costs	0
Defined benefit obligation as of December 31, 2018	**1 085**
Current service cost	69
Interest cost on benefit obligation	8
Actuarial losses on obligation	128
Past service costs	0
Defined benefit obligation as of December 31, 2019	**1 291**

6.16. EQUITY

Ordinary shares are classified under shareholders' equity. Any shareholder, regardless of nationality, whose shares are fully paid-in and registered for at least two years, is entitled to double voting rights under the conditions prescribed by law (Article 32 of the Company's bylaws).

At June 30, 2019, 2,304,684 shares have been held for more than two years and entitle their holders to double voting rights (5.94% of the issued share capital).

Changes in share capital in 2019: see note 6.2.1 Initial Public Offering on the Nasdaq Global Select Market

6.17. OTHER INCOME

Other income consisted of the following:

Other income	Half-year ended	
(in € thousands)	2018/06/30	2019/06/30
CIR tax credit	4 981	5 350
CICE tax credit - Other operating income	76	4
Government grants and subsidies	0	2
TOTAL	**5 057**	**5 356**

6.18. OPERATING EXPENSE

Operating expenses and other operating income (expenses) (in € thousands)	Half-year ended 2018/06/30	Of which:					
		Raw materials and consumables used	Contracted research and development activities conducted by third parties	Employee expenses	Other expenses (maintenance, fees, travel, taxes…)	Depreciation, amortization and impairment charges	Gain / (loss) on disposal of property, plant and equipment
Research and development expenses	(32 072)	(922)	(22 745)	(4 624)	(3 000)	(781)	(1)
General and administrative expenses	(4 565)	(70)	(2)	(1 687)	(2 882)	74	2
Other operating income and (expenses)	(40)	0	0	0	(40)	0	0
TOTAL	**(36 677)**	**(992)**	**(22 747)**	**(6 311)**	**(5 921)**	**(707)**	**2**

Operating expenses and other operating income (expenses) (in € thousands)	Half-year ended 2019/06/30	Of which:					
		Raw materials and consumables used	Contracted research and development activities conducted by third parties	Employee expenses	Other expenses (maintenance, fees, travel, taxes…)	Depreciation, amortization and impairment charges	Gain / (loss) on disposal of property, plant and equipment
Research and development expenses	(38 899)	(1 068)	(25 909)	(6 206)	(2 564)	(3 152)	0
General and administrative expenses	(12 402)	(114)	(1)	(4 964)	(7 206)	(117)	0
Other operating income and (expenses)	7	0	0	0	6	0	1
TOTAL	**(51 294)**	**(1 182)**	**(25 910)**	**(11 170)**	**(9 764)**	**(3 269)**	**1**

Research and development expenses at each reporting date take into account estimates for ongoing activities subcontracted as part of the clinical trials and not yet invoiced, on the basis of detailed information provided by subcontractors and reviewed by the Group's internal departments. The accuracy of these estimates for some types of expenses improves with the progression of the trials and the review of their determination methods.

The increase in subcontracting costs in 2019 is mainly due to the start of new satellite studies in the RESOLVE-IT phase 3 study, the work required to prepare the marketing authorization dossier for elafibranor in NASH, and the increase in the production volume of the active ingredient necessary for the realization of the various clinical trials.
The increase in employee-related costs results mainly from the increase in headcount (174 vs 130), the change in employee profiles and the associated increase in compensation, and the bonuses that were awarded to employees for their involvement in the development of the Group.

The change in other operating expenses is related in particular to the costs related to the purchase of two civil liability insurance policies in connection with the listing of shares on the NASDAQ, the costs related to the facilities and their maintenance, intellectual property expenses, and the expenses related to the preparation of the marketing of elafibranor in NASH.

In the first half of 2018, the Company's donation to The Nash Education Program endowment fund (€500k) was dedicated primarily to the organization of the first international NASH day. In this context, in accordance with the presentation made on December 31, 2018, the Company has reclassified this expense as General and Administrative Expenses, a category better suited than Research and Development expenses. There were no significant amounts paid in the first half of 2019.

6.18.1. Employee expenses

Employee expenses (in € thousands)	Half-year ended 2018/06/30	2019/06/30
Wages and salaries	(4 387)	(7 998)
Social security costs	(1 617)	(2 748)
Changes in pension provision	(36)	(69)
Share-based compensation	(271)	(356)
TOTAL	**(6 311)**	**(11 170)**

Headcount at June 30

Number of employees at year-end - detail	Half-year ended 2018/06/30	2019/06/30
Average number of employees	130	162
Average age of employees	38 years 1 months	39 years 6 months
Number of employees		
Research and development	89	117
Administration and management	41	57
TOTAL	**130**	**174**

Effectifs - GENFIT S.A.	Semestre clos le 30/06/2018	30/06/2019
Effectifs - Par activité		
Recherche et développement	83	110
Administration et management	40	51
TOTAL	**123**	**161**

Number of employees at year-end - detail	Half-year ended 2018/06/30	2019/06/30
Number of employees		
Research and development	6	7
Administration and management	1	6
TOTAL	**7**	**13**

6.19. SHARE-BASED COMPENSATION

Share-based compensation is granted by GENFIT to employees, executive officers, board members and consultants.

Share-based compensation granted to employees and executive officers in 2014, 2015, 2016, 2017 and 2018 corresponds to redeemable share warrants ("Bons de Souscriptions et/ou d'Acquisition d'Actions" or "BSAAR"), stock options ("SO") and free shares ("actions gratuities" or "AGA").

Share-based compensation granted to board members and consultants in 2014, 2015 and 2017 corresponds to share warrants ("Bons de Souscriptions d'Actions" or "BSA").

For the measurement of this share-based compensation, the Group has determined that under IFRS, consultants were not equivalent to employees.

Under these programs, holders of vested instruments are entitled to subscribe to shares of GENFIT at a pre-determined exercise price. All of the plans are equity settled. The terms and conditions of these plans are described in the 2018 annual financial statements.

No new plans were put in place in the first half of 2019 (see section 6.27 Events after the reporting period).

The total amount of the expense recognized in the first half of 2019 pursuant to IFRS 2 is €356k.

6.20. FINANCIAL REVENUE AND EXPENSES

Financial income and expenses (in € thousands)	Half-year ended	
	2018/06/30 corrected (*)	2019/06/30
Financial income		
Interest income	19	103
Foreign exchange gain	70	673
Other financial income	242	978
TOTAL - Financial income	**331**	**1 755**
Financial expenses		
Interest expenses	(5 465)	(5 599)
Interest expenses for leases	(10)	(70)
Foreign exchange losses	(90)	(1 563)
Other financial expenses	(7)	(8)
TOTAL - Financial expenses	**(5 572)**	**(7 240)**
FINANCIAL GAIN (LOSS)	**(5 241)**	**(5 485)**

6.21. INCOME TAX

6.21.1. Losses available for offsetting against future taxable income

At June 30, 2019, the tax loss carryforwards for the Company amounted to €370,814k (€305,530k as of December 31, 2018).

Such carry forwards can be offset against future taxable profit within a limit of €1 million per year, plus 50% of the profit exceeding this limit. Remaining unused losses will continue to be carried forward indefinitely.

6.21.2. Deferred tax assets and liabilities

The Group's main sources of deferred tax assets and liabilities as of June 30, 2019 related to:

- Tax losses carryforwards: €370,814k (compared to €305,530k as of December 31, 2018);
- Temporary differences:
  - related to the OCEANE: a net deferred tax liability for €1,486k (at December 31, 2018: €1,773k); and
  - related to post employment benefits: €1,291k, or potential but unrecognized impact on deferred tax assets of €361k (€1,085k, or an impact on deferred tax assets of €304k as of December 31, 2018)

The Company nets its deferred tax assets and liabilities (€2,160k and €3,646k, respectively), under the conditions set out in IAS 12, for a net deferred tax liability of €1,486 thousand as of June 30, 2019.

The tax income for the period is mainly due to the decrease in the net deferred tax liability over the period.

Other than as it relates to deferred tax assets recognized based on the available deferred tax liabilities, no other deferred tax asset has been recognized as it is not probable that taxable profit will be available to offset deductible temporary differences and tax loss carry forwards.

6.22. EARNINGS PER SHARE

The components of the earnings (loss) per share computation are as follows:

Earnings per share	Half-year ended	
	2018/06/30 corrected (*)	2019/06/30
Loss for the period (in € thousands)	**(36 675)**	**(51 132)**
Weighted average number of ordinary shares for the period	31 166 437	31 183 921
Loss per share (in €)	**(1.18)**	**(1.64)**

6.23. LITIGATION AND CONTINGENT LIABILITIES

Dispute over research tax credit calculation

1. Context

During 2014, the Company was under a tax audit at the end of which the tax authorities questioned part of the Research Tax Credit (CIR) received by the Company for 2010. The tax audit continued for the 2011 and 2012 CIR returns.

This tax audit was also extended to the 2014 CIR as part of a documentary audit who purposes was to apply the rules described below.

2. Subject matter of the dispute

The dispute with the French tax authorities pertained mainly to collaborative research alliances with companies in the pharmaceutical industry. The tax authorities contend that, in these alliances, the Company is acting as a sub-contractor, which should reduce the basis on which the CIR was computed by deducting amounts billed by the Company to the other party. The Company maintained that the contracts governing these collaborative research alliances included reciprocal provisions concerning intellectual property, the shared governance of the research programs, risk sharing, conditions governing the termination of the agreements and the terms of compensation, which demonstrate that they were not sub-contracting agreements.

On April 5, 2018, the Administrative Court of Montreuil partially accepted the Company's claims on the CIR for 2010, 2011 and 2012, in particular, on the qualification of collaborative research. On June 28, 2018, the Administrative Court on Montreuil accepted the Company's claim on the CIR for 2014. On September 11, 2018, following the judgment, the Company was reimbursed €432k.

On July 25, 2018, and then on October 28, 2018, the Company was informed that the Ministry of Action and Public Accounts, appealed the aforementioned judgments.

On June 18, 2019, the Court of Appeals of Montreuil delivered its judgment on the first judgment and gave the Company the right to take into account the depreciation of certain assets eligible for the CIR but reversed the decision of the Administrative Tribunal as it related to the collaboration research for the CIRs 2010, 2011 and 2012. The Company will have to reduce the base of its CIR by the amounts invoiced to its partners.

3. Provision

The Company has decided not to appeal the Court of Appeals decision, and therefore has recognized a provision totaling €1,892k, which includes the 2014 CIR. The provision replaces in full the potential debts mentioned in the 2018 annual financial statements.

Dispute regarding social security contributions and other payments

Following an URSAAF (French social security administration) audit which began in September 2016 with respect to the 2013, 2014 and 2015 fiscal years, the Company received in November 2016 a social security contribution reassessment in

the amount of €5k which the Company contested in the amount of €4k before the Tribunal des Affaires Sociales (Social Affairs Court). In March 2019, the Company lost the claim before the court.

6.24. RELATED PARTIES

Biotech Avenir SAS and the endowment fund, The NASH Education Program™, a GENFIT initiative, are related parties within the meaning of IAS 24.9.

Biotech Avenir

The registered offices of Biotech Avenir SAS and of The NASH Education Program™ are located at the same address as GENFIT S.A. These domiciliations are provided without charge.

Biotech Avenir SAS is a holding company incorporated in 2001 by GENFIT's founders. Most of its share capital is currently held by individuals, i.e. the four founders and approximately thirteen Company employees.
Jean-François Mouney, the Chairman of the Board of GENFIT, is also the Chairman of Biotech Avenir SAS.

At June 30, 2019, Biotech Avenir SAS held 4.86% of the share capital of GENFIT.

GENFIT did not carry out any transactions with Biotech Avenir in 2018 or 2019.

The NASH Education Program
The NASH Education Program™ endowment fund was created in November 2016 at the initiative of GENFIT to develop and finance disease awareness activities targeting medical professionals and the general public.

The transactions carried out in 2018 and 2019 between GENFIT and the endowment fund The NASH Education Program™ (now, The NASH Epidemiology Institute) and GENFIT's undertakings with respect to The NASH Epidemiology Institute ™ are described in note 6.26 Commitments.

6.25. COMPENSATION OF CORPORATE OFFICERS

Compensation paid to Officers	Half-year ended	
	2018/06/30	2019/06/30
Short-term employee benefits (gross + employer's social contributions, paid)	1 173	1 171
Post-employment pension & medical benefits	0	0
Share-based payment transactions	0	0
Director fees Genfit Corp (net)	9	15
TOTAL	**1 182**	**1 186**

At June 30, 2019, the Chairman and CEO is entitled to a severance payment falling within the scope of article L.225-42-1 of the French commercial code, equal to six months' salary, calculated on the basis of the last 12 months' salary (excluding payments under the Incentive Plan) and increased by additional compensation of one months' salary per year of service with the Company (calculated on the same basis). This severance payment is capped at 2 years gross compensation (excludes exceptional payments under the Incentive Plan) paid with respect to the last fiscal year and subject to performance conditions. This commitment (gross amount and employer charges) at June 30, 2019 amounted to €1,443k.

The directors' fees and other compensation due and paid to the non-executive directors are as follows:

Attendance fees and other forms of remuneration payable to each of the non executive officer (In euros)	Amounts due* S1.2019	Amounts paid* During the year S1.2019	Amounts due* S1.2018	Amounts paid* During the year S1.2018
Xavier GUILLE DES BUTTES				
Attendance fees	19 293	17 549	24 772	27 686
Other remuneration	0	0	0	0
Total	**19 293**	**17 549**	**24 772**	**27 686**
Charles WOLER				
Attendance fees	0	0	0	0
Other remuneration	0	0	0	0
Total	**0**	**0**	**0**	**0**
Frédéric DESDOUITS				
Attendance fees	9 919	6 431	10 928	11 118
Other remuneration	0	0	0	0
Total	**9 919**	**6 431**	**10 928**	**11 118**
BIOTECH AVENIR				
Represented by Florence Séjourné				
Attendance fees	0	0	0	0
Other remuneration	0	0	0	0
Total	**0**	**0**	**0**	**0**
Philippe MOONS				
Attendance fees	13 407	12 099	12 046	14 606
Other remuneration	0	0	0	0
Total	**13 407**	**12 099**	**12 046**	**14 606**
Anne-Hélène MONSELLATO				
Attendance fees	17 549	17 113	13 313	16 350
Other remuneration	0	0	0	0
Total	**17 549**	**17 113**	**13 313**	**16 350**
Catherine LARUE				
Attendance fees	7 303	6 431	10 138	10 246
Other remuneration	0	0	0	0
Total	**7 303**	**6 431**	**10 138**	**10 246**
TOTAL	**67 471**	**59 623**	**71 197**	**80 006**

* After déduction of a 21% compulsory levy at source until 2017
* After déduction of a 12,8% compulsory levy at source since 2018

In addition, corporate officers, directors and members of the Executive Committee benefit from specific liability insurance for mismanagement in the performance of their duties. For the 12-month period starting in March 2019, the insurance premium including the IPO insurance policy premium for the implementation of this insurance coverage will amount to €3,146 thousand.

6.26. COMMITMENTS

Subcontracting agreements

The Group enters into contracts in the normal course of business with clinical research organizations (CROs) for clinical trials, as well as with Contract Manufacturing Organizations (CMOs) for clinical and commercial supply manufacturing, commercial and pre-commercial activities, research and development activities and other services and products for operating purposes. The Group's agreements generally provide for termination with specified periods of advance notice. Such agreements are generally cancelable contracts and not included in the description of the Group's contractual obligations and commitments.

During the first half of 2019, the Company signed a Memorandum of Understanding with one of its CMOs to be followed by an implementation contract with the CMO to set up a second supply and manufacture source of elafibranor.

The costs related to the transfer of technology required for the establishment of the second source of supply and manufacturing, as well as the costs of manufacturing the registration lots are borne by the CMO and serve as a basis for calculating the penalties that would be payable by the Group in certain cases of early termination of the MoU or its implementation contract. The amount of these penalties could reach a maximum of €1,360 thousand.

Deposits and guarantees

GENFIT has guaranteed its rental payment obligation under the lease agreement for the headquarters in Loos in the amount of €542k at June 30, 2019 (€455k at December 31, 2018).

Lease commitments

In 2016, CM-CIC Bail and the Company entered into a master agreement for the lease with option to purchase scientific equipment for a maximum amount of €2,000k.

This contract was amended several times, with Amendment No 3 increasing the amount of this agreement to €2,150k, valid until June 30, 2019.

In addition, in 2016, NatioCreditMur (BNP Paribas) and the Company entered into a master lease agreement of €1,050k, which was extended by amendments in 2017 and in 2018 until June 30, 2019.

At June 30, 2019, the Company had drawn down on €2,700k under these leasing agreements.

Other liabilities

Pursuant to an agreement with effect from July 1, 2016, GENFIT S.A. decided to finance the creation by Pinnacle Clinical Research of a registry of NAFLD/NASH patients, which diseases are targeted by certain of the Company's drug and

biomarker candidates. This donation, for a maximum amount of USD 1,582k is paid over the course of the creation of the registry on the basis of reporting periods.

The Company's goal in supporting the creation of this registry was to contribute to the improvement of scientific and medical knowledge around NAFLD and NASH. As a result, the Company decided on December 22, 2016, with effect from December 31, 2016, to assign the benefit and obligations of this agreement to its endowment fund, The NASH Education Program™. The NASH Education Program™ was created on November 3, 2016 with Genfit as its sole founding member to educate the medical community and patients on the lessons that can be learned from these patients, in accordance with its objectives.

In the first half 2019, the Company granted a donation of €32k (€959k in 2018) to The NASH Education Program™ endowment fund. The 2018 donation was granted so that The NASH Education Program™ could honor the obligations under the transfer of registry donation and carry out the other planned disease awareness activities to patients and doctors and the organization of the 1st International NASH Day which took place in June 2018.

For 2019, the Board of directors approved a grant of an amount of €200k to the NEI (the new name of The NASH Education Program).

6.27. EVENTS AFTER THE REPORTING PERIOD

Change of address for Genfit Corp offices

Effective July 1, 2019, Genfit Corp has entered into a new lease agreement to support its growing activities and workforce for a period of 36 months. The right of use and the related lease liability will be recognized in an amount of USD $804k.

Terns Pharmaceuticals agreement

On July 3, 2019, pursuant to the terms of the strategic partnership with Terns Pharmaceuticals (see section 6.4.2 Revenues from ongoing activities under client agreements), the Company received an initial payment of USD $35 million under the license and collaboration agreement.

Allocation of stock options and free shares in July 2019

On July 18, 2019, the Board of Directors, pursuant to the authorizations consented to them by the 23rd and 24th resolutions of the Combined General Shareholders' Meeting of June 15, 2018, decided to grant, for free:

- Stock options to the Chairman and CEO and to certain management-level employees of the Company and its subsidiaries; and
- Free shares to all of the Company's employees.

The vesting of stock options and free shares is subject to several conditions, including internal performance conditions related to operational and clinical development objectives and/or entering into license agreements. The exercise of the stock options and the vesting of the free shares of the "D" tranche are also subject to performance conditions relating to the performance of the Genfit stock price.

138,500 stock options were subscribed and 36,626 free shares, of which 19,070 were "D" tranche free shares.

Corporate governance

On September 2, 2019, the Board of Directors decided, as provided for in article 21-I of the Company's by-laws, to separate the functions of Chairman of the Board of Directors and Chief Executive Officer. As a result and on the proposal of the Chairman and Chief Executive Officer, the Board appointed Mr. Pascal Prigent to the position of Chief Executive Officer of the Company as from September 16, 2019 and decided that Mr. Jean-François Mouney will devote himself exclusively to his role as Chairman of the Board of Directors.

STATUTORY AUDITORS' LIMITED REVIEW REPORT ON 2019 HALF-YEAR FINANCIAL STATEMENTS

GRANT THORNTON
Membre français de Grant Thornton International

ERNST & YOUNG et Autres

Genfit
Period from January 1 to June 30, 2019

Statutory auditors' review report
on the half-yearly financial information

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Membre de la compagnie
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Genfit
Period from January 1 to June 30, 2019

Statutory auditors' review report on the half-yearly financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L.451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Genfit, for the period from January 1 to June 30, 2019,

- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are your Board of Directors' responsibility. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements do not comply with IAS 34 – standard of the IFRS as adopted by the European Union - relating to interim financial reporting.

Without qualifying our conclusion, we draw your attention to the following matters:

- note 6.3.3 to the condensed half-yearly consolidated financial statements, entitled “Correction of errors”, which describes the impact of a correction made to the statement of net income as at June 30, 2018, in accordance with IAS 8;

- note 6.4.1 to the condensed half-yearly consolidated financial statements, entitled “Leases”, which discloses the application of IFRS 16 “Leases” as from January 1, 2019.

II. Specific verifications

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine and Lille, September 30, 2019

The Statutory Auditors
French original signed by

GRANT THORNTON	ERNST & YOUNG et Autres
Membre français de Grant Thornton International	
Jean-François Baloteaud	Sandrine Ledez