



HALF-YEAR BUSINESS AND FINANCIAL REPORT AT JUNE 30, 2020



SUMMARY

Half-year business and financial report as of June 30, 2020 pages 3-24

Half-year condensed consolidated financial statements as of June 30, 2020 pages 25-61

Statutory auditors' limited review report on 2020 half-year condensed consolidated financial statements pages 62-65

HALF-YEAR BUSINESS AND FINANCIAL REPORT AS OF JUNE 30, 2020

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 GENFIT's new corporate strategy and objectives, the potential size of the market for PBC, commercial certainty within this market and the outcome of the ELATIVE phase 3 trial of elafibranor in PBC, timelines for completion of the ELATIVE trial, timelines for and success of a commercial launch of a diagnostic test powered by NIS4 by GENFIT's partner LabCorp, the success and benefits of corporate restructuring projects, including a workforce reduction program, our ability to significantly reduce operating expenses, our projected cash burn over the next several years and our ability to adjust the terms of our convertible bond. 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 2 "Risks Factors and Internal Control" of the Company's 2019 Registration Document ("Document d'Enregistrement Universel") filed with the AMF on May 27, 2020, which is available on GENFIT's website (www.genfit.com) and on the website of the AMF (www.amf-france.org) and reviewed as indicated in Section 8 of this report for some of them, and public filings and reports filed with the U.S. Securities and Exchange Commission ("SEC"), including the Company's Form 20-F document filed with the SEC on the same date, 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

GENFIT is a late-stage biopharmaceutical group (“**the Group**” or “**GENFIT**” or “**the Company**”), comprised of the parent company GENFIT SA and its two wholly owned subsidiaries (GENFIT CORP and GENFIT PHARMACEUTICALS) dedicated to improving the lives of patients with metabolic and liver diseases. GENFIT is a pioneer in the field of nuclear receptor-based drug discovery, with a rich history and strong scientific heritage spanning more than two decades. As part of GENFIT’s comprehensive approach to clinical management of patients with liver disease, the Company is also developing a new diagnostic technology, which could enable easier identification of patients with at risk non-alcoholic steatohepatitis (“**NASH**”) who show no symptoms despite the progression of their disease.

We advance therapeutic and diagnostic solutions to make them available to patients. With this goal in mind, we have developed multiple platforms in our areas of therapeutic expertise, and set up close collaborations with academic experts and specialized companies whose expertise complements our own.

Our Research and Development (“**R&D**”) is founded on several areas of excellence:

- Clinical expertise in our major therapeutic areas, with detailed knowledge of the diseases
- An in-depth scientific understanding of gene regulation and of biological mechanisms,
- A broad technological know-how to study and control biological mechanisms, with a focus on translational research between animal models and human diseases. Thanks to our R&D platforms, we can run the entire range of studies from the validation of new therapeutic targets to pre-clinical proof-of-concept studies, including:
 - developing and running the entire battery of primary and secondary screening tests,
 - identifying original molecules targeting novel mechanisms of action; and
 - generating series of small molecules designed to induce specific biological responses.

In addition, we possess the expertise necessary to coordinate and manage regulatory preclinical toxicology, pharmacokinetic, and ADME (Absorption, Distribution, Metabolism, and Excretion) studies as well as to manage the development and production of active pharmaceutical ingredients and drug products, throughout the entire drug development process. The strong skills that we have acquired in these areas enable us to guarantee an optimal transfer of our know-how to our specialized partners at all stages of development, so that they can carry out our studies and production while maintaining a high level of scientific integrity.

We have evaluated in particular our most advanced drug candidate, *elafibranor* (a dual agonist of the *PPAR alpha* and *PPAR delta* nuclear receptors) as a potential treatment for NASH in a pivotal Phase 3 clinical trial (“**RESOLVE-IT**”). In May 2020, we published the top-line results of the interim analysis in which elafibranor did not demonstrate a statistically significant effect on the primary endpoint of NASH resolution without worsening of fibrosis. These results have lead us, after a detailed review of the whole dataset, to initiate the trial termination process of RESOLVE-IT at the end of July, and in September, the termination process of several related trials of which, notably, our study in pediatric NASH and our Phase 2 trial on liver fat. Similarly and for the same reasons, we have decided to discontinue our combination program with *elafibranor* in NASH.

We are however continuing our efforts in NASH through our diagnostics technology known as NIS4. NASH is a liver disease that affects millions of people and can in the long term lead to potentially life-threatening complications like cirrhosis, hepatic impairment, liver cancer, and ultimately, may require a liver transplant. It is the second leading cause of liver transplant in the U.S. after hepatitis C, and is expected to become the leading cause in the near future. NASH represents a pressing public health challenge, even more so as, the disease is largely under diagnosed due to the lack of non-invasive

diagnostic tools with enough accuracy to identify patients with significant to advanced fibrosis and who are most at risk for NASH progression. NASH is a silent disease. Patients often have no liver-specific symptoms until the first signs of liver failure. Currently, liver biopsy is the standard for diagnosis, which is an invasive and costly procedure. In addition to these limitations, variability in the standard of NASH clinical care and competing physician priorities all contribute to under-diagnosis. This is why we have developed NIS4, a novel, standalone diagnostic technology based on the development of a novel algorithm that integrates a score the integrating the outputs of four NASH-associated biomarkers (alpha2-macroglobulin (A2M), miR-34a-5p, YKL-40, and HbA1c) into a single score, which can be used to inform clinical decision-making. We and our partners want patients and physicians to be able to access NIS4 technology. We believe that in doing so, we and our partners have the potential to address the urgent need for a non-invasive, cost-effective, accessible and validated test to identify patients with NASH and significant to advanced fibrosis who should be considered for intervention while decreasing the reliance on liver biopsy.

In January 2019, we entered into a first license agreement with LabCorp to allow them to develop and commercialize NIS4 in the clinical research space through their drug development subsidiary, Covance. Since then, Covance has made significant progress in the deployment of NIS4 in several clinical trials conducted by leading players in the pharmaceutical industry. Moreover, we have very recently signed a new agreement with LabCorp to allow them to develop and commercialize a Laboratory Developed Test ("**LDT**") powered by NIS4 technology for use in routine clinical diagnostic testing in the United States and Canada.

Unlike In Vitro Diagnostic tests (hereinafter "**IVD**") which are subject to the same regulations as medical devices and require prior approval from the U.S. Food & Drug Administration in the United States (hereinafter the "**FDA**") before being placed on the market, an LDT does not require such an approval from the FDA, but requires that the laboratory performing the test has been certified according to the CLIA standard (and which our partner Labcorp has obtained).

We are also evaluating *elafibranor* as a potential treatment for Primary Biliary Cholangitis ("PBC") in a global Phase 3 trial ("**ELATIVE**"). This program is independent from elafibranor in NASH as PBC is an autoimmune liver disease with no relation to the metabolic origins of NASH. PBC is a chronic condition resulting from progressive destruction of the small bile ducts inside the liver. When liver bile ducts are destroyed, the bile which normally would travel to the small intestines to aid in digestion and elimination of waste instead accumulates in the liver, contributing to inflammation and fibrosis. The initial symptoms of PBC are general fatigue and pruritus or itchy skin. PBC is diagnosed based on blood tests. Left untreated, PBC typically leads to cirrhosis, liver failure and the need for liver transplantation.

PBC is a disease with a global prevalence of approximately 40 cases per 100,000 people. However, that prevalence is increasing; in the United States, the prevalence of PBC increased from 21.7 to 39.2 cases per 100,000 people from 2006 to 2014.

There is currently no cure for PBC, although there are medications that work to slow its progression. For many years, *ursodiol*, a drug containing ursodeoxycholic acid, or UDCA, was the only drug approved by the FDA for the treatment of PBC. Although ursodiol is the first-line treatment, up to 40% of patients do not respond or respond poorly to treatment and an additional 5-10% of patients are unable to tolerate the drug. In 2016, the FDA approved obeticholic acid, marketed as *Ocaliva*, for the treatment of PBC in combination with UDCA in adults with an inadequate response to UDCA, or as a single therapy in adults unable to tolerate UDCA. Concerns remain over pruritus and serious liver injury or liver death caused by administration of Ocaliva, which led the FDA to add a Boxed Warning to the Ocaliva label. Accordingly, we believe there is still a significant medical need for new therapies, as current treatments either are ineffective for a large portion of PBC patients, cause significant side effects or include safety risks. The market for second line therapy could potentially reach \$1 billion according to some estimates.¹

¹ Based on market research by IQVIA

Positive results from our Phase 2 clinical trial of *elafibranor* in PBC, presented in April 2019 at the *International Liver Congress* 2019 organized by EASL (European Association for the Study of the Liver) formed a strong rationale to launch the Phase 3 trial for the evaluation of *elafibranor* in this indication. *Elafibranor* met the primary endpoint of our Phase 2 clinical trial, which was the relative change from baseline at week 12 in serum alkaline phosphatase (or "**ALP**"). Compared to placebo, treatment with 80 mg and 120 mg *elafibranor* resulted in mean decrease from baseline of -52% and -44%, respectively, each with high statistical significance. With respect to the composite endpoint used for registration of the second line treatment, the *elafibranor* 80 mg and 120 mg treatment groups achieved with high statistical significance mean response rates of 67% and 79%, as compared to 6.7% for the placebo group. We also observed a beneficial trend on pruritus – a major symptom of PBC –but this remains to be confirmed in the ongoing ELATIVE Phase 3 trial. The first patient first visit in the ELATIVE trial took place on September 24, 2020.

ELATIVE is a Phase 3 double-blind (DB), randomized, placebo-controlled study with an open-label long term extension (LTE) evaluating the efficacy and safety of *elafibranor* 80 mg once daily versus placebo in patients with PBC and inadequate response or intolerance to ursodeoxycholic acid (UDCA). In the DB period, patients will be randomized in a 2:1 ratio to receive *elafibranor* 80 mg (n=100) or placebo (n=50), once daily.

After the double-blind period, all patients will receive *elafibranor* at 80 mg per day for 5 years at most during the LTE.

The primary endpoint is the response to treatment at week 52 defined as defined by biochemical parameters: alkaline phosphatase (ALP) < 1.67 x upper limit of normal (ULN) and total bilirubin ≤ ULN and ALP decrease ≥ 15%. Secondary endpoints include response to treatment based on ALP normalization at week 52 and change in pruritus from baseline through week 52 on PBC Worst Itch NRS score.

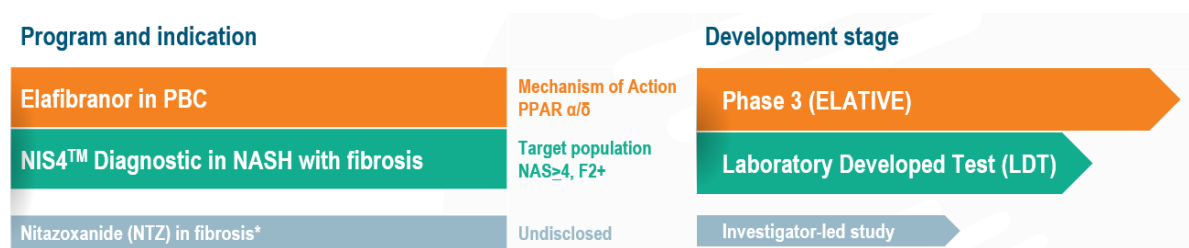
The development and commercialization rights of *elafibranor* for the treatment of both NASH and PBC in Greater China have been granted to Terns Pharmaceuticals ("**TERNS**") through a strategic collaboration agreement that we signed in June 2019.

We are also developing nitazoxanide ("**NTZ**"), in particular for the treatment of liver fibrosis. Progressive liver fibrosis can result from chronic liver injury of any etiology, including viral infection, alcoholic liver disease and NASH. Multiple studies have demonstrated that patients with NASH are at higher risk for adverse liver-related outcomes, with the degree of fibrosis contributing most significantly to this increased risk. Cirrhosis is the terminal stage of progressive liver fibrosis, which results in over 1 million deaths annually worldwide. Annual direct and indirect costs for the care of cirrhosis exceed \$12 billion in the United States alone, and there is an urgent need for anti-fibrotic drugs to prevent progression towards liver decompensation and the associated morbidities.

Our research program designed to discover novel anti-fibrotic molecules with a priority given to liver fibrosis allowed the identification of NTZ based on the use of a phenotypic screening approach combined with the use of a compound library composed of FDA-approved drugs. Following this screening, we identified NTZ, currently commercialized and prescribed in the United States and in several other countries as an anti-parasitic, that we believe can be repurposed for the treatment of fibrosis. After it demonstrated promising anti-fibrotic activity in our preclinical pathological models and in human fibroblasts from several human organs, we announced in December 2018 that an investigator-initiated Phase 2 proof-of-concept clinical trial to evaluate the safety and tolerability of NTZ in patients with NASH-induced stage 2 or 3 fibrosis was launched by Dr. Stephen Harrison, a clinical collaborator of GENFIT. This is an ongoing trial as of the date of the present report.

Following our decision to end any development of *elafibranor* in NASH and to focus our efforts on our two main strategic priorities (development of *elafibranor* in PBC and development of NIS4 for the diagnostic of NASH), we have undertaken to rationalize our preclinical efforts, which led us to continue only those strictly necessary for these two priorities. In light of this, we have decided, in particular, to discontinue any investment in our TGFTX1 preclinical development program and to end preclinical work related to our development program of combinations with *elafibranor* in NASH.

The following table summarizes our drug candidate and diagnostic development pipeline after review and at the time of this report.



*Our research on the potential of NTZ is being carried out in parallel with the ongoing clinical trial conducted independently by Dr. Stephen Harrison ("investigator-led study" or "investigator-initiated trial").

We have retained worldwide rights to all of our programs, with some of them licensed to our partners Labcorp/Covance on the one hand, and TERNs on the other hand.

Our current Chairman of the Board of Directors, Jean-François Mouney, co-founded GENFIT SA in 1999. Pascal Prigent, our current CEO, was appointed on September 16, 2019.

We are led by an executive team and board of directors with deep experience at leading biotech companies, large pharmaceutical companies and academic institutions.

The chairman of our scientific advisory board, Professor 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.

As of June 30, 2020, the Group has approximately 200 employees at our offices in Lille and Paris, France and Cambridge, Massachusetts, USA.

Genfit's shares are listed on the regulated market of Euronext in Paris (compartment B – ISIN: FR0004163111) and, since March 2019, as American Depositary Shares ("ADSs"), each representing one ordinary share, on the Nasdaq Global Select Market in the United States, under the common symbol "GNFT".

2. KEY EVENTS OF THE FIRST HALF OF 2020 AND MAIN EVENTS AFTER THE REPORTING PERIOD

2.1 R&D Programs of the Company during H1 and After the Reporting Period

- *Elafibranor Development Program in NASH*

RESOLVE-IT Phase 3 Study in NASH

In February, the Company announced that the final visit of the last patient for the interim cohort to support accelerated marketing approval had been completed on time, and the clinical trial database would be locked before the end of February. It also announced in late March 2020 that, despite the COVID-19 pandemic, it had decided to continue the extension phase of the RESOLVE-IT trial thanks to the implementation of measures allowing to ensure the safety of patients who were already enrolled in the study.

In May, the Company announced the topline results of the interim analysis of the RESOLVE-IT Phase 3 trial evaluating the efficacy of the daily administration of elafibranor 120 mg in adults with NASH. The RESOLVE-IT Phase 3 trial evaluated the effect of elafibranor compared to placebo in 1,070 patients (ITT population) with biopsy proven NASH as defined by NAFLD activity score (NAS) greater than or equal to 4, fibrosis stage 2 or 3. Patients were randomized 2:1 to receive elafibranor 120mg or placebo once daily, with a follow-up liver biopsy at week 72 to evaluate histologic endpoints (resolution of NASH without worsening of fibrosis or fibrosis improvement of at least one stage).

Resolution of NASH is defined by a ballooning score of 0 and an inflammation score of 0 or 1, and the non-worsening of fibrosis corresponds to a fibrosis score that does not increase.

The trial did not meet the predefined primary endpoint of NASH resolution without worsening of fibrosis in the ITT population. In the ITT population, 19.2% of patients who received elafibranor (N=138) achieved NASH resolution without worsening of fibrosis compared to 14.7% of patients in the placebo arm (N=52) (p=0.07).

On the key secondary endpoint of fibrosis improvement of at least one stage, 24.5% of patients who received *elafibranor* (N=176) achieved fibrosis improvement of at least one stage compared to 22.4% (N=79) in the placebo arm (p=0.445).

Statistical significance was not achieved in the other key secondary endpoint related to metabolic parameters, which were: triglycerides, non-HDL cholesterol, HDL cholesterol, LDL cholesterol, HOMA-IR in non diabetic patients, and HbA1c in diabetic patients.

The favorable safety and tolerability profile of *elafibranor* observed in our previously conducted trials was similar to what has been observed in the interim results of RESOLVE-IT, which is encouraging for the ongoing Phase 3 trial evaluating *elafibranor* in PBC (see below).

While the topline results do not support an application for accelerated approval of *elafibranor* by the FDA under Subpart H or conditional approval by the European Medicines Agency ("**EMA**"), the Company announced, also in May, its intention to review in detail the full dataset and conduct additional analyses in order to understand why the placebo response rate was higher than what was expected before making a decision regarding the future of the RESOLVE-IT trial.

On July 22, 2020, following the detailed review of the full RESOLVE-IT interim efficacy dataset, the Company determined that the investment needed to continue the trial was not justified, as it was unlikely to provide results that would be sufficient to support *elafibranor* for registration in NASH in the United States and Europe. The Company announced that it would engage with the RESOLVE-IT investigators to expedite the trial termination process –which is ongoing at the time of this report and due to last for several months– and that it would also meet with regulatory agencies to share key learnings, including results from the second reading of liver biopsies that will help better understand inter-reader variability and its impact. The Company also indicated that it is now focusing its efforts on developing its two major programs: *elafibranor* development in PBC, and the commercial growth of NIS4™ technology, for NASH diagnostics.

Pediatric NASH, Phase 2 Trial Addressing Liver Fat and Therapeutic Combination Program with *elafibranor* in NASH

Due to the COVID-19 pandemic, the Company had announced in late March that:

- enrollment of patients in the PK/PD trial in pediatric patients with NASH as well as the Phase 2 study addressing liver fat had been paused.
- the initiation of the Phase 2 combination study in NASH with *elafibranor* had been put on hold.

In September and following its decision to terminate all development of elafibranor in NASH, the Company decided to initiate the termination process of the PK/PD trial in pediatric NASH as well as the Phase 2 study on hepatic lipid composition.

Considering that clinical trials in the NASH space involve a large number of patients, are long and very expensive, as well as the fact that the regulatory and competitive landscape in this therapeutic area is in constant evolution, the Company has considered that the cost in relation to the probability of success was too high to continue development of *elafibranor* in NASH.

Other Phase 1 trials

The Company also announced in March, in the context of the COVID-19 pandemic, that all ongoing or upcoming phase 1 trials – which included pharmacokinetic, food effect and bioequivalence studies – had been put on hold. These studies were necessary to support a potential *elafibranor* NDA submission.

Since then, in line with the decision to end development of *elafibranor* in NASH, the following decisions have been made regarding these trials, given that some of them will be required for a new drug application for *elafibranor* in PBC:

- Pharmacokinetic and drug interaction studies have resumed;
- The bioequivalence study has restarted.
- The food interaction study will start in 2021.

○ *Phase 3 of elafibranor Development Program in PBC*

Due to the COVID-19 pandemic, the Company announced in late March that the start of the Phase 3 study in patients with PBC had been delayed.

In September, the Company has announced the completion of the first patient first visit in the ELATIVE Phase 3 trial. Appropriate measures will be implemented, including virtual appointments, biological evaluations performed by local laboratories, delivery of the drug candidate to the patients' home, to ensure the safety of participants in the study.

○ *NIS4 Diagnostic Program in NASH*

During the first half of the year, the NIS4™ technology to support a diagnostic solution continued to be deployed in the clinical research field through Covance. While interest in NIS4™ technology is high, the Company announced in late March that there may be some limits in NIS4 powered test utilization due to delays potentially experienced by some sponsors as the result of the COVID-19 pandemic.

In August, the Company announced that pivotal data describing the derivation and validation of NIS4™ technology has been accepted for publication by *The Lancet Gastroenterology & Hepatology*. This published study details NIS4™ algorithm development and clinical validation against the liver biopsy reference standard in two independent populations comprised of data from over 700 patients. In addition to the high overall performance in identifying patients with at-risk NASH, NIS4™ technology also provided consistent results in critical sub-populations (i.e. diabetic vs. non-diabetic, men vs. women) as compared to other non-invasive tests evaluated in the same individuals.

In September, the Company announced the signature of a new, exclusive licensing agreement with Labcorp for the development and commercial deployment of an LDT integrating NIS4 technology on the routine clinical care diagnostic test market in the United States and Canada.

GENFIT also continues to explore the possibility to obtain regulatory approval to release an IVD test integrating NIS4 technology on the US and European markets.

○ *NTZ Development Program in Liver Fibrosis*

Despite the COVID-19 pandemic and thanks to the implementation of appropriate measures by the clinical investigator leading the study, the recruitment of patients in the Phase 2 trial evaluating NTZ in NASH-induced liver fibrosis continued throughout the first half of the year.

See also the supplemental Note 2 “Major events in the period and after the reporting period” to the 2020 half year condensed consolidated financial statements hereafter regarding other events occurring after the reporting period.

2.2 Governance

The Company announced, following its annual Shareholders Meeting on June 30, 2020, the appointment of Ms. Katherine Kalin and Mr. Eric Baclet to the company’s Board of Directors. Together, they bring more than 50 years of combined pharmaceutical experience and deep subject matter expertise that will aid in the next phase of Genfit’s growth.

Ms. Kalin’s healthcare industry expertise spans diagnostics, medical devices, and pharmaceuticals. Ms. Kalin is currently a director on the boards of Clinical Genomics, a molecular diagnostic firm, Brown Advisory, a strategic advisory and investment firm, and Primari Analytics, a startup in artificial intelligence. From 2012-17, Ms. Kalin led corporate strategy at Celgene, a global biopharmaceutical company, for 5 1/2 years. Prior to that, Ms. Kalin held executive leadership roles in marketing, sales, strategy and new business development at Johnson & Johnson (J&J) from 2002 to 2011. Prior to J&J, Ms. Kalin served as a Partner at McKinsey and Company, a global management consulting firm, where she negotiated and led consulting assignments, as a strategic advisor to pharmaceutical, medical device and other healthcare companies.

Mr. Eric Baclet has over 30 years of experience with Eli Lilly in international drug development, management, and commercialization, all expertise he gained as President and General Manager of Lilly Italia, General Manager of Lilly China, VP of Global Marketing, and Executive Directorship of International Marketing, to name a few. Throughout his tenure at Eli Lilly, Mr. Baclet spearheaded international drug launches across multiple geographies, and led multi-disciplinary teams involved in biopharmaceutical value-chain management in more than seven countries.

At the time of this report, the Board of Directors has appointed Ms. Katherine Kalin as a member of the Strategy and Alliances Committee, and Mr. Eric Baclet, as a member of the Nomination and Compensation Committee.

3. STRATEGY AND OUTLOOK

Following the detailed review of the full RESOLVE-IT interim efficacy dataset, GENFIT determined that the investment needed to continue the trial was not justified, as it was unlikely to provide results that would be sufficient to support *elafibranor* for registration in NASH in the United States and Europe.

GENFIT is now focused on two programs that both address a significant unmet medical need, represent a significant business opportunity and have a favorable risk profile: the development of its molecule elafibranor as a second line treatment in PBC, and the development of a diagnostic franchise based on its NIS4™ technology.

PBC

Today Ocaliva, marketed by Intercept Pharmaceuticals, is the only option for second line therapy after UDCA. Its market represents approximately \$300M annually with double digit growth in 2020. According to market research conducted by IQVIA, experts in life sciences and the pharmaceutical industry, the second line PBC market reach over \$1 billion in the coming years. According to reports, the competitive intensity is low given that in second intention, there is only one approved product, our on-going phase III and another one expected to start next year.

The opportunity is therefore significant in this indication. Elafibranor obtained promising results in the Phase 2 trial evaluating efficacy and safety in PBC. After 12 weeks, efficacy observed with elafibranor on the composite endpoint was well above what has been required to obtain marketing approval for this condition. In addition, a positive trend was observed on pruritus, reinforcing elafibranor's potential for differentiation in this indication. Furthermore, there is extensive data from the RESOLVE-IT trial, with thousands of patients and years of exposure with a good safety profile.

Finally, uncertainty with respect to commercial development is much lower in PBC than in NASH due to:

- Easier patient identification
- Well-defined patient population-to-treat,
- The price of therapy is significantly higher than in NASH and accepted by payers; and
- A specialty launch such as in PBC is less resource-intensive than a retail approach.

The first patient first visit in our Phase 3 ELATIVE trial has occurred and results are expected to be published early 2023.

NASH diagnostic

Market research has shown that there is a significant challenge with NASH patient identification. Patients are often asymptomatic, and those with NASH do not necessarily require treatment. There is a need to identify those who are eligible for treatment. Biopsies are considered the imperfect gold standard used for regulatory approval in the clinical trial context, but are not adapted to real life, namely that patients are reticent to undergo biopsy, they are expensive, resource intensive and there are an insufficient number of pathologists to execute the procedure for all at-risk patients.

For the NASH market potential to be realized, there is a need for a non-invasive solution that could be easily deployed at a large scale. Since the barrier is determining if a given patient should be treated (as opposed to simply being diagnosed with NASH), GENFIT launched the NASH diagnostic program to address the question of whether a patient has at-risk NASH (Fibrosis stage 2 or above and a NAFLD activity score of at least 4).

The NIS4 program achieved two major milestones in the second half of 2020:

- The publication, in The Lancet (Gastroenterology & Hepatology), of pivotal data describing the validation process and performance of NIS4. The data showcased the robust and consistent performance of NIS4 to identify patients with at-risk NASH. It also highlighted the performance of NIS4 relative to other technologies including commonly used liver fibrosis tests. This scientific publication is critical as it demonstrates that NIS4 is not just a simple and scalable solution, it is also a high performance solution that looks at both component of Nash and can help identify and therefore manage patients that are at risk.
- The signature of an exclusive license agreement with LabCorp to commercialize, a novel diagnostic test for NASH powered by GENFIT's NIS4™ technology. This is a meaningful step for NIS4 development, with a potential large-scale commercial launch, an important progression from the previous collaboration with LabCorp-Covance which targeted the clinical research environment. NIS4 technology will now be made broadly available and start addressing the diagnostic needs of millions of individuals at risk of progressing to late stage complications of NASH. Launch is anticipated in early 2021 and GENFIT is looking forward to seeing its partner LabCorp, successfully commercialize the solution.

Although the market is expected to accelerate with the availability of the first NASH drugs, market research also suggests that there is already an unmet need. Therefore, launching a diagnostic test makes sense despite recent setbacks in NASH therapeutics. Millions of patients – including pre-diabetic, diabetic, overweight and obese patients – still need to know that they have at-risk NASH. With a diagnosis, healthcare professionals will know to monitor those patients closely. And patients can be empowered to make healthier personal choices regarding diet and exercise.

In summary, GENFIT believes there is a significant business opportunity with the NIS4 diagnostic and GENFIT's partner LabCorp is about to launch and make it available broadly. In a simple and cost-effective way, the diagnostic test has the potential to address key unmet needs of millions of patients.

To execute this strategy, GENFIT needs a structure that is fit-for-purpose, from a human capital and financial perspective.

Structure

There are limited synergies between these two main programs in terms of business models, clients, partnership opportunities, financing or regulatory environment.

For these reasons, GENFIT has decided to establish two separate entities:

- The Diagnostics entity would be primarily focused on NASH diagnostics but plans to leverage GENFIT's accumulated knowledge and network in NASH, to carry forward tools that have potential to create value for the Company. For example, resources in artificial intelligence as well as considerable data gathered over the years could be leveraged to develop value-added patient services.
- The other entity would initially be focused on accelerating the execution of the PBC program but would also be, over time, the vehicle to develop either new molecules or additional indications for elafibranor, such as Primary Sclerosing Cholangitis or PSC.

In order to support its new strategy, GENFIT also announced plans for a workforce reduction plan that would reduce the total headcount from over 200 prior to the end of the first half 2020 to less than 125 by the end of 2020. A draft employment protection plan (*plan de sauvegarde de l'emploi*) has been submitted to the GENFIT SA Workers Council for review.

GENFIT has also undertaken a reduction of operating expenses, including eliminating all non-essential expenses. The Company's intention is to reach an approximately fifty percent reduction in cash burn between now and 2022. Prior to the Phase 3 RESOLVE-IT results announcement, the Company was operating at an annual cash burn of approximately €110 million and expects to reduce the cash burn to approximately €45 million annually in 2022. 2021 will be a transitional year as a result of the long financial wind-down related to the closing of the RESOLVE-IT trial.

The Company also plans to propose to the holders of its OCEANE convertible bond (€180 million nominal amount with a maturity of October 16, 2022) and its shareholders, an adjustment of the terms of the OCEANE convertible bond. The Company's objective is to begin this process towards the end of the year, in order to have a balance sheet which is structured in line with its new strategy.

4. OPERATING AND FINANCIAL REVIEW

4.1 Comments on the condensed statement of net income for the periods ended June 30, 2019 and June 30, 2020

(i) Revenue and other income

The Company's revenue and other income results primarily from the research tax credit:

Revenue and other income (in € thousands)	For the six-month period ended	
	June 30, 2019	June 30, 2020
Revenues	1	122
Government grants and subsidies	2	3
CIR tax credit	5 350	5 224
Other operating income	4	519
TOTAL	5 357	5 867

Revenue and other income was € 5,867 thousand at June 30, 2020 compared to €5,357 thousand for the same period in the previous year.

(ii) Operating expenses 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, 2020 and 2019.

Operating expenses and other operating income (expenses) (in € thousands)	For the six-month period ended June 30, 2019	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	(38 908)	(1 068)	(25 909)	(6 206)	(2 564)	—	—
General and administrative expenses	(9 517)	(109)	(1)	(4 082)	(5 244)	—	—
Marketing and market access expenses	(2 876)	(5)	—	(883)	(1 963)	—	—
Other operating income and (expenses)	7	—	—	—	6	1	1
TOTAL	(51 293)	(1 182)	(25 910)	(11 170)	(9 764)	1	1

Operating expenses and other operating income (expenses) (in € thousands)	Of which:						
	For the six-month period ended June 30, 2020	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	(36 867)	(1 197)	(24 337)	(6 591)	(3 287)	(1 455)	—
General and administrative expenses	(8 251)	(133)	(42)	(3 845)	(3 963)	(269)	—
Marketing and market access expenses	(9 491)	(4)	(1)	(744)	(8 697)	(44)	—
Other operating income (expenses)	(423)	—	—	—	(425)	—	2
TOTAL	(55 031)	(1 333)	(24 379)	(11 180)	(16 372)	(1 769)	2

Operating expenses in the first half 2020 amounted to €55,031 thousand compared to €51,293 thousand in first half 2019.

They include, in particular:

- **research and development expenses**, which include employee-related expenses for employees in research and development functions (€6,591 thousand at June 30, 2020 compared to €6,206 thousand at June 30, 2019), the cost of consumables and contracted research and development activities (particularly clinical and pharmaceutical expenses) (representing €25,534 thousand at June 30, 2020 compared to €26,977 thousand at June 30, 2019) and expenses related to intellectual property. These research and development expenses amounted to €36,867 thousand at June 30, 2020 compared to €38,908 thousand at June 30, 2019, or 67% and 76% of operating expenses, respectively.

The decrease in contracted research and development expenses is mainly due to the suspension or termination of some clinical studies in the context of the COVID-19 pandemic.

Changes in employee-related expenses for employees in research and development functions is mainly due to increased headcount (128 vs. 116), compensated by the absence of incentive bonuses in 2020.

The decrease in 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 in 2019 and the application as from January 1, 2019 of IFRS 16 to leases.

- **general and administrative expenses**, which include the costs of personnel not assigned to research (€3,845 thousand at June 30, 2020 compared to €4,082 thousand at June 30, 2019), and administrative costs. These general and administrative expenses amounted to €8,251 thousand in the first half 2020 compared with €9,517 thousand in the first half 2019, or 15% and 19% of operating expenses, respectively.

Changes in general and administrative expenses are mainly related to the cost of insurance premiums in relation to Company listing on the Nasdaq.

Changes in employee-related expenses paid to employees in general and administrative functions was primarily the result of an increase in headcount (68 vs. 51 employees), compensated by the absence of incentive bonuses in 2020.

- **marketing and pre-marketing expenses**, which include the costs of personnel assigned to marketing and business development (€744 thousand in the first half 2020 compared to €883 thousand in the first half 2019), and costs related to the preparation of the commercialization of elafibranor and NIS4 in NASH (market research, marketing strategy, medical communication, market access...) (€9,491 thousand in the first half 2020 compared to €2,876 thousand in the first half 2019).

Marketing and pre-commercialization expenses will significantly decrease as of the second half 2020 due to the discontinuation of the pre-commercialization work for elafibranor in NASH following the termination of this program in July 2020.

(iii) **Operating expenses 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 €24,379 thousand in the first half 2020 compared to €25,910 thousand in the first half 2019, corresponding to a 6% decrease, which is mainly due to the suspension or discontinuation of some studies in the context of the COVID-19 pandemic.

Employee expenses

Employee expenses (in € thousands)	For the six-month period ended	
	June 30, 2019	June 30, 2020
Wages and salaries	(7 998)	(7 811)
Social security costs	(2 748)	(2 770)
Changes in pension provision	(69)	(87)
Individual training entitlement	—	—
Share-based compensation	(356)	(513)
TOTAL	(11 170)	(11 180)

Employee expenses excluding share-based compensation amounted to €10,667 thousand in the first half 2020 compared to €10,814 thousand in the first half 2019, or a 1% decrease, mainly due to the absence of incentive bonuses in 2020 despite an increase in headcount (203 vs. 174 employees)

The amount recognized as share-based compensation (BSA, BSAAR, SO and AGA) free of any impact on cash flow amounted to €513k in the first half 2020 compared to €356 thousand in the first half 2019. The expenses recorded in the first half of 2020 relate to the SO and AGA plans put in place in December 2016, the BSA, SO and AGA plans put in place in 2017, the SO and AGA plans put in place in 2018 and the BSA, SO and AGA plans put in place in 2019.

Other expenses

Other expenses amount to €16,372 thousand in the first half 2020 compared to €9,764 thousand in the first half 2019. 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 to 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 recurring Directors & Officers civil liability insurance policy;
- expenses related to the pre-marketing of elafibranor and NIS4 in NASH (market research, marketing strategy, medical communication, market access...);
- 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 expenses for pre-marketing projects.

(iv) Financial income (expense)

Financial income (expense) as of June 30, 2020 amounted to a loss of €4,007 thousand compared to financial loss of €5,485 thousand in the previous half year.

This change is mainly due to realized and unrealized foreign currency exchange rate loss of €246k in the first half 2020 compared to €1,563k in the first half 2019², partially compensated a notable increase in financial income (€1,154k in the first half 2020 compared to €103k in the first half 2019) due to the increase of cash held in US dollars and to investments in US dollars where the return has been significantly higher than investments in euros.

² Note: the impact of the reclassification of foreign exchange income from trade receivables recognized as "other income" for the first half of 2020 while these gains were recognized as "financial income" in the first half of 2019 (see note 17 to the 2020 half year condensed consolidated financial statements)

(v) Net income (loss)

The first half 2020 resulted in a net loss of €53,011 thousand compared to a net loss of €51,132 thousand in the first half 2019. The net loss for the 2019 fiscal year amounted to €65,144 thousand.

4.2 Comments on the Group's Statement of Financial Position at June 30, 2020

At June 30, 2020 the total amount of the Group's Statement of Financial Position amounted to €256,200 thousand compared to €309,853 thousand as of December 31, 2019.

At June 30, 2020, the Group's cash, cash equivalents and other financial assets amounted to €227,316 thousand, compared to €278,474 thousand as of December 31, 2019.

(i) Non current assets

Non-current assets, which include trade and other receivables, goodwill and intangible, tangible, and financial assets, decrease from €19,100 thousand as of December 31, 2019 to €17,997 thousand at June 30, 2020.

(ii) Current assets

Current assets amounted to €238,204 thousand at June 30, 2020 compared to €290,753 thousand as of December 31, 2019.

Cash and cash equivalents went from €276,748 thousand at December 31, 2019 to €225,721 thousand at June 30, 2020, or a decrease of 18%. Cash is mainly placed in low risk, highly-liquid short term investments.

The variation of trade and other receivables is mainly due to the recognition of the estimated amount of the Research Tax Credit receivable for the first half 2020 and the repayment of the Research Tax Credit for 2019 during the first half 2020. Additional details regarding these receivables are provided in note 9 to the 2020 half year condensed 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 2020.

(iii) Shareholders' equity

As of June 30, 2020, the Group's shareholders' equity totaled €31,382 thousand compared to €84,065 thousand as of December 31, 2019.

The change in the Company's shareholders' equity is mainly due to 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 2020 half year condensed consolidated financial statements summarized hereafter, 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 12.2.1 "Refundable and Conditional Advances" of the notes to the 2020 half year condensed 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**

Liabilities - Current (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Current convertible loans	1 313	1 313
Current other loans and borrowings	3 226	3 222
Current trade and other payables	36 917	34 961
Current deferred income and revenue	140	141
Current provisions	2 061	2 070
TOTAL	43 657	41 706

This balance sheet item mainly includes interest payments on the OCEANE due October 2022, bank loans and trade and social security payables and debts under operating leases. Changes in current liabilities are mainly due to changes in contracted research and development activities expenses.

See also notes 12 and 13 to the 2020 half year condensed consolidated financial statements below.

5. MAIN INTRAGROUP TRANSACTIONS

Effective as of January 1, 2020, 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 9%. "Structural" costs are billed at cost. In the first half 2020, GENFIT CORP billed USD \$4,915 thousand (USD \$3,973 thousand in the first half 2019) to GENFIT SA.

In addition, GENFIT and GENFIT CORP renewed their cash management agreement effective as of January 1, 2020. 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.

6. MAIN TRANSACTIONS WITH RELATED PARTIES

This information is available in the Note 24 "Related Parties" to the consolidated 2020 half year condensed consolidated financial statements hereafter.

7. 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	400 016	—	—	—
06/27/2006 - Division of shares' par value	600 064	0,25	400 016	609 796	—	609 796
10/18/2006 - Private placement	270 626	0,25	817 657	323 832	—	323 832
11/21/2006 - Absorption of IT.OMICS	270 626	0,25	817 657	323 832	37 833	361 665
02/16/2010 - Private placement	662 166	0,25	915 542	240 395	37 833	278 228
07/15/2011 & 07/19/2011 - Private placement	340 295	0,25	335 074	864 969	37 833	902 802
10/04/2011 - Reserved share capital increase	424 328	0,25	356 082	968 324	37 833	006 157
10/28/2011 - Reserved share capital increase	580 578	0,25	395 145	427 072	37 833	464 905
10/28/2011 - Share capital increase - offset against receivables (BSA 2011)	630 578	0,25	407 645	406 881	37 833	444 714
02/22/2012 - Reserved share capital increase - exercise of BSA (2011)	726 762	0,25	431 691	606 965	37 833	644 798
From 03/07/2012 to 07/03/2012 - Reserved share capital increase	085 665	0,25	771 416	707 055	37 833	744 888
08/01/2012 - Share capital increase - offset against receivables (OCA 2012)	148 321	0,25	787 080	690 141	37 833	727 974
From 09/05/2012 to 10/14/2012 - Conversion of bonds (OCA 2012)	969 232	0,25	992 308	437 239	37 833	475 072
From 12/21/2012 to 03/08/2013 - Share capital increase - offset against receivables (OCA 2012-2)	029 806	0,25	007 452	415 946	37 833	453 779
From 12/27/2012 to 04/11/2013 - Conversion of bonds (OCA 2012-2)	387 536	0,25	346 884	687 145	37 833	724 978
04/17/2013 - Private placement	316 984	0,25	079 246	389 868	37 833	427 701
04/19/2013 & 05/02/2013 - Share capital increase - offset against receivables (OCA 2012-2)	334 759	0,25	083 690	382 924	37 833	420 757
From 04/24/2013 to 08/02/2013 - Conversion of bonds (OCA 2012-2)	541 821	0,25	135 455	270 698	37 833	308 531
02/03/2014 - Share capital increase - maintenance of preferential subscription rights	257 671	0,25	314 418	839 327	37 833	877 160
06/20/2014 - Private placement	374 238	0,25	843 560	698 624	37 833	736 457
12/17/2014 - Private placement	957 671	0,25	989 418	718 226	37 833	756 059
10/29/2015 & 11/04/2015 - Share capital increase by exercise of BSAAR	958 904	0,25	989 726	720 750	37 833	758 583
02/29/2016 - Private placement	354 794	0,25	588 699	099 866	37 833	137 699
10/12/2016 - Private placement	049 794	0,25	012 449	895 034	37 833	932 867
11/02/2016 - Private placement	166 437	0,25	791 609	926 121	37 833	963 954
12/15/2018 - Share capital increase by allotting AGA	183 921	0,25	795 980	926 121	37 833	963 954
03/29/2019 - Share capital increase	831 421	0,25	707 855	291 502	37 833	329 335
12/15/2019 - Share capital increase by allotting AGA	839 217	0,25	709 804	291 502	37 833	329 335
12/31/2019 - Share capital increase by allotting AGA	858 617	0,25	714 654	291 502	37 833	329 335

Our ordinary shares are listed on the regulated market of Euronext in Paris (compartment B) under the symbol "GNFT" and, our ADSs, on the Nasdaq Global Select Market in New York, under the symbol "GNFT".

8. MAIN RISKS AND UNCERTAINTIES

We encourage investors to take into consideration all of the information presented in our 2019 Annual Report on Form 20-F ("Form 20-F") and in this Half-Year Business and Financial Report before deciding to invest in Company shares. This includes, in particular, the risk factors described in Item 3.D. "Risk Factors" of the Form 20-F (and the contents of this section), of which the realization may have (or has had in some cases) material adverse effect on the Group and its activity, financial situation, results, development or perspectives, and which are of importance in the investment decision-making process.

In the context of this Half-Year Business and Financial Report, and following its decision to terminate the RESOLVE-IT Phase 3 clinical trial (as well as other programs and studies in NASH notably) and prioritize development programs of *elafibranor* in PBC and NIS4, the Company has undertaken a review of the risk factors described in Item 3.D. "Risk Factors" of the Form 20-F. The Company has also taken into account in this review the impact of the continuing COVID-19 pandemic, which was already significantly widespread at the time the Form 20-F was published.

With the exception of one risk factor that is no longer applicable as noted below *in fine*, the review has not prompted any modifications in the nature, quantity or categories of risk factors, nor in their ranking in terms of probability of occurrence or impact, in comparison with what was presented in Item 3.D "Risk Factors" of the Form-20-F. The risks faced by the Company and described in the Form 20-F remain essentially the same.

- In May 2020, we published the top-line results of the interim analysis of *elafibranor* in the RESOLVE-IT Phase 3 trial, where *elafibranor* did not demonstrate a statistically significant effect on the primary endpoint of NASH resolution without worsening of fibrosis. In light of these results, we initiated the termination of this trial in July. This clinical failure and the decision to terminate the trial, our program in pediatric NASH, our Phase 2 trial on Liver Fat and to discontinue our therapeutic combination program with *elafibranor* in NASH reflect the risks described in the following risk factors of the Form 20-F:
 - "We cannot be certain that *elafibranor* or any of our other product candidates will receive regulatory approval, and without regulatory approval, we will not be able to market our product candidates."
 - "We and our partner Terns Pharmaceuticals in some territories and for some indications are developing our lead product candidate, *elafibranor* for the treatment of NASH, a condition for which no drug has yet been commercialized and for which there is little clinical experience. In PBC, the other major indication for which we and our partner Terns Pharmaceuticals are developing *elafibranor*, only two treatments have been approved and are currently marketed and they do not fulfill the medical needs of all patients. As a result, our development approach and that of our partner involve new endpoints and methodologies. The outcome of our clinical trials may not be favorable or , even if favorable, regulatory authorities may not find the results of the clinical trials collaborators to be sufficient for marketing approval.", and
 - "Clinical failure can occur at any stage of clinical development. The results of earlier clinical trials are not necessarily predictive of future results and any product candidate that we or our collaborators advance through clinical trials may not have favorable results in later clinical trials or receive regulatory approval."
- The operational and financial consequences of the decision to terminate RESOLVE-IT, our program in pediatric NASH, our Phase 2 trial on Liver Fat, and to discontinue our therapeutic combination program with *elafibranor* in NASH, also reflect the risks described in the following risk factors in the Form 20-F:
 - "We may encounter difficulties in managing our development, which could disrupt our operations."
 - "Currently, we have no products approved for commercial sale, and to date we have not generated any recurring revenue from product sales. As a result, our ability to reduce our losses

and reach profitability is unproven, and we may never achieve or sustain profitability.”, and

- “Our ability to be profitable in the future will depend on our ability and that of our current or future collaborators to obtain marketing approval for and commercialize our product candidates, particularly our lead product candidate, elafibranor, and NIS4 for clinical care.”.

More specifically, and following our decision to terminate further development with elafibranor in NASH as well as a number of preclinical projects, including our TGFTX1 program and those conducted within the framework of our therapeutic combination program with elafibranor in NASH:

- We announced an employment protection plan (*projet de plan de sauvegarde de l'emploi*) subject to consultation with our Workers' Council. The implementation of an employment protection plan has negative operational consequences, in particular in that it disrupts the Group's operations, both for those departments and positions that are directly impacted as well as those that are not, and require significant immediate costs.
- For ethical reasons, notably, the decision to terminate a trial does not automatically imply that all related expenses are immediately discontinued. The Company may be required to continue the trial with the patients who had already started treatment and may also incur expenses in terminating the trial. These expenses may represent significant amounts, while only contributing indirectly to the development of the Group's programs (through data and sample collection, which may be useful for the continued development of our NIS4 technology and the reinforcement of the safety data on *elafibranor* for the development program in PBC). As of the date of this report, those expenses are estimated at approximately €19 to 22 million (absent any capital losses on dedicated scientific equipment).

In addition, the risk described in Item 3.D. of the Form 20-F regarding our convertible bonds, which had already been identified as presenting a high likelihood of occurring and critical negative impact, is further reinforced:

Our stock price may never reach a price at which the bondholders will deem conversion economically viable, in which case we would need to repay the nominal amount at maturity in October 2022. The terms of our convertible bonds contains standard operating covenants, and if we fail to comply with those covenants the bondholders would be able to accelerate our repayment obligations. Additionally, the conversion of some or all of our bonds into ordinary shares would dilute the ownership interests of existing shareholders.

In October 2017, we issued bonds convertible and/or exchangeable into new and/or existing ordinary shares due October 16, 2022, for a nominal amount of €180.0 million, or 6,081,081 bonds that would convert into 6,081,081 new ordinary shares if such bonds were settled into new ordinary shares in the event of conversion. The bonds bear interest at a nominal rate of 3.5% payable semi-annually in arrears on April 16 and October 16 of each year with a first interest payment date having occurred of April 16, 2018. Our stock price has decreased significantly following the announcement of the disappointing RESOLVE-IT interim results and closed at €4.88 on September 30, 2020. If, by October 16, 2022, our stock price does not reach a price at which the bondholders will deem conversion economically viable, the bonds will not be converted and we will be required to repay the nominal amount at maturity. Our ability to repay the bonds at maturity depends in part on our future performance, which is subject to the success of our research and development programs and future operations, and in particular our Phase 3 trial evaluating *elafibranor* in PBC –of which the results will only be available after the maturity date of the convertible bonds, our NIS4 technology, the ability of the Company to enter into new licensing agreements and/or partnerships and/or its ability to raise funds. This performance also depends on economic, financial and competitive factors that are beyond our control. If the evolution of our stock performance until the maturity date does not result in their conversion into ordinary shares by bondholders, our available cash level at that time may require us to find ways to finance the repayment (possibly through the issuance of new convertible bonds), or to request a modification of the terms and conditions of these bonds.

Moreover, we may incur additional debt in the future, some of which could be secured debt. Even if we are permitted by the terms and conditions of the convertible bonds to incur additional debt or to take other measures with regard to the incurrence of new debt, the terms of the bonds could reduce our ability to repay new debts at maturity and the repayment of the additional debt may compete with that of the convertible bonds.

The agreement governing the bonds contains customary negative covenants and events of default. The negative covenants include restrictions on creating other liens on our assets, incurring certain additional indebtedness and engaging in certain mergers or acquisitions. If we default under the agreement governing the bonds, the bondholders may accelerate all of our repayment obligations, which would significantly harm our business and prospects and could cause the price of our ordinary shares to

decline.

Finally, the conversion of some or all of our currently outstanding convertible bonds into ordinary shares would dilute the ownership interests of existing shareholders. Any sales in the public market of the ordinary shares issuable upon such conversion or any anticipated conversion of our convertible bonds into ordinary shares could adversely affect prevailing market prices of our ordinary shares. We have conducted a specific review of our liquidity risk and consider that we are able to meet our future maturities for the next 12 months. As of June 30, 2020, the Group had €227,316k, in cash and cash equivalents and other financial assets (€278,474k as of December 31, 2019). As of June 30, 2020, the Group had €41,085, in net liquidities, comprised of cash and cash equivalents, deducting the accounting value of OCEANEs and current and non-current financial liabilities (€93,130k as of December 31, 2019). Considering these values, the Company does not believe it is exposed to short-term liquidity risk. The Company believes that the Group's cash and cash equivalents and current financial instruments are sufficient to ensure its financing, in light of its current projects and obligations, for at least the next twelve months.

The impact of the continued COVID-19 pandemic is described in Item 3.D. Risk Factors of the Form 20-F under the heading "The outbreak of the novel coronavirus disease, COVID-19, could adversely impact our business, including our preclinical studies and clinical trials." At the date of Form 20-F (May 27, 2020), the pandemic had been active worldwide for several months already, and numerous countries had implemented stay-at-home orders (for almost ten weeks in France). The effects of the pandemic and stay-at-home orders on the Group had already been felt and were described in that risk factor. As of the date of this Half-Year Business and Financial Report, that risk factor is updated as follows:

The continuation and, as the case may be, the worsening of the COVID-19 pandemic, could adversely impact our business, including our preclinical studies and clinical trials, the supply of the active ingredient and therapeutic units of elafibranor, the preparation for commercialization of our product candidates and the potential granting of regulatory approval required for their market launch.

A new coronavirus strain, COVID-19, was identified in Wuhan, China in December 2019. Since then, the COVID-19 coronavirus has spread to several countries, including countries where the Company is headquartered, countries in which the Company has clinical trials in progress, countries where it plans to conduct clinical trials and countries in which major subcontractors for carrying out its clinical trials and the production units of the active ingredient suppliers and therapeutic units of *elafibranor*, are located.

Strict confinement measures have been taken by the governments in the majority of countries where there has been a COVID-19 outbreak. Although some confinement measures have been lifted since then, there is no guarantee that governments will not take additional measures in light of new outbreaks of the disease in certain regions, including France and the United States.

As such, it is not possible at the date of this Half-Year Business and Financial Report, to predict with certainty the economic impact and the severity of the current COVID-19 pandemic. However, a long-term pandemic with restrictive measures to contain or limit its spread, might lead to an economic slowdown in a market in which the Group is present, or create disruptions with a very significant impact on our activities, our clinical trials, the preparation for market launch of our product candidates and the potential granting of regulatory approval required for their market launch, notably:

- delays or difficulties in manufacturing active pharmaceutical ingredients or therapeutic units used in our clinical trials sites; particularly in the context of the current production unit of our therapeutic units of *elafibranor* having already experienced a temporary closure of two weeks due to a strong suspicion of COVID-19;
- delays or difficulties in enrolling patients in our clinical trials;
- delays or difficulties in clinical site initiation, including initiation of their activities, in particular for newly launched trials or trials in preparation, difficulties in recruiting clinical site investigators and clinical site staff; in particular, the delays incurred in the launch and, potentially, the enrollment of patients for the Phase 3 trial evaluating *elafibranor* in PBC lead us to believe that its first results may not be available until the first half of 2023;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;

- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others;
- limitations in employee resources that would otherwise be focused on the conduct of our clinical trials, including due to illness among employees or their families or the desire of employees to avoid contact with large groups of people;
- additional costs due to the implementation of specific protocols for our current or upcoming clinical trial in order to comply with regulatory measures to protect the health of patients;
- delays in receiving approval from local regulatory authorities to initiate our planned clinical trials;
- delays in clinical sites receiving the supplies and materials needed to conduct our clinical trials;
- interruptions of world trade that may affect the transportation of clinical trial materials such as our therapeutic units, drug candidates or drugs participating in our clinical trial or used as a basis for comparison in our clinical trials;
- changes in local regulations as part of a response to the COVID-19 coronavirus outbreak which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or to discontinue the clinical trials altogether;
- delays in necessary interactions with local regulators, in particular the FDA and EMA, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees;
- delay in the timing of interactions with the FDA due to absenteeism by federal employees or by the diversion of their efforts and attention to approval of other therapeutics or other activities related to COVID-19; and
- refusal of the FDA or EMA to accept data from clinical trials in affected geographies.

In addition, the outbreak of COVID-19 could disrupt our operations for a significant period of time, due to absenteeism or inability to work from home by infected or ill members of management or other employees, or absenteeism by members of management and other employees who elect not to come to work due to the illness affecting others in our office or laboratory facilities, or due to mandated quarantines. COVID-19 could also impact members of our board of directors, resulting in absenteeism from meetings of the directors or committees of directors, and making it more difficult to convene the quorums of the full board of directors or its committees needed to conduct meetings for the management of our affairs.

As of this Half-Year Business and Financial Report, some of our clinical trials linked to the RESOLVE-IT trial, which had been suspended due to the COVID-19 public health crisis, are being terminated as a result of the disappointing interim results of our RESOLVE-IT Phase 3 clinical trial (pediatric NASH trial and phase 2 trial on liver fat notably). Our Phase 3 clinical trial evaluating *elafibranor* in PBC and the phase 2 trial evaluating *Nitazoxanide* in liver fibrosis remain ongoing. Our NIS4 diagnostic technology continues to be deployed in the clinical research field through the subsidiary of our commercial partner Labcorp - Covance. There may however be some limits in test utilization due to delays potentially experienced by some NIS4 clients as the result of the current COVID-19 situation. For similar reasons, the commercial deployment of the LDT integrating NIS4 technology, which is to be conducted by our partner Labcorp for use as a routine clinical care diagnostic test in the US and Canada thanks to our new partnership agreement signed in September may experience delays.

The global outbreak of COVID-19 continues to evolve rapidly. The extent to which COVID-19 may impact our business, clinical trials and financial situation will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the geographic reach of the disease, the duration of the outbreak, restrictions on the movement of people, goods and capital, social distancing measures, business closures or business disruptions and the effectiveness of actions taken around the world to contain and treat the disease. In addition, we cannot predict the extent of the impact of this epidemic on the financial markets or on our stock price and as a result, on our ability to obtain additional funding if we should seek to raise additional funding. As of the date of this Half-Year Business and Financial Report, the world economy is severely affected by this pandemic.

Depending on these factors, the pandemic has prevented and could prevent the Company in the future to use all or part of its current infrastructure; it could then become difficult for the Company and all of

its subsidiaries to continue their activities during a significant period. The disaster recovery, continuity or reorganization plans may prove inadequate or insufficient. Moreover, if the pandemic and related measures were to be extended, they might cause notably a delay in the regulatory review of the current and planned clinical trials as well as a delay in potential new drug applications. These events might have a particular impact on the US market launch schedule and therefore on the financial situation and perspectives of the Company.

Finally, following the termination of our *elafibranor* in NASH combination program, which follows the termination of development of *elafibranor* in NASH, the risk factor “We are currently considering the development of some of our drug candidates in combination with other treatments, which exposes us to additional risks.” in our Form 20-F, which was specific to this development goal, is no longer applicable.

See also Note 5 “Financial Risks Management” to the 2020 half year condensed consolidated financial statements hereafter.

9. LEGAL AND ARBITRATION PROCEEDINGS

The main legal and arbitration proceedings are presented in sections 2.2.5.4 et 2.2.7.9 of the Company's 2019 Universal Registration Document and in public documents and reports filed with the SEC, including the 2019 Annual Report on Form 20-F document filed with the SEC on the same date, or otherwise made public by the Company.

See also Note 23 “Litigation and Contingent Liabilities” to the 2020 half year condensed consolidated financial statements hereafter.

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 as of June 30, 2020, 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, 2020

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020

**HALF-YEAR
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS UNDER IFRS**

FOR THE HALF-YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

<u>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</u>	4
<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u>	5
<u>CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS</u>	6
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	7
<u>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</u>	8
<u>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</u>	9
1. <u>THE COMPANY</u>	9
2. <u>MAJOR EVENTS IN THE PERIOD AND EVENTS AFTER THE REPORTING PERIOD</u>	9
2.1. <u>RESOLVE-IT – Major Events in the Period and Events after the Reporting Period</u>	9
2.2. <u>COVID-19 Major Events in the Period and Events after the Reporting Period</u>	10
2.3. <u>Other Events after the Reporting Period</u>	11
3. <u>BASIS OF PRESENTATION</u>	11
3.1. <u>Changes in accounting policies and new standards or amendments</u>	12
3.2. <u>Standards, interpretations and amendments issued but not yet effective</u>	12
4. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>	12
5. <u>FINANCIAL RISKS MANAGEMENT</u>	12
5.1. <u>Foreign exchange risk</u>	12
5.2. <u>Interest rate risk</u>	14
5.3. <u>Liquidity risk</u>	14
5.4. <u>Credit risk</u>	14
6. <u>CASH AND CASH EQUIVALENTS</u>	14
7. <u>INTANGIBLE ASSETS</u>	15
8. <u>PROPERTY, PLANT AND EQUIPMENT</u>	17
9. <u>TRADE AND OTHER RECEIVABLES</u>	18
10. <u>OTHER FINANCIAL ASSETS</u>	20
11. <u>OTHER ASSETS</u>	20
12. <u>LOANS AND BORROWINGS</u>	21
12.1. <u>Breakdown of convertible loan</u>	21
12.2. <u>Breakdown of loans and borrowings</u>	22
12.3. <u>Maturities of financial liabilities</u>	24
13. <u>TRADE AND OTHER PAYABLES</u>	25
14. <u>PROVISIONS</u>	25
15. <u>EMPLOYEE BENEFITS</u>	25
16. <u>EQUITY</u>	27
17. <u>OTHER INCOME</u>	28
18. <u>OPERATING EXPENSE</u>	28
18.1. <u>Employee expenses</u>	30
19. <u>SHARE-BASED COMPENSATION</u>	30
20. <u>FINANCIAL REVENUE AND EXPENSES</u>	31
21. <u>INCOME TAX</u>	31
21.1. <u>Losses available for offsetting against future taxable income</u>	31
21.2. <u>Deferred tax assets and liabilities</u>	31
22. <u>EARNINGS PER SHARE</u>	32
23. <u>LITIGATION AND CONTINGENT LIABILITIES</u>	32
24. <u>RELATED PARTIES</u>	33
25. <u>COMPENSATION OF CORPORATE OFFICERS</u>	34
26. <u>COMMITMENTS</u>	37

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS		As of	
(in € thousands)	Notes	December 31, 2019	June 30, 2020
Current assets			
Cash and cash equivalents	6.	276,748	225,721
Current trade and others receivables	9.	12,033	8,938
Other current assets	11.	1,968	3,540
Inventories	-	5	5
Total - Current assets		290,753	238,204
Non-current assets			
Intangible assets	7.	920	894
Property, plant and equipment	8.	16,453	15,507
Other non-current financial assets	10.	1,727	1,595
Deferred tax assets	21.	—	—
Total - Non-current assets		19,100	17,997
Total - Assets		309,853	256,200
SHAREHOLDERS' EQUITY AND LIABILITIES		As of	
(in € thousands)	Notes	December 31, 2019	June 30, 2020
Current liabilities			
Current convertible loans	12.	1,313	1,313
Other current loans and borrowings	12.	3,226	3,222
Current trade and other payables	13.	36,917	34,961
Current deferred income and revenue	-	140	141
Current provisions	14.	2,061	2,070
Total - Current liabilities		43,657	41,706
Non-current liabilities			
Non-current convertible loans	12.	164,142	166,760
Other non-current loans and borrowings	12.	14,939	13,342
Non-current trade and other payables	13.	451	451
Non-current employee benefits	16.	1,408	1,503
Deferred tax liabilities	21.	1,193	1,057
Total - Non-current liabilities		182,132	183,112
Shareholders' equity			
Share capital	16.	9,715	9,715
Share premium	-	377,821	378,334
Retained earnings (accumulated deficit)	-	(238,340)	(303,662)
Currency translation adjustment	-	14	7
Net profit (loss)	-	(65,145)	(53,011)
Total shareholders' equity - Group share		84,065	31,382
Non-controlling interests		—	—
Total - Shareholders' equity		84,065	31,382
Total - Shareholders' equity & liabilities		309,853	256,200

*

CONSOLIDATED STATEMENTS OF OPERATIONS

(in € thousands, except earnings per share data)		For the six-month period ended	
		June 30, 2019	June 30, 2020
Revenues and other income			
Revenue		1	122
Other income	17.	5,356	5,745
Revenues and other income		5,357	5,867
Operating expenses and other operating income (expenses)			
Research and development expenses	18.	(38,908)	(36,867)
General and administrative expenses	18.	(9,517)	(8,251)
Marketing and market access expenses	18.	(2,876)	(9,491)
Other operating income (expenses)	18.	7	(423)
Operating income (loss)		(45,936)	(49,163)
Financial income	20.	1,755	2,095
Financial expenses	20.	(7,240)	(6,102)
Financial profit (loss)		(5,485)	(4,007)
Net profit (loss) before tax		(51,422)	(53,170)
Income tax benefit (expense)	21.	289	159
Net profit (loss)		(51,132)	(53,011)
Attributable to owners of the Company		(51,132)	(53,011)
Attributable to non-controlling interests		—	—
Basic and diluted earnings (loss) per share			
Basic and diluted earnings (loss) per share (€/share)	22.	(1.64)	(1.36)

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS

(in € thousands)	Notes	For the six-month period ended	
		June 30, 2019	June 30, 2020
Net profit (loss)		(51,132)	(53,011)
Actuarial gains and losses net of tax	15.	(128)	—
Other comprehensive income (loss) that will never be reclassified to profit or loss		(128)	—
Exchange differences on translation of foreign operations		1	(7)
Other comprehensive income (loss) that are or may be reclassified to profit or loss		1	(7)
Total other comprehensive income (loss)		(51,260)	(53,018)
Attributable to owners of the Company		(51,260)	(53,018)
Attributable to non-controlling interests		—	—

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six-month period ended	For the year ended	For the six-month period ended
(in € thousands)	June 30, 2019	December 31, 2019	June 30, 2020
<u>Cash flows from operating activities</u>			
+ Net profit (loss)	(51,132)	(65,145)	(53,011)
+ Non-controlling interests	—	—	—
<u>Reconciliation of net loss to net cash used in operating activities</u>			
Adjustments for:			
+ Depreciation and amortization on tangible and intangible assets	1,542	3,263	1,737
+ Impairment and provision for litigation	1,804	357	124
+ Expenses related to share-based compensation	356	1,657	513
- Gain on disposal of property, plant and equipment	(1)	(19)	(2)
+ Net finance expenses (revenue)	5,669	11,437	5,848
+ Income tax expense (benefit)	(289)	(576)	(159)
+ Other non-cash items including Research Tax Credit litigation	(11)	1,702	92
Operating cash flows before change in working capital	(42,063)	(47,324)	(44,859)
<u>Change in:</u>			
Decrease (increase) in trade receivables and other assets	(10,103)	(1,640)	1,523
(Decrease) increase in trade payables and other liabilities	5,307	1,284	(2,026)
Change in working capital	(4,797)	(356)	(504)
Income tax paid	—	—	—
Net cash flows used in operating activities	(46,859)	(47,680)	(45,362)
<u>Cash flows from investment activities</u>			
- Acquisition of property, plant and equipment	(65)	(2,030)	(785)
+ Proceeds from disposal of / reimbursement of property, plant and equipment	(0)	2,517	—
- Acquisition of financial instruments	(128)	(160)	(49)
Net cash flows provided by (used in) investment activities	(193)	327	(834)
<u>Cash flows from financing activities</u>			
+ Proceeds from issue of share capital (net)	126,479	126,486	—
+ Proceeds from subscription / exercise of share warrants	—	43	—
+ Proceeds from new loans and borrowings net of issue costs	—	—	—
- Repayments of loans and borrowings	(1,513)	(1,884)	(1,601)
- Financial interests paid (including finance lease)	(3,234)	(7,785)	(3,230)
Net cash flows provided by (used in) financing activities	121,732	116,860	(4,831)
Increase (decrease) in cash and cash equivalents	74,680	69,508	(51,027)
<u>Cash and cash equivalents at the beginning of the period</u>	207,240	207,240	276,748
Cash and cash equivalents at the end of the period	281,920	276,748	225,721

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital				Retained earnings (accumulated deficit)	Currency translation adjustment	Net profit (loss)	Total shareholders' equity Group share	Non-controlling interests	Total shareholders' equity
(in € thousands)	Number of shares	Share capital	Share premium	Treasury shares						
As of January 1, 2019	31,183,921	7,796	251,554	(730)	(158,167)	6	(79,521)	20,939	—	20,939
Net profit (loss)	—	—	—	—	—	—	(51,132)	(51,132)	—	(51,132)
Other comprehensive income (loss)	—	—	—	—	(128)	1	—	(128)	—	(128)
Total comprehensive income (loss)	—	—	—	—	(128)	1	(51,132)	(51,260)	—	(51,260)
Allocation of prior period profit (loss)	—	—	—	—	(79,521)	—	79,521	—	—	—
Capital increase	7,647,500	1,912	124,567	—	—	—	—	126,479	—	126,479
Equity component of OCEANE net of deferred taxes	—	—	—	—	—	—	—	—	—	—
Share-based compensation	—	—	356	—	—	—	—	356	—	356
Treasury shares	—	—	—	(469)	—	—	—	(469)	—	(469)
Other movements	—	—	—	—	—	—	—	—	—	—
As of June 30, 2019	38,831,421	9,708	376,477	(1,199)	(237,815)	7	(51,132)	96,045	—	96,045
Net profit (loss)	—	—	—	—	—	—	(14,012)	(14,012)	—	(14,012)
Other comprehensive income (loss)	—	—	—	—	(40)	8	—	(32)	—	(32)
Total comprehensive income (loss)	—	—	—	—	(40)	8	(14,012)	(14,044)	—	(14,044)
Allocation of prior period profit (loss)	—	—	—	—	—	—	—	—	—	—
Capital increase	27,196	7	—	—	(7)	—	—	(0)	—	(0)
Equity component of OCEANE net of deferred taxes	—	—	—	—	—	—	—	—	—	—
Share-based compensation	—	—	1,301	—	—	—	—	1,301	—	1,301
Treasury shares	—	—	—	721	—	—	—	721	—	721
Other movements	—	—	43	—	—	—	—	43	—	43
As of December 31, 2019	38,858,617	9,715	377,821	(478)	(237,862)	14	(65,145)	84,065	—	84,065
Net profit (loss)	—	—	—	—	—	—	(53,011)	(53,011)	—	(53,011)
Other comprehensive income (loss)	—	—	—	—	—	(7)	—	(7)	—	(7)
Total comprehensive income (loss)	—	—	—	—	—	(7)	(53,011)	(53,018)	—	(53,018)
Allocation of prior period profit (loss)	—	—	—	—	(65,145)	—	65,145	—	—	—
Capital increase	—	—	—	—	—	—	—	—	—	—
Share-based compensation	—	—	513	—	—	—	—	513	—	513
Treasury shares	—	—	—	(178)	—	—	—	(178)	—	(178)
Other movements	—	—	—	—	—	—	—	—	—	—
As of June 30, 2020	38,858,617	9,715	378,334	(656)	(303,006)	7	(53,011)	31,382	—	31,382

The expenses incurred in 2019 in relation to the Initial Public Offering are deducted from the share issue premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands of euros, except for number of shares and per share amount)

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 therapeutic and diagnostic solutions in metabolic and liver related diseases where there are considerable unmet medical needs, corresponding to a lack of approved treatments.

The Company focuses its research and development (R&D) efforts with the aim to potentially market therapeutic and diagnostic solutions to combat certain metabolic, inflammatory, autoimmune and fibrotic diseases affecting in particular the liver (such as non- alcoholic steatohepatitis - NASH) and more generally gastroenterological diseases.

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 in these notes to the consolidated financial statements as "GENFIT" or the "Group".

2. MAJOR EVENTS IN THE PERIOD AND EVENTS AFTER THE REPORTING PERIOD

2.1. RESOLVE-IT – Major Events in the Period and Events after the Reporting Period

Major Events in the Period

In May 2020, the Company announced the results from the interim analysis of the RESOLVE-IT Phase 3 trial. Elafibranor did not meet the predefined primary surrogate efficacy endpoint of NASH resolution without worsening of fibrosis, nor the secondary endpoints in the ITT population of 1,070 patients.

The response rate in the 717 patients enrolled on study drug was 19.2% for patients who received elafibranor 120mg compared to 14.7% for patients in the placebo arm. On the fibrosis key secondary endpoint, 24.5% of patients who received elafibranor 120mg achieved fibrosis improvement of at least one stage compared to 22.4% in the placebo arm. The other key secondary endpoint related to metabolic parameters did not achieve statistical significance.

While the topline results do not support an application for accelerated approval of elafibranor by the FDA under Subpart H or conditional approval by the European Medicines Agency ("EMA"), the Company announced, also in May, its intention to review in detail the full dataset and conduct additional analyses in order to understand why the placebo response rate was higher than what was expected before making a decision regarding continuation of the RESOLVE-IT trial.

Events after the Reporting Period

After this review process, of which the main steps took place in July, a decision has been made to terminate early the Phase 3 RESOLVE-IT trial evaluating the efficacy and safety of elafibranor in NASH with fibrosis. The costs pertaining to the termination of this study (regulatory activities, final visits for each patient, site closures, data recording, study report production, finalization of the Trial Master File, supply contract termination clause, etc...) are estimated to reach an amount between 19 and 22 million euros, of which some costs in US dollars have been included on the basis of the September 1, 2020 exchange rate.

Following this decision, the Group is currently conducting an analysis of its impact on the scientific equipment assets that were dedicated to the RESOLVE-IT study, in order to identify those that would be usable for the study of elafibranor in PBC (ELATIVE), and those that should be divested or discarded. The net accounting value of this

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

2. MAJOR EVENTS IN THE PERIOD AND EVENTS AFTER THE REPORTING PERIOD
(Continued)

equipment as of June 30, 2020 is €2,149 (including leased assets). The potential depreciation and sale proceeds will be assessed during the second half of 2020 upon completion of the analysis.

This estimated does not include costs related to the Group's reorganization projects (see note 2.3 "Other Events after the Reporting Period").

2.2. COVID-19 – Major Events in the Period and Events after the Reporting Period

Major Events in the Period

A new coronavirus strain, COVID-19, was identified in Wuhan, China in December 2019. Since then and particularly since the closing date, the COVID-19 coronavirus has spread to several countries, including the United States. and several European countries, including countries in which the Company has clinical trials in progress, in countries where it plans to conduct clinical trials and in countries in which major subcontractors for carrying out its clinical trials and the production units of the active ingredient suppliers and therapeutic units of elafibranor, its most advanced drug candidate, are located. As of June 30, 2020, closing date of the half-year financial statements, the main impacts of this unprecedented spread of COVID-19 on its activities are the following:

- All phase 1 trials – which include pharmacokinetic, food effect and bioequivalence studies – have been put on hold.
- Enrollment of patients in the PK/PD trial in pediatric patients with NASH as well as the Phase 2 study addressing liver fat have also been paused.
- The initiation of the Phase 2 combination study, as well as that of the Phase 3 study in patients with PBC, have been put on hold.
- NIS4 continues to be deployed in the clinical research field through our commercial partner Labcorp/Covance. There may be some limits in test utilization due to delays potentially experienced by some NIS4 clients of Labcorp/Covance as the result of the current COVID-19 situation, but internal teams have kept progressing the in-vitro diagnostic (IVD) aspect of the program.
- Although the COVID-19 pandemic is rapidly evolving, and our plans may change accordingly, at this stage we do not anticipate any supply disruption for any of our current or planned studies.
- All supporting activities pertaining to continuation of ongoing studies or the initiation of new studies will continue in order to minimize potential delays when the COVID-19 pandemic crisis subsides.

Events after the Reporting Period / Impact of the discontinuation of the RESOLVE-IT trial and the COVID-19 pandemic

Some studies that had been put on hold since the beginning of the COVID-19 outbreak have been early terminated or a decision was taken not to initiate them, following the RESOLVE-IT trial termination. These decisions were taken independently of any impact from the COVID-19 situation or any safety concerns regarding the Company's drug candidates.

Phase 1 studies have been early terminated due to having sufficient data to address research objectives. The only exception to this is the bioequivalence part of the bioequivalence/food effect study, which has resumed.

Some Phase 2 studies have been early terminated, including the pediatric PK/PD study and the hepatic fat study.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

The Phase 2 combination study will not be conducted.

R&D programs which do not support our two core programs of PBC and NIS4 have been terminated.

The recruitment of the first patient in the Phase 3 study of elafibranor in PBC is planned during the month of September 2020, after a delay from its original schedule in Q1 2020 due to the COVID-19 pandemic. We expect the recruitment period to last 18 months instead of 12 months as originally planned before the COVID-19 pandemic.

2.3. OTHER EVENTS AFTER THE REPORTING PERIOD

Reorganization

Due to the impact on the workforce of the termination of the study on elafibranor in NASH, GENFIT has initiated as of September 29, 2020, a significant reorganization project, which should result in a headcount reduction.

Labcorp

In September, the Company has announced the signature of a new licensing agreement with Labcorp for the development and commercial deployment of an LDT integrating NIS4 technology on the routine clinical care diagnostic tests market in the United States and Canada.

OCEANEs

GENFIT is considering a proposal to the holders of its OCEANEs of a nominal amount of €180 million and due on October 16, 2022 and to its shareholders, of a modification of the terms thereof. The Company aims to initiate this process by the end of the year in order to adapt the structure of its balance sheet to its new strategy.

3. BASIS OF PRESENTATION

The six-month 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, 2020. 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, 2019 and the half year ended June 30, 2020.

In accordance with European Commission Regulation No 1606/2002, these consolidated financial statements for the six-month period ended June 30, 2020 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, 2019. 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 consolidated financial statements.

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, 2020 were prepared under the responsibility of the Board of Directors that approved such statements on September 29, 2020.

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 (€).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

3.1. Changes in accounting policies and new standards or amendments

With the exception of the changes mentioned thereafter, the accounting policies applied in these interim six-month consolidated financial statements are the same as those applied in the Group's consolidated year-end financial statements.

The new standards listed below are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements as of June 30, 2020 financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

It is also to be noted that amendments to IFRS 16 in relation with rent concessions were not applicable for the Group since no concession was obtained by Genfit regarding its rental agreements.

The application decision of the IFRIC decision regarding the rental duration has not been applied to the half-year financial statement; as the Group needs sufficient time, the impact analysis of this final decision by the IFRS IC is still ongoing. Its implementation may result in an extension of the rental period initially considered and cause a review of the rent liabilities and the use rights pertaining to the affected rental agreements.

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

The main recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2020 are listed below.

- IFRS 17 Insurance Contracts (effective date: 1 January 2021)
- Classification of Liabilities as Current or Non-current – Amendment to IAS 1 (effective date: 1 January 2023)

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 consolidated annual financial statements.

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 Statement Form 20 F for the reporting period ended on December 31, 2019.

5.1. Foreign exchange risk

The nature and exposure of the Group to currency risk has evolved. It had been anticipated that a growing portion of its operations would be denominated in US dollars, and the Group decided not to convert into euros the US dollar denominated cash it raised in March 2019 IPO. The Company expected to use cash held in US dollars to meet expenses denominated in this currency over the next few years.

Because of the decision to initiate the termination of the RESOLVE-IT trial (see note 2 "Events after the Reporting Period"), the Group has started to implement a cost savings plan in the second half of 2020 and will manage a smaller number of transactions denominated in foreign currencies or indirectly exposed to currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

5. FINANCIAL RISKS MANAGEMENT (Continued)

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.
- the fluctuation of foreign currencies against the euro.

During the first half of 2020, the Company did not use any specific hedging arrangements in light of the Company's decision to leave a significant part of its cash and cash equivalents in US dollars.

The following table presents the sensitivity of the cash and cash equivalents and expenses of the Group to a fluctuation of 10% of the US dollar against the Euro in the 2019 and 2020 semesters:

**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	
	December 31, 2019	June 30, 2020
Cash and cash equivalents denominated in US dollars	153,438	126,725
Equivalent in euros, on the basis of the exchange rate described below	136,583	113,168
Equivalent in euros, in the event of an increase of 10% of US dollar vs euro	151,758	125,742
Equivalent in euros, in the event of a decrease of 10% of US dollar vs euro	124,166	102,880

**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)**

	For the six-month period ended	
	June 30, 2019	June 30, 2020
Expenses denominated in US dollars	18,079	35,531
Equivalent in euros, on the basis of the exchange rate described below	15,886	31,730
Equivalent in euros, in the event of an increase of 10% of US dollar vs euro	17,651	35,255
Equivalent in euros, in the event of a decrease of 10% of US dollar vs euro	14,442	28,845

June 30, 2020 : Equivalent in euros, on the basis of a 1 euro = 1.1198 US dollar ratio

December 31, 2019 : Equivalent in euros, on the basis of a 1 euro = 1.1234 US dollar ratio

**Cash, cash equivalents and financial assets
(in € thousands or in US dollar thousands, as applicable)**

	As of	
	December 31, 2019	June 30, 2020
At origin, denominated in EUR		
Cash and cash equivalents	139,863	112,593
Current and non current financial assets	1,614	1,522
Total	141,477	114,115
At origin, denominated in USD		
Cash and cash equivalents	136,884	113,128
Current and non current financial assets	113	73
Total	136,997	113,201
Total, in EUR		
Cash and cash equivalents	276,748	225,721
Current and non current financial assets	1,727	1,595
Total	278,474	227,316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

5. FINANCIAL RISKS MANAGEMENT (Continued)

5.2. Interest rate risk

As of June 30, 2020, the Group was only liable for governmental advances or conditional advances with no interest or interest at a fixed rate, generally below market rate, and for fixed-rate bank loans.

As of June 30, 2020 the Group's financial liabilities totaled, €184,637 (€183,619 as of December 31, 2019, net of the equity component of the convertible loan and debt issue costs),. Current borrowings are at a fixed rate. The Group's exposure to interest rate risk through its financial assets is also insignificant due to low market rates and since these assets are mainly euro-denominated Undertakings for the Collective Investment of Transferable Securities (UCITs), medium-term negotiable notes or term deposits with progressive rates denominated in euros or US dollars.

5.3. Liquidity risk

The Group's loans and borrowings mainly consist of bonds convertible or exchangeable into new or existing shares (OCEANE), repayable for a nominal amount of €180 million and maturing on October 16, 2022, government advances related to research projects, of which the repayment in function of the commercial success of the related research project, and bank loans. (see note 12.2.1 “Refundable and conditional advances”)

The Company has conducted a specific review of its liquidity risk and considers that it is able to meet its future maturities. As of June 30, 2020, the Group had €227,316 in cash and cash equivalents and other financial assets (€278,474 as of December 31, 2019). The Company does not believe it is exposed to liquidity risk within the next twelve months. The Company believes that the Group's cash and cash equivalents and current financial instruments are sufficient to ensure its financing, in light of its current projects and obligations, for at least the next twelve months.

5.4. Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial asset defaults on their contractual commitments. The Group is exposed to credit risk due to trade receivables and other financial assets.

The Group's policy is to manage this risk by transacting with third parties with good credit standards.

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 insignificant risk of changes in value. a low risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

6. CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Short-term deposits	263,147	208,669
Cash on hand and bank accounts	13,601	17,052
TOTAL	276,748	225,721

Short-term deposits (in € thousands)	As of	
	December 31, 2019	June 30, 2020
UCITS	3,096	3,093
TERM ACCOUNTS	215,018	167,036
INTEREST-BEARING CURRENT ACCOUNT	45,033	38,540
TOTAL	263,147	208,669

7. INTANGIBLE ASSETS

Intangible assets consist mainly of office and administrative software as well as scientific software and license agreements purchased by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

7. INTANGIBLE ASSETS (Continued)

The following tables show the variations in intangible assets for the half-year ended June 30, 2020:

Intangible assets—Variations (in € thousands)	As of December 31, 2018	Increase	Decrease	Translation adjustments	Reclassification	As of December 31, 2019
Gross						
Software	2,049	340	(29)	—	378	2,739
Patents	21	70	—	—	—	91
Other intangibles	313	65	0	—	(378)	—
TOTAL—Gross	2,384	475	(29)	—	—	2,830
Accumulated depreciation and impairment						
Software	(1,567)	(350)	29	—	—	(1,888)
Patents	(21)	—	—	—	—	(21)
Other intangibles	—	—	—	—	—	—
TOTAL - Accumulated depreciation and impairment	(1,588)	(350)	29	—	—	(1,910)
TOTAL - Net	796	125	—	—	—	920

Intangible assets - Variations (in € thousands)	As of December 31, 2019	Increase	Decrease	Translation adjustments	Reclassification	As of June 30, 2020
Gross						
Software	2,739	94	(6)	—	38	2,864
Patents	91	—	—	—	—	91
Other intangibles	—	38	—	—	(38)	—
TOTAL - Gross	2,830	132	(6)	—	—	2,956
Accumulated depreciation and impairment						
Software	(1,888)	(158)	6	—	—	(2,041)
Patents	(21)	—	—	—	—	(21)
Other intangibles	—	—	—	—	—	—
TOTAL - Accumulated depreciation and impairment	(1,910)	(158)	6	—	—	(2,062)
TOTAL - Net	920	(26)	—	—	—	894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment - Variations (in € thousands)	As of December 31, 2018	Increase	Decrease	Translation adjustments	Reclassification	As of December 31, 2019
Gross						
Buildings on non-freehold land	1,458	12,219	—	—	(1,447)	12,229
Scientific equipment	10,879	556	(120)	—	(54)	11,260
Fittings	1,531	66	—	—	(5)	1,592
Vehicles	99	—	—	—	—	99
Computer equipment	1,446	227	(15)	—	11	1,669
Furniture	361	31	(3)	—	—	389
In progress	0	242	(1,737)	—	1,496	—
TOTAL - Gross	15,774	13,339	(1,875)	—	—	27,238
Accumulated depreciation and impairment						
Buildings on non-freehold land	(1)	(1,215)	—	—	—	(1,216)
Scientific equipment	(5,988)	(1,303)	119	—	—	(7,172)
Fittings	(769)	(105)	—	—	—	(875)
Vehicles	(45)	(21)	—	—	—	(66)
Computer equipment	(915)	(252)	12	—	—	(1,155)
Furniture	(292)	(13)	3	—	—	(303)
In progress	—	—	—	—	—	—
TOTAL - Depreciation and impairment	(8,010)	(2,909)	133	—	—	(10,785)
TOTAL - Net	7,765	10,430	(1,741)	—	—	16,453

Property, plant and equipment - Variations (in € thousands)	As of December 31, 2019	Increase	Decrease	Translation adjustments	Reclassification	As of June 30, 2020
Gross						
Buildings on non-freehold land	12,229	—	—	—	—	12,232
Scientific equipment	11,260	383	(135)	—	—	11,509
Fittings	1,592	80	—	—	114	1,786
Vehicles	99	—	—	—	—	99
Computer equipment	1,669	66	(0)	—	3	1,737
Furniture	389	8	—	—	—	397
In progress	—	116	—	—	(116)	—
TOTAL - Gross	27,238	653	(135)	—	—	27,759
Accumulated depreciation and impairment						
Buildings on non-freehold land	(1,216)	(712)	—	—	—	(1,926)
Scientific equipment	(7,172)	(678)	134	—	—	(7,716)
Fittings	(875)	(58)	—	—	—	(932)
Vehicles	(66)	(10)	—	—	—	(76)
Computer equipment	(1,155)	(137)	—	—	—	(1,292)
Furniture	(303)	(8)	—	—	—	(310)
In progress	—	—	—	—	—	—
TOTAL - Depreciation and impairment	(10,785)	(1,602)	134	—	—	(12,252)
TOTAL - Net	16,453	(949)	(1)	—	—	15,507

Assets related to contracts that were classified as finance leases under IAS 17 are scientific equipment. As mentioned above, these contracts were treated in the same manner under IFRS 16. Their net carrying value as of June 30, 2020 amounted to €1,143 (as of December 31, 2019: €1,413).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

The right of use asset and depreciation as of June 30, 2020 in the table above are related to :

- The line item “Building on non freehold land”, of €11,976 and €1,894 respectively;
- The line item "Scientific equipment", at €4,346 and €3,203, respectively.

Regarding equipment dedicated to the RESOLVE-IT study, please see section 6.2 “Major Events in the Period and Events after the Reporting Period”.

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables - Total (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Trade receivables, net	207	305
Research tax credit	9,585	6,684
Social security costs receivables	5	12
VAT receivables	1,814	1,583
Grants receivables	3	3
Other receivables	420	352
TOTAL	12,033	8,938

Trade and other receivables - Current (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Trade receivables, net	207	305
Research tax credit	9,585	6,684
Social security costs receivables	5	12
VAT receivables	1,814	1,583
Grants receivables	3	3
Other receivables	420	352
TOTAL	12,033	8,938

Trade and other receivables - Non-current (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Trade receivables, net	—	—
Research tax credit	—	—
Social security costs receivables	—	—
VAT receivables	—	—
Grants receivables	—	—
Other receivables	—	—
TOTAL	—	—

Research tax credit

The research tax credit of €8.125 million due for 2019 was received in May 2020.

The research tax credit of €6,684 receivable as of June 30, 2020 includes:

- a partial payment of the assessment (€333) due to an ongoing tax audit
- the balance of the amount due for the 2014 fiscal year (€1,140)
- the balance of the amount due for the 2016 fiscal year (€447), 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”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

9. TRADE AND OTHER RECEIVABLES (Continued)

- the amounts received following the favorable decision of the Montreuil court (€432 and €29) having been deducted
- To this amount related to the dispute with the French Tax Authorities described in section 6.23 “Litigation and Contingent Liabilities” should be added to the amount estimated at June 30, 2020 of the research tax credit receivable of €5,224.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

9. TRADE AND OTHER RECEIVABLES (Continued)

As of June 30, 2020, The research tax credit litigation was covered by a provision of €1,892, which reflects no change in comparison to December 31, 2019 and appears as a liability in the consolidated statement of financial position..

Other receivables

As of June 30, 2020:

The line item “other receivables” primarily consists of credit notes from suppliers for €352.

10. OTHER FINANCIAL ASSETS

Other financial assets consisted of the following:

Financial assets - Total (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Loans	307	328
Deposits and guarantees	396	424
Liquidity contract	1,023	843
TOTAL	1,727	1,595

Financial assets - Current (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Loans	—	—
Deposits and guarantees	—	—
Liquidity contract	—	—
TOTAL	—	—

Financial assets - Non current (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Loans	307	328
Deposits and guarantees	396	424
Liquidity contract	1,023	843
TOTAL	1,727	1,595

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

As of June 30, 2020, the liquidity account had a cash balance of €843.

As of June 30, 2020, CMC-CIC Market Solutions holds on behalf of Genfit 47,698 shares, recorded as a deduction from equity for €240.

11. OTHER ASSETS

Other assets of €1,968 and €3,540 as of December 31, 2019 and as of June 30, 2020, respectively, consisted of prepaid expenses related to current operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

12. LOANS AND BORROWINGS

12.1. Breakdown of convertible loan

On October 16, 2017, the Company issued OCEANES (due October 16, 2022) for an aggregate nominal amount of €180 million.

Convertible loans - general overview

Number of bonds	6 081 081
Nominal amount of the loan	179 999 997,60 EUR
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	7,2 %
Offering	2017/16/10
	At par
Redemption	2022/16/10
	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 prevailing conversion ratio (over a 20-trading period) exceeds 150% of the nominal value of the OCEANES.

Convertible loans - Total (in € thousands)

	As of	
	December 31, 2019	June 30, 2020
Convertible loans	165,454	168,072
TOTAL	165,454	168,072

Convertible loans - Current (in € thousands)

	As of	
	December 31, 2019	June 30, 2020
Convertible loans	1,312	1,312
TOTAL	1,312	1,312

Convertible loans - Non current (in € thousands)

	As of	
	December 31, 2019	June 30, 2020
Convertible loans	164,142	166,760
TOTAL	164,142	166,760

The conversion of all of the convertible bonds would result in a dilution of 15.6% (expressed as a percentage of share capital at June 30, 2020).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

12. LOANS AND BORROWINGS (Continued)

12.2. Breakdown of loans and borrowings

Other loans and borrowings consisted of the following:

Other loans and borrowings - Total (in € thousands)	December 31, 2019	As of June 30, 2020
Refundable and conditional advances	3,229	3,229
Bank loans	2,645	2,093
Obligations under leases	12,281	11,233
Accrued interests	2	1
Other financial loans and borrowings	7	7
TOTAL	18,165	16,564

Other loans and borrowings - Current (in € thousands)	December 31, 2019	As of June 30, 2020
Refundable and conditional advances	—	—
Bank loans	1,105	1,091
Obligations under leases	2,112	2,122
Accrued interests	2	1
Other financial loans and borrowings	7	7
TOTAL	3,226	3,222

Other loans and borrowings - Non current (in € thousands)	December 31, 2019	As of June 30, 2020
Refundable and conditional advances	3,229	3,229
Bank loans	1,540	1,002
Obligations under leases	10,169	9,111
Accrued interests	—	—
Other financial loans and borrowings	—	—
TOTAL	14,939	13,342

12.2.1. Refundable and conditional advances

Refundable and conditional advances - general overview (in € thousands)	Total amount allocated	Receipts	Repayments	Effects of discounting	Net book value As of June 30, 2020
BPI FRANCE - IT-DIAB	3,229	3,229	—	—	3,229
<i>Development of a global strategy for the prevention and management of type 2 diabetes</i>					
TOTAL					3,229

The following table summarizes the advance outstanding as of June 30, 2020

BPI FRANCE IT-DIAB

The Group received an advance from BPI France (the BPI France IT-DIAB) as part of a framework innovation aid agreement involving several scientific partners and for which the Group 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

12. LOANS AND BORROWINGS (Continued)

defined in the framework agreement. With respect to the Group, the aid consisted of a €3,229 conditional advance and a €3,947 non-repayable government grant. The conditional advance is not refundable except in the event of success.

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 products for the treatment or diagnosis of type 2 diabetes, the financial returns generated will be used initially to repay the €3,229 conditional advance. The agreement stipulates that the conditional advance will be regarded as repaid in full when the total payments made in this regards by the recipient, discounted at the rate of 5.19%, equal the total amount, discounted at the same rate, of the aid paid. Any further amounts will be classified as additional payments, up to a maximum amount of €14,800.

As provided in the project assistance contract, the Company sent a letter to BPI in December 2019 in order to notify it of the Labcorp and Terns contracts while indicating that elafibranor was now aimed at treating hepatic diseases and no longer Type 2 diabetes as provided for in the aid agreement. Genfit proposed to BPI to establish a statement of abandonment of the IT DIAB project on which the above advance is based. Following this letter, the parties met in March 2020 for the presentation of the Company's arguments and in June 2020 following the results of the RESOLVE IT study. In this context, Genfit is awaiting BPI's position on new financial terms related to this situation and a draft amendment to the repayable advance agreement.

12.2.2. Bank loans

The Group did not take any new loan in 2020.

Bank loans (in € thousands)	Facility size	Interest rate	Available As of December 31, 2019	Installments	Outstanding As of December 31, 2019
CDN 5	500	0.46%	—	48 monthly	366
CIC 5	1000	0.69%	0	60 monthly	554
CDN 4	600	0.36%	0	48 monthly	226
BNP 4	800	0.87%	0	60 monthly	537
CIC 4	265	0.69%	—	60 monthly	111
BNP 3	1050	0.80%	0	20 quarterly	525
NEUFLIZE 2	500	1.10%	0	12 quarterly	0
BNP 2	500	0.80%	0	20 quarterly	177
CDN 3	500	0.72%	—	60 monthly	135
CIC 3	500	0.85%	0	16 quarterly	0
BNP	500	2.00%	0	20 quarterly	0
Other	0	-	0		14
TOTAL	6,715				2,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

12. LOANS AND BORROWINGS (Continued)

Bank loans (in € thousands)	Facility size	Interest rate	Available As of June 30, 2020	Installments	Outstanding As of June 30, 2020
CDN 5	500	0.46%	—	48 monthly	303
CIC 5	1000	0.69%	0	60 monthly	454
CDN 4	600	0.36%	0	48 monthly	151
BNP 4	800	0.87%	0	60 monthly	457
CIC 4	265	0.69%	—	60 monthly	85
BNP 3	1050	0.80%	0	20 quarterly	420
NEUFLIZE 2	500	1.10%	0	12 quarterly	0
BNP 2	500	0.80%	0	20 quarterly	127
CDN 3	500	0.72%	—	60 monthly	85
CIC 3	500	0.85%	0	16 quarterly	0
BNP	500	2.00%	0	20 quarterly	0
Other	0	-	0		12
TOTAL	6,715				2,094

12.3. Maturities of financial liabilities

Maturity of financial liabilities (in € thousands)	As of June 30, 2020	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	—	—	—	—	—	3,229
TOTAL - Refundable and conditional advances	3,229	—	—	—	—	—	3,229
Convertible loans	168,072	1,312	—	166,760	—	—	—
Bank loans	2,093	1,091	761	241	—	—	—
Leases	11,233	2,122	1,987	1,239	1,110	1,109	3,666
Accrued interests	1	1	—	—	—	—	—
Other financial loans and borrowings	7	7	—	—	—	—	—
TOTAL - Other loans and borrowings	181,407	4,534	2,748	168,239	1,110	1,109	3,666
TOTAL	184,636	4,534	2,748	168,239	1,110	1,109	6,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

12. LOANS AND BORROWINGS (Continued)

The convertible bond of a nominal amount of €180 million results in the payment of yearly interest of €6,300 (payable semi-annually) and a reimbursement at par due in less than 3 years (in October 2022).

Regarding the IT-DIAB advance, see section 12.2.1 – “Refundable and conditional advances”.

13. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following :

Trade and other payables - Total (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Trade payables	32,753	30,082
Social security costs payables	3,598	4,376
VAT payables	2	8
Taxes payables	487	380
Other payables	527	564
TOTAL	37,368	35,411

Trade and other payables - Current (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Trade payables	32,753	30,082
Social security costs payables	3,598	4,376
VAT payables	2	8
Taxes payables	487	380
Other payables	76	114
TOTAL	36,917	34,961

Trade and other payables - Non current (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Trade payables	—	—
Social security costs payables	—	—
VAT payables	—	—
Taxes payables	—	—
Other payables	451	451
TOTAL	451	451

14. PROVISIONS

As of June 30, 2020, this line item amounted to €2,071 (€2,061 as of December 31, 2019).

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

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, 2020 and June 30, 2019 amounted to €414 and €451 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

14. EMPLOYEE BENEFITS (Continued)

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 liability 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, 2020, pension provisions recorded were €1,503 as compared to €1,408 at December 31, 2019.

For the half years ended June 30, 2020 and June 30, 2019, the provision for retirement indemnities is calculated on the basis of one-half of the expected expenses for the corresponding period, taking into account the updated assumption for the discount rate.

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 (in € thousands)	As of	
	December 31, 2019	June 30, 2020
Salary growth rate - in 2021	5.80%	5.80%
Salary growth rate - beyond	3.00%	3.00%
Discount rate	0.75%	0.75%

The discount rates are based on the market yield at December 31, 2019 and at June 30, 2020 on high quality corporate bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

15. EMPLOYEE BENEFITS (Continued)

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 June 30, 2020
Defined benefit obligation as of January 1, 2019	1,085
Current service cost	138
Interest cost on benefit obligation	17
Actuarial losses on obligation	168
Past service costs	—
Defined benefit obligation as of December 31, 2019	1,408
Current service cost	90
Interest cost on benefit obligation	5
Actuarial losses / (gains) on obligation	—
Past service costs	—
Defined benefit obligation as of January 1, June 30, 2020	1,503

The actuarial difference mainly results from the change in discount rate.

Sensitivity of the Group's retirement and post-employment benefits to a variation of the discount rate (in € thousands)	Retirement and post-employment benefits Changes in assumptions / discount rate	Impact / present value of the undertaking
	0.25%	(51)
	-0.25%	53

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, 2020, 2,326,600 shares have been held for more than two years and entitle their holders to double voting rights (5.99% of the issued share capital).

Changes in share capital in 2020

None.

Changes in share capital in 2019

The Chairman and CEO, acting on a decision and delegation from the Board of Directors on March 13, 2019, decided on March 26, 2019, in accordance with the 17th and 18th resolutions of the Shareholders Meeting of June 15, 2018, to proceed with a capital increase by offering ordinary shares in the form of American Depositary Shares in the United States and a private placement of ordinary shares in Europe and other countries outside the United States. This transaction led to the issuance of 7,647,500 new shares representing a subscription of a gross amount of €137.6 million. Settlement delivery took place on March 29, 2019 and the share capital has been increased accordingly.

In addition, the Chief Executive Officer, acting on a decision and delegation from the Board of Directors on November 27, 2019, determined on December 16, 2019, with retroactive effect to December 15, 2019, that some of the performance and attendance conditions of the AGA D 2016-1 and AGA D 2016-2 and all of the AGA S 2016-2 free shares had been satisfied. 7,796 free shares were thus definitively vested and the same number of new shares were created. The share capital was increased accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

16. EQUITY (Continued)

Finally, the Chief Executive Officer, acting on a decision and delegation from the Board of Directors on November 21, 2017, determined on January 2, 2020, with retroactive effect to December 31, 2019, that some of the performance and attendance conditions of the AGA D 2017-1 and all of the AGA S 2017-1 free shares has been satisfied. As a result, 19,400 free shares definitively vested and the same number of new shares were created and the share capital was increased accordingly.

At December 31, 2019, the total number of shares comprising the share capital, taking into account the above, was 38,858,617 shares.

17. OTHER INCOME

Other income consisted of the following:

A of June 30, 2020, the Group recognized in "Other operating income" €509 for exchange gains on trade receivables linked to services denominated in US dollars (€623 were recognized as financial income in the first half of 2019).

Other income (in € thousands)	For the six-month period ended	
	June 30, 2019	June 30, 2020
CIR tax credit	5,350	5,224
Other operating income (including CICE tax credit)	4	519
Government grants and subsidies	2	3
TOTAL	5,356	5,745

18. OPERATING EXPENSE

Operating expenses and other operating income (expenses) (in € thousands)	For the six-month period ended June 30, 2019	Raw materials and consumables used	Contracted research and development activities conducted by third parties	Of which:			Gain / (loss) on disposal of plant and equipment
				Employee expenses	Other expenses (maintenance, fees, travel, taxes...)	Depreciation, amortization and impairment charges	
Research and development expenses	(38,908)	(1,068)	(25,909)	(6,206)	(2,564)	(3,161)	—
General and administrative expenses	(9,517)	(109)	(1)	(4,082)	(5,244)	(82)	—
Marketing and market access expenses	(2,876)	(5)	—	(883)	(1,963)	(26)	—
Other operating income and (expenses)	7	—	—	—	6	—	1
TOTAL	(51,293)	(1,182)	(25,910)	(11,170)	(9,764)	(3,269)	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

18. OPERATING EXPENSE (Continued)

Operating expenses and other operating income (expenses) (in € thousands)	For the six- month period ended June 30, 2020	Of which:					Gain / (loss) on disposal of
		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	
Research and development expenses	(36,867)	(1,197)	(24,337)	(6,591)	(3,287)	(1,455)	—
General and administrative expenses	(8,251)	(133)	(42)	(3,845)	(3,963)	(269)	—
Marketing and market access expenses	(9,491)	(4)	(1)	(744)	(8,697)	(44)	—
Other operating income (expenses)	(423)	—	—	—	(425)	—	2
TOTAL	(55,031)	(1,333)	(24,379)	(11,180)	(16,372)	(1,769)	2

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 decrease in subcontracting cost in 2020 is due to the suspension or termination of some studies in the context of the COVID-19 pandemic. See note 2 "Major Events in the Period and Events after the Reporting Period".

The personnel expenses are similar since the growth in workforce (203 as of June 30, 2020 vs. 174 as of June 30, 2019) is compensated by the absence of incentive bonuses in 2020.

The change in "other operating expenses" is related in particular to the costs related to the facilities and their maintenance, intellectual property expenses, and more particularly the increase in expenses related to the preparation of the marketing of elafibranor in NASH.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

18. OPERATING EXPENSE (Continued)

The change in “net depreciation expense and provision” is mainly related to the provision for the Research Tax Credit dispute recognized in 2019.

18.1. Employee expenses

Employee expenses (in € thousands)	For the six-month period ended	
	June 30, 2019	June 30, 2020
Wages and salaries	(7,998)	(7,811)
Social security costs	(2,748)	(2,770)
Changes in pension provision	(69)	(87)
Share-based compensation	(356)	(513)
TOTAL	(11,170)	(11,180)

Headcount at June 30

Number of employees at year-end - detail	For the six-month period ended	
	June 30, 2019	June 30, 2020
Average number of employees	162	201
Average age of employees	38 years 11 months	38 years 05 months
<u>Number of employees</u>		
Research and development	100	107
Services related to research and development	17	21
Administration and management	57	68
Marketing and commercial	—	7
TOTAL	174	203

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 through 2019 corresponds to redeemable share warrants ("Bons de Souscriptions et/ou d'Acquisition d'Actions" or "BSAAR"), stock options ("SO") and free shares ("actions gratuites" or "AGA")

Share-based compensation granted to board members and consultants in 2014, 2015, 2017 and 2019 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, its consultants were not equivalent to employees.

Under these programs, holders of vested instruments are entitled to subscribe to shares of the Company at a pre-determined exercise price. All of the plans are equity settled. The terms and conditions of these plans are detailed in the 2019 Universal Registration Document.

No instruments were exercised during the year, 2019 and the first half of 2020.

No new plans were put in place in the first half of 2020.

The expense recognized pursuant to IFRS 2 was €513 as of June 2020 and €1,645 in 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

20. FINANCIAL INCOME AND EXPENSES

Financial income and expenses (in € thousands)	For the six-month period ended	
	June 30, 2019	June 30, 2020
<u>Financial income</u>		
Interest income	103	1,154
Foreign exchange gain	673	938
Other financial income	979	3
TOTAL - Financial income	1,755	2,095
<u>Financial expenses</u>		
Interest expenses	(5,599)	(5,777)
Interest expenses for leases	(70)	(71)
Foreign exchange losses	(1,563)	(246)
Other financial expenses	(8)	(8)
TOTAL - Financial expenses	(7,240)	(6,102)
FINANCIAL GAIN (LOSS)	(5,485)	(4,007)

Financial expenses for loans and borrowings are due to the interest on the OCEANEs, mainly due to interest payments at a rate of 3.5% and the discounting of the bond debt at an effective interest rate of 7.2%. The discounting of bond debt consists of bringing the amount of the debt component of the bond issue to the amount that will be repaid (or converted) at maturity, by the recognition of a theoretical annual interest expense resulting from the accretion over the period of an amount equivalent to the equity component at an effective interest rate.

The increase in financial income is due to the increase in interest on term accounts. GENFIT has decided to keep some of its cash in US dollars. See note 6 “Cash and cash equivalents”.

21. INCOME TAX

21.1. Losses available for offsetting against future taxable income

At June 30, 2020, the tax loss carry forwards for the Company amounted to €440,561, (€384,471 as of December 31, 2019).

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 forwards indefinitely.

21.2. Deferred tax assets and liabilities

The Group’s main sources of deferred tax assets and liabilities as of June 30, 2020 related to:

Tax losses carry forwards: €440,561 (compared to €384,471 as of December 31, 2019);

Temporary differences related to:

- the OCEANE: a deferred tax liability of €2,629 and an asset of €1,572, i.e., a net deferred tax liability of €1,057; and
- post-employment benefits: a deferred tax liability of €376 offset by an asset of the same amount;

The Company offsets its deferred tax assets and liabilities (€1,572 and €2,629, respectively), as permitted by IAS 12, resulting in a net deferred tax liability of €1,057.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

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.

22. EARNINGS PER SHARE

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

Earnings per share	For the six-month period ended	
	June 30, 2019	June 30, 2020
Profit (loss) for the period (in € thousands)	(51,132)	(53,011)
Weighted average number of ordinary shares for the period	31,183,921	38,858,617
Profit (loss) per share (in €)	(1.64)	(1.36)

Basic loss per share is equal to diluted loss per share.

23. LITIGATION AND CONTINGENT LIABILITIES

Class Action

On May 14, 2020, following our announcement that elafibranor had not achieved the primary or key secondary endpoints of the RESOLVE-IT trial, a purported shareholder class action complaint, captioned Schwartz v. Genfit S.A. et al., was filed in state court in the Commonwealth of Massachusetts, naming us, our board of directors and certain members of our senior management as defendants. The complaint alleges that we made materially misleading statements about the development of elafibranor in connection with our U.S. initial public offering in violation of U.S. federal securities laws. The complaint seeks unspecified compensatory damages. We and the defendants intend to defend the matter vigorously. The financial impact of this action cannot be evaluated at this time.

Dispute over research tax credit calculation

1. Context

In 2014, the Company was under a tax audit at the end of which the French tax authorities questioned part of the Research Tax Credit (CIR) received by the Company for the 2010 fiscal year. The tax audit was extended to the CIR for the 2011 and 2012 fiscal years.

This tax audit was also extended to the 2014 CIR as part of a documentary audit the purpose of which 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 partners in the pharmaceutical industry. The tax authorities contended 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

23. LITIGATION AND CONTINGENT LIABILITIES (Continued)

Administrative Court of Montreuil accepted the Company's claim on the CIR for 2014. On September 11, 2018, following the judgment, the Company was repaid €432.

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 Court as it related to the collaboration research for the CIRs 2010, 2011 and 2012 relates to the collaboration research for the CIRs received in connection with the 2010, 2011 and 2012 fiscal years. 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 €1,892, which includes the 2014 CIR and for which it did not seek to continue before the court of appeals during a hearing in March 2020, which has ended this dispute. The Company still awaits the final calculation by the tax authorities.

24. RELATED PARTIES

Biotech Avenir SAS and The NASH Epidemiology InstituteTM, an endowment fund set up by the Company, are related parties within the meaning of IAS 24.9.

The registered office of Biotech Avenir SAS and that of The NASH Epidemiology InstituteTM are located at the same address as the Company. These domiciliations are provided without charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

24. RELATED PARTIES (Continued)

Biotech Avenir

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

Jean-François Mouney, the Chairman of the Company, is also the Chairman of Biotech Avenir SAS.

At June 30, 2020, Biotech Avenir SAS held 4.86% of the share capital of the Company.

The Company did not carry out any transactions with Biotech Avenir in 2020, with the exception of the domiciliation without charge.

The NASH Epidemiology Institute TM

The NASH Education Program TM (which became The NASH Epidemiology Institute TM) endowment fund was created in November 2016 at the initiative of the Group to develop and finance disease awareness activities targeting medical professionals and the general public.

The transactions carried out between the Group and The NASH Epidemiology Institute TM totaled €2 in the first half 2020 and €32 in the first half 2019. The Group has no obligations with respect to The NASH Epidemiology Institute TM as of June 30, 2020.

PCAS Group

Mr. Frédéric Desdouits, administrator of the Company since June 2014 and currently a member of the Board of Directors of the Company, has been appointed CEO of the PCAS Group in March 2019. The active ingredient of elafibranor being produced by a production unit of the PCAS Group since 2014 and Mr. Desdouits having become its CEO, he has therefore become a related party per IAS 24.9 since March 2019.

In January 2020, the Company signed a Memorandum of Understanding with PCAS with the intent to manage the conditions under which the PCAS Group will implement internally and at the request of the Company a second production source of the active principle in an intent to secure its supply, and realize the necessary investment for this operation and the increase in production capacity for the active ingredient in order to prepare for a potential NDA. PCAS will bear the cost of the transfer of technology between the current production unit and this second supply source, of €255, except in case of discontinuation of the RESOLVE-IT program. Because of the decision made on July 22, 2020 to terminate it, this cost will be included in the costs of study termination, which will be recognized in the second half of 2020. See note 2 “Major Events in the Period and Events after the Reporting Period”.

25. COMPENSATION OF CORPORATE OFFICERS

On September 2, 2019, the Board of Directors accepted the resignation of the Chairman and Chief Executive Officer of the Company and decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer of Genfit SA with effect from September 16, 2019.

At the same meeting, the Board of Directors appointed the Chief Executive Officer of the Company and confirmed the former Chairman and Chief Executive Officer in his functions as Chairman of the Board of Directors and member of certain committees of the Company's Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

25. COMPENSATION OF CORPORATE OFFICERS (Continued)

Under these conditions, the following table details the compensation paid to the Chairman and Chief Executive Officer in during the during the half year 2019. A second table presents the compensation paid to the Chief Executive Officer during the half year 2020 (after the change in governance).

Compensation paid to the Chairman during the period from January 1, 2019 to June, 2019	For the six-month period ended	
	June 30, 2019	June 30, 2020
Short-term employee benefits (gross + employer's social contributions, paid)	1,171	—
Post-employment pension & medical benefits	—	—
Share-based payment transactions	—	—
Director fees Genfit Corp (net)	15	—
TOTAL	1,186	—

Compensation paid to the Chief Executive Officer during the period from January 1, 2020 to June 30, 2020	For the six-month period ended	
	June 30, 2019	June 30, 2020
Short-term employee benefits (gross + employer's social contributions, paid)	—	253
Post-employment pension & medical benefits	—	—
Share-based payment transactions	—	—
Director fees Genfit Corp (net)	—	—
TOTAL	—	253

Within this total, only the portion of the amounts paid in 2019 to the Chairman and Chief Executive Officer pursuant to the 13th resolution of the Annual General Meeting of June 13, 2019, for the part of the Incentive Plan corresponding to that portion of work on the initial public offering of the Company on the Nasdaq Global Select Market carried out in 2018, i.e., $\frac{3}{4}$ of the amount due, i.e. a gross amount of €562,893. However, in May 2020, the Chairman of the Board of Directors decided to the balance of €187,631 gross, which had been accounted for in the 2019 fiscal year..

The Chairman of the Board of Directors, Jean-François Mouney, receives a fixed compensation. He also has use of a company vehicle and the Group's insurance and disability plan. These benefits are totaled in the table above in the "Other compensation" line. The Chairman of the Board of Directors also receives attendance fees granted for his participation in the work of some of the committees of the Board of Directors.

The Chief Executive Officer's corporate contract contains a clause whereby, in the event of termination, he would receive a non-compete indemnity equal to: twelve (12) months of fixed compensation, calculated on the basis of the gross amounts due for the past twelve months ended and increased, where applicable, by the amount of the annual variable compensation due for the previous year. This compensation is intended to compensate the prohibition made to the Chief Executive Officer, for a period of 12 months following the termination of his functions, for whatever reason, to work in any way whatsoever with certain companies carrying out a directly competitive activity of the Company.

In addition, the Chief Executive Officer, except in the event of gross negligence within the meaning of labor law, shall receive severance pay equal to: twelve (12) months of fixed compensation, calculated on the basis of the gross amounts due for the twelve past completed months and increased, where applicable, by the amount of annual variable compensation due for the previous year. This compensation will be paid one month after his effective termination of activity within the Group. The compensation will not be paid if, on his initiative, the Chief Executive Officer leaves the Company to exercise new functions or changes functions within the Group, or even if he has the possibility of asserting in the short term his retirement rights. It is also specified that any sum paid under the non-competition clause will be deducted from the sums due under the severance pay and vice

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

25. COMPENSATION OF CORPORATE OFFICERS (Continued)

versa. The total and maximum commitment represented by this indemnity (gross, employer charges and payroll tax) as of June 30, 2020 would amount to €399.

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

Attendance fees and other forms of remuneration payable to each of the non executive officer (in euros)	Amounts due*	Amounts paid*	Amounts due*	Amounts paid*
	For the six-month period ended			
	June 30, 2019		June 30, 2020	
Jean-François MOUNEY(1)				
Attendance fees	—	—	15,000	15,000
Other remuneration	—	—	100,098	100,098
Total	—	—	115,098	115,098
Xavier GUILLE DES BUTTES				
Attendance fees	19,293	17,549	44,690	33,790
Other remuneration	—	—	—	—
Total	19,293	17,549	44,690	33,790
Frédéric DESDOUITS				
Attendance fees	9,919	6,431	25,070	17,390
Other remuneration	—	—	—	—
Total	9,919	6,431	25,070	17,390
BIOTECH AVENIR				
Represented by Florence Séjourné				
Attendance fees	—	—	—	—
Other remuneration	—	—	—	—
Total	—	—	—	—
Philippe MOONS				
Attendance fees	13,407	12,099	27,250	16,350
Other remuneration	—	—	—	—
Total	13,407	12,099	27,250	16,350
Anne-Hélène MONSELLATO(3)				
Attendance fees	17,549	17,113	29,430	18,530
Other remuneration	—	—	—	—
Total	17,549	17,113	29,430	18,530
Catherine LARUE(3)				
Attendance fees	7,303	6,431	25,070	20,710
Other remuneration	—	—	—	—
Total	7,303	6,431	25,070	20,710
TOTAL	67,471	59,623	266,608	221,868

The attendance fees of Mr. Jean-François Mouney, which are presented above, refer to the period from January 1 to June 30, 2020.

In addition, the Company has provided corporate officers, directors and members of the Executive Committee a “directors and officers” insurance against claims relating to certain actions they may take in the performance of their duties. For the 12-month period starting in March 2020, the insurance premium including the IPO insurance policy premium for the implementation of this insurance coverage amounted to €1,316.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(amounts in thousands of euros, except for number of shares and per share amount)

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.

In 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. The circumstances under which the RESOLVE-IT study was discontinued are among the cases excluding the payment of penalties.

Deposits and guarantees

GENFIT has guaranteed its rental payment obligation under the lease agreement for the headquarters in Loos, France in the amount of €542 at June 30, 2020 (€542 as of December 31, 2019). The amount of first demand guarantee has been elevated to €590 as of August 22, 2020, as after the extension of its headquarters in April 2019.

Obligations in respect of the co-ownership of intellectual property rights

To date, the Company has not been required to license any third-party intellectual property to develop drug candidates and biomarker candidates that comprise its portfolio of proprietary programs and products.

The Company ensures, with regard to these programs, that the collaboration or subcontracting agreements that it is required to enter into, systematically stipulate that the results of the research are the Company's property. This is particularly the case for research consortia, in which the Group is associated with university laboratories and other biotechnology companies. It therefore holds all the intellectual property rights over its portfolio of proprietary programs and products.

On the other hand, the agreements signed in the framework of the Company's historical co-research alliances with partners in the pharmaceutical industry provided that the intellectual property rights of the drug candidates developed under these alliances belonged to the partners. These agreements also provided that the Company had intellectual property rights over the innovative technologies discovered on this occasion, even if it had to grant a royalty free and non-exclusive license to the industrial partner for the purpose of developing drug candidates discovered under the co-research programs.

To date, Sanofi remains the only industrial partner likely to still have exploitation rights on a drug candidate developed as part of its historical co-research alliance with the Company and therefore able to use on a royalty-free basis, but not exclusively, technologies developed by the Company under this program. The other historic partners have informed the Company of their decision not to exploit or stop exploiting the results of joint research. Nevertheless, to date, Sanofi has not communicated to the Company its desire to continue the development of this program despite the last research phase shared with the Company's teams having ended in May 2015.

STATUTORY AUDITORS' LIMITED REVIEW REPORT ON 2020 HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GRANT THORNTON
Membre français de Grant Thornton International

ERNST & YOUNG et Autres

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

GENFIT

Period from 1 January to 30 June 2020

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

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GENFIT

Period from 1 January to 30 June 2020

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 1 January to 30 June 2020;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on 29 September 2020 on the basis of the information available at that date in the evolving context of the crisis related to COVID-19 and of the difficulties in assessing its impact and the prospects for the future. Our role is to express a conclusion on these financial statements based on our review.

1. 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 are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

Without modifying our conclusion, we draw your attention to the matter set out in note 6.2 “Major events of the period and post-balance sheet events” to the condensed half-yearly consolidated financial statements, regarding the expected impacts of the decision to stop the Resolve-It trial in July 2020 and of the COVID-19 pandemic.

2. Specific verification

We have also verified the information presented in the half-yearly management report, prepared on 29 September 2020, 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, 30 September 2020

The Statutory Auditors

French original signed by:

GRANT THORNTON

Membre français de Grant Thornton international

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