HALF-YEAR FINANCIAL REPORT

(English version for information only*)

JUNE 30, 2016

GENFIT

TOWARDS BETTER MEDICINE

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

SUMMARY

HALF-YEAR FINANCIAL REPORT AS OF JUNE 30, 2016

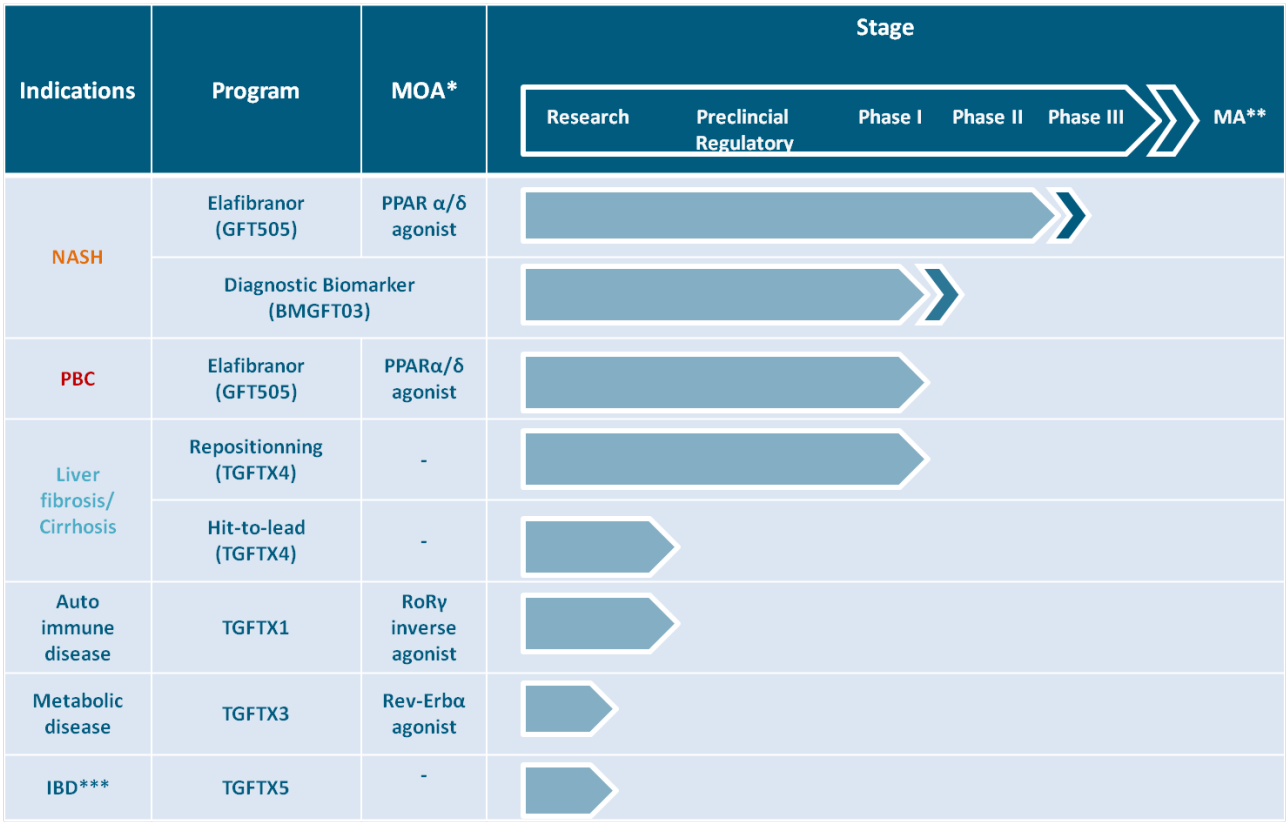
This report contains certain forward-looking statements. Although the Company believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those expressed in, 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 biomarkers, progression of, and results of clinical data from, the RESOLVE-IT trial, review and approvals by regulatory authorities, such as the FDA or the EMA, regarding in particular, Elafibranor in NASH and PBC, as well as other indications, and biomarkers, the success of any inlicensing strategies, the Company's continued ability to raise capital to fund its development, as well as those discussed or identified in the Company's public filings with the AMF, including those listed under Section 7 "Main Risks and Uncertainties" of this report.

1. OVERVIEW OF THE GROUP

Created in 1999, GENFIT is a biopharmaceutical group focused on the discovery and development of drug candidates in areas of high unmet medical needs corresponding to a lack of suitable treatments and/or an increasing number of patients worldwide. GENFIT's R&D efforts are focused on bringing new medicines to market for patients with metabolic, inflammatory, autoimmune and fibrotic diseases, that affect the liver (such as NASH – Nonalcoholic steatohepatitis) and more generally the gastrointestinal arena. GENFIT's approach combines novel treatments and biomarkers. Based in Lille, Paris and Cambridge (USA), the Group employs around 110 collaborators.

The research and development activity of the Company relies on the Company's expertise in nuclear receptors (nuclear receptors are transcription factors that specifically regulate the expression of certain genes), and particularly knowledge of their roles in physiopathological mechanisms and their pharmacological modulation for the treatment of certain metabolic inflammatory, autoimmune and/or fibrotic liver diseases (NASH, PBC, PSC, cirrhosis).

The Company conducts its R&D activities within the framework of so-called "proprietary" research programs, for which it holds all intellectual property rights.



* Mechanism of action

** Market Approval

*** Chronic inflammatory bowel disease

The portfolio of the Company is composed of the following proprietary compounds and programs:

- The Elafibranor/GFT505 program, Elafibranor being the generic named approved by the World Health Organization to designate the most advanced proprietary drug candidate of the Company and known until then under the name GFT505. This drug candidate has started a Phase III development program for the treatment of NASH, including a pivotal clinical trial under the name RESOLVE-IT, which is ongoing at the date of this report. Subject to satisfactory clinical results obtained during the first stage of this study, and meeting the timelines estimated by the Company for its completion and the authorization of the regulatory agencies (see Section 7.1 "Risks related to clinical trials" of this report regarding the uncertain nature of these parameters), a conditional market authorization could be obtained for Elafibranor in NASH during the course of the second half of 2019 or first half of 2020. The Company is also considering the development of Elafibranor in other indications;

- Two programs of research and development of novel diagnostic biomarkers in NASH (BMGFT03) on the one hand, and in pre-diabetes (BMGFT02) on the other hand. In the case of BMGFT03 in particular, in 2015, the Company reached a key milestone with the development of a proprietary algorithm enabling the identification, as an alternative to invasive liver biopsy, of NASH patients to be treated with Elafibranor or any other appropriate therapeutic solution. The Company plans to use the Phase III RESOLVE-IT trial to confirm this algorithm all the while increasing its predictive power between now and the end of 2017;

- The TGFTX4 program, that aims to develop new anti-fibrotic drug candidates. Within this program, the Company has identified several potential drug candidates that have demonstrated anti-fibrotic activity in cell-based assays and in vivo. Certain of these compounds have come from the pharmacopeia, and

the Company contemplates that a drug candidate could be ready for Phase II clinical studies in the first half of 2017. Other compounds are ready to begin pre-clinical development;

- The TGFTX1 program, to discover innovative drug candidates targeting RORγt, a nuclear receptor involved in certain inflammatory and autoimmune diseases. Within this program, the Company has developed proprietary molecules that effectively inhibit RORγt activity and that have demonstrated beneficial effects in functional in vitro and in vivo assays relevant to the targeted diseases, in particular for their potential benefit in the treatment of several diseases of the liver (such as auto-immune hepatitis) and intestine. In the last quarter 2016, the Company should have the elements necessary to begin pre-clinical development of these compounds;

- The TGFTX3 program, targeting Rev-Erbα, a nuclear receptor involved in the disruption of circadian rhythms (daily rhythm allowing the body to adapt to environmental changes and regulating various physiological mechanisms, including metabolism), and in the framework of which the Company has developed a series of proprietary agonists modulating this nuclear receptor in vitro and in vitro, and has notably demonstrated their pharmacological activity on the regulation of glucose and lipid metabolism, and hepatic protection;

- The TGFTX5 program, that aims to identify and develop drug candidates for chronic inflammatory bowel diseases. Within this program, the Company has in particular demonstrated the preclinical efficacy of Elafibranor in a model of colitis and evaluated in parallel other products derived from Elafibranor.

The Company's pipeline portfolio of molecules and proprietary programs is protected by a portfolio of 406 patents and patent applications (of which 329 are issued or pending), grouped into 25 families, each corresponding to a specific invention. These patents and patent applications broadly protect the Company's portfolio of programs and proprietary products and enable the Company to manage their valorization. They relate to:

- new molecules that are likely to become drugs;
- potential therapeutic applications of these molecules; and
- new applications for molecules that are already known for other uses.

In particular, 323 patents and patent applications relate to Elafibranor (of which 280 have been issued or pending).

Besides these proprietary programs, since its creation, GENFIT has concluded several co-research alliances with large pharmaceutical companies (Sanofi, Solvay, Servier, UCB etc.), many of which had been renewed, until recently for certain of them and for which the vast majority of the intellectual property rights relating to the results generated during these belong to GENFIT's partners.

Thus, in particular, the Company completed in May 2015 the co-research stage of the research alliance with Sanofi. The heart of this alliance is the SAN/GFT2 program which aims to identify and then develop new molecules allowing to correct for mitochondrial dysfunctions associated with certain pathologies, including metabolic disorders. At the date of this report, the results of the co-research phase are under review by both parties.

Even if the activity of GENFIT within this program has become marginal compared to the R&D activities carried out for its proprietary programs, the Company remains eligible for further milestone payments in addition to those already received, and to royalties.

The revenues generated (mostly historical) by the Company within the context of these co-research alliances (approximately €115 M since its creation) have enabled the capital raising of the Company to be limited to approximately €177 M since its creation, essentially for financing its proprietary programs.

2. KEY EVENTS OF THE FIRST HALF 2016

Proprietary Research Programs

In February 2016, the results of the Phase 2b clinical trial evaluating Elafibranor in NASH (GOLDEN-505) were published in the internationally recognized medical journal *Gastroenterology* after a detailed review of the results (V. Ratziu et al : « Elafibranor, an Antagonist of the Peroxisome Proliferator-Activated Receptor –α and –δ, Induces Resolution of Nonalcoholic Steatohepatitis Without Fibrosis Worsening » Gastroenterology, 2016 :150 :1147-1159).

Gastroenterology is the most prominent journal in the field of gastrointestinal disease. As the official journal of the AGA Institute, Gastroenterology delivers up-to-date and authoritative coverage of both basic and clinical gastroenterology. Regular features include articles by leading authorities and reports on the latest treatments for diseases.

This publication showed that at 120mg, Elafibranor achieved resolution of NASH without fibrosis worsening based on the new consensual definition of NASH resolution[1]. This new definition is the one used in the Phase III RESOLVE-IT study currently in the recruitment phase and on which will be based the potential conditional accelerated approval ("Subpart H") for commercialization of Elafibranor in NASH.

More specifically, the key elements of context and content of the publication are the following:

- The GOLDEN-505 clinical trial was the first international trial on NASH, conducted in 56 centers spread across 9 countries, with the ambition to address the NASH burden using "resolution of NASH without worsening of fibrosis" as primary endpoint.

- The detailed results of the GOLDEN-505 trial represent an essential contribution to the global effort to address this disease related to the obesity and diabetes epidemics (and for this reason considered apriority by the regulatory agencies, as confirmed by the fast-track designation granted to Elafibranor, as well as by the Subpart H process applied to its Phase 3 trial).

[1] Considering that the resolution of NASH eventually leads to an improvement of fibrosis.

- In the Phase 2b trial, GFT505/Elafibranor or a placebo was administered to patients with a histological diagnosis of NASH. The treatment was taken for 52 weeks. The inclusion and end-of-treatment biopsies were all read centrally in a blinded manner. At end of study, all slides (baseline and end-of-study) were read in scrambled order.

- The conclusions of the scientific publication take into account the new recommended definition of "NASH resolution", which focuses on the necroinflammation, considered as the key driver of disease activity and progressive fibrosis towards cirrhosis (necroinflammation is defined as the combination of two important lesions in the liver: hepatocellular ballooning, and lobular inflammation).

- A key conclusion put forth in the publication is that 120mg Elafibranor achieved resolution of NASH without fibrosis. worsening, in both intention-to-treat population and subgroups of moderate/severe NASH patients, based on the recommended definition of "NASH resolution" now used for clinical trials.

- Key results highlighted by this publication can be summarized as follows:

    - 120mg Elafibranor significantly increased resolution of NASH without fibrosis worsening (19% vs. 12%, OR=2.31, 95%CI[1.02,5.24], p=0.045) on the whole study population, in an analysis based on the new recommended definition for "NASH resolution".

    - In a subgroup of NAS≥4 patients (N=234), 120mg Elafibranor performed better than placebo, regardless of the definition used for "NASH resolution" (20% vs. 11%, OR=3.16, 95% CI [1.22-8.13], p=0.018 ; and 19% vs. 9%, OR=3.52, 95% CI [1.32-9.40], p=0.013; for the predefined protocol definition and for the new recommended definition, respectively).

    - Patients with NASH resolution on 120mg Elafibranor improved liver fibrosis (mean reduction of the fibrosis score -0.65±0.61 in responders vs. increase 0.10± 0.98 for non-responders, p<0.001).

    - In the 120mg Elafibranor group, liver enzymes and inflammatory markers have been reduced significantly; lipid and glucose profiles have also been improved.

    - Elafibranor was well tolerated, without weight gain, without cardiac events, and with a mild and reversible increase in serum creatinine.

In March 2016, and after agreement of the FDA and consultation with the EMA, the Company announced the first patient in its Phase 3 clinical trial RESOLVE-IT, evaluating Elafibranor as a treatment against NASH.

RESOLVE-IT is a randomized, double-blind, placebo-controlled (2:1) Phase III trial, conducted in approximately 2,000 patients, at approximately 200 centers worldwide. The study population includes NASH patients (NAS≥4) with F2 or F3 fibrosis. Elafibranor 120 mg and placebo is administered once daily.

An interim analysis, for initial market approval under Subpart H, which could occur during the course of the second half of 2019, will be performed after 72 weeks in order to evaluate the beneficial effect of Elafibranor in the first 1,000 patients on the basis of the following surrogate histological primary endpoint (after centralized reading of the histological results): NASH resolution without worsening of fibrosis, defined as ballooning=0, inflammation=0-1.

Subject to satisfactory clinical results obtained during the first stage of this study, and meeting the timelines estimated by the Company for its completion and the authorization of the regulatory agencies (see Section 7.1 “Risks related to clinical trials” regarding the uncertain nature of these parameters), a conditional market authorization could be obtained for Elafibranor in NASH during the course of the second half of 2019 or first half of 2020.

To support full approval, the trial will continue post-marketing in order to demonstrate the impact of Elafibranor on the prevention of cirrhosis and other liver related outcomes on the full study population. A group of patients with F1 fibrosis and concomitant cardiometabolic comorbidities, which are associated with rapid progression of the disease, will also be enrolled.

In order to confirm the long-term clinical benefits of treatment with Elafibranor 120mg, the trial will continue post-marketing and remain blinded after the interim analysis. All patients will be followed until the occurrence of a pre-defined number of progressions to cirrhosis and other liver related events.

The trial will also evaluate key secondary histological endpoints, including an improvement of fibrosis, as well as non-invasive NASH markers. In addition, the trial will assess the improvement of cardiometabolic profile, including plasma lipids, glucose homeostasis and inflammatory markers.

Finally, during the R&D event in New York on March 31, 2016 and the annual International Liver Congress (ILC) organized by the European Association for the Study of the Liver (EASL) held in Barcelona from April 13-17, 2016, the Company had the opportunity to once again go through the efficacy results obtained by Elafibranor in NASH in the GOLDEN-505 study, present the developments in its program for non-invasive biomarkers for NASH diagnosis and in its other proprietary programs, including in fibrotic diseases, as well as announced its future development plans targeting additional hepatic and gastrointestinal diseases.

In particular, the Company announced its intention to begin a Phase 2 clinical trial of Elafibranor in the treatment of PBC (primary biliary cholangitis) before the end of 2016, in patients that do not tolerate or do not respond sufficiently to the standard primary treatment, with ursodeoxycholic acid (UDCA), which may occur in approximately 70% of patients. GENFIT also announced its intention to launch new trials in NASH for pediatric as well as cirrhosis subpopulations.

Co-research agreements

In May 2015, the Company reached the end of the collaborative research phase between the scientific teams at the Company and Sanofi. The results obtained through this collaborative research phase are currently being reviewed by both parties.

At the end of August 2016, Servier notified the Company of its decision to stop development of compounds developed out of the co-research phase of the last scientific program development pursuant to the co-research agreement with the Company (2004-2014). As it has already done in the past, the Company is studying, at the date of this report, the conditions under which it could continue development of this program. In such a case, and in consideration for an eventual transfer of the associated intellectual property, the Company could be required to pay the milestones and royalties set out in the co-research agreement in the event the following stages are met:

- a total EUR 800,000 for pursuing its clinical development prior to the product's introduction to market, as the case may be,
- a total EUR 1,000,000 upon the filing and receipt of a Marketing Authorization for the product, as the case may be,
- and royalties on the potential sales of the product, ranging from 0.75 to 1.5% of the net pretax revenue generated by the product.

Financing

At the end of February 2016, the Company raised €49.6 million in gross proceeds through a private placement to institutional investors, principally in the United States. Pursuant to the fifth resolution of the Shareholders General Meeting of February 24, 2015, GENFIT has placed 2,395,890 new shares at a price of EUR 20.70 per share. The offering represented 10% of the pre-transaction share capital and brought the total number of shares after the issuance to 26,354,794, representing a dilution of 9.09% for the existing shareholders.

The proceeds of this transaction are being used to continue the clinal development of Elafibranor/GFT505 and for general corporate purposes.

In addition, the Company received the following banking commitments for the financing of its investment program in scientific and office equipment:

- in April, Crédit du Nord loaned the Company €0.5 million repayable over five years;
- in May, CM-CIC Bail and the Company entered into a master agreement with a lease-to-purchase option during the second half 2016, for scientific equipment for a maximum amount of €2 million;

- in June, Banque Neuflize OBC loaned the Company €0.5 million repayable over three years; and
- at the end of June, BNP Paribas granted the Company a loan of €0.5 million repayable over three years which the Company intends to draw down on before the end of 2016.

Governance

By decision dated June 10, 2016, Mr. Dean Hum was appointed to the Board of Directors of GENFIT CORP, the wholly-owned U.S. subsidiary of GENFIT S.A.

The terms of the following members of the Supervisory Board of GENFIT SA were renewed by the Shareholders Meeting on June 21, 2016: Mr. Xavier Guille des Buttes, Mr. Charles Woler and Biotech Avenir, represented by Ms. Florence Séjourné.

The interim appointment to the Supervisory Board of Mr. Philippe Moons as member of the GENFIT SA Supervisory Board, as a replacement for Finorpa, was ratified by the Shareholders Meeting on June 21, 2016.

Following these decisions, the Supervisory Board of the Company:

- renewed Mr. Xavier Guille des Buttes as Chairman of the Supervisory Board and members of the Audit and Nomination and Compensation Committees of the Company;

- renewed Mr. Charles Woler as Vice-Chairman and member of the Nomination and Compensation Committee;

- renewed Mr. Philippe Moons as member of the Audit Committee;

- renewed Biotech Avenir, represented by Ms. Florence Séjourné, as member of the Audit Committee; and

- renewed Mr. Frédéric Desdouits as member of the Nomination and Compensation Committee.

By decision dated September 23, 2016, the Supervisory Board, in accordance with Recommendation R3 of the Middlenext Governance Code, decided to set the maximum severance payment (except for serious or willful misconduct) to the Chairman of the Executive Board at two years' gross compensation. The Management Board will implement this decision as soon as possible.

3. OPERATING AND FINANCIAL REVIEW

3.1 Comments on the statement of consolidated net income for the periods ended June 30, 2015 and June 30, 2016

(i) Revenue and other income

The Company's revenue and other income results, in particular, from its revenues, government grants, other operating income, and the research tax credit.

Revenue and other income	Half-year ended	
(in € thousands)	2015/06/30	2016/06/30
Revenues	395	151
Other income	2 014	3 495
TOTAL	**2 409**	**3 647**

Revenue and other income amounts to € 3,647 thousand at June 30, 2016 compared to €2,409 thousand for the same period in the previous year representing an increase of 51%.

Revenues totaled €151 thousand at June 30, 2016 compared to €395 thousand for the same period in the previous year, or a decrease of 62%. The decrease in revenues between the two periods is mainly due to the end of the research phase shared by the scientific teams of both parties in the collaborative research alliance with Sanofi, which expired in May 2015.

Other income	Half-year ended	
(in € thousands)	2015/06/30	2016/06/30
Government grants	0	384
Research tax credit	1 964	3 043
Other operating income	51	69
TOTAL	**2 014**	**3 495**

Other income, which includes government grants, other operating income, and the Research Tax Credit, totaled €3,495 thousand at June 30, 2016 compared to €2,014 thousand for the same period in the previous year, or an increase of 74%. This increase is mainly due to the Research Tax Credit, which increased from €1,964 thousand in the first half 2015 to €3,043 thousand in the first half 2016, as a result of, in particular, the increase of research and development expenses in 2016, and in particular, the contracted research and development activities conducted by third parties registered with respect to the RESOLVE-IT Phase III clinical study (see in particular, (ii) “operating expenses and other operating income by destination” below).

(ii) Operating expenses and other operating income by destination

The tables below breaks 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, 2015 and 2016.

Operating expenses and other operating income (expenses) (in € thousands)	Half-year ended 2015/06/30	Of which:					
		Raw materials & consumables used	Contracted research & development activities conducted by third parties	Employee expenses	Other expenses (maintenance, fees, travel, taxes…)	Depreciation, amortization & impairment charges	Gain / (loss) on disposal of property, plant & equipment
Research & development expenses	(9 008)	(980)	(2 997)	(3 796)	(990)	(245)	0
General & administrative expenses	(2 498)	(40)	(48)	(1 549)	(835)	(26)	0
Other operating income	(0)	0	0	0	0	0	(0)
Other operating expenses	(34)	0	0	0	(33)	(1)	0
TOTAL	**(11 540)**	**(1 019)**	**(3 045)**	**(5 346)**	**(1 857)**	**(272)**	**(0)**

Operating expenses and other operating income (expenses) (in € thousands)	Half-year ended 2016/06/30	Of which:					
		Raw materials & consumables used	Contracted research & development activities conducted by third parties	Employee expenses	Other expenses (maintenance, fees, travel, taxes…)	Depreciation, amortization & impairment charges	Gain / (loss) on disposal of property, plant & equipment
Research & development expenses	(12 323)	(970)	(6 226)	(3 566)	(1 310)	(251)	0
General & administrative expenses	(4 166)	(45)	(0)	(2 202)	(1 842)	(77)	0
Other operating income	0	0	0	0	0	0	0
Other operating expenses	(1)	0	0	0	(1)	0	0
TOTAL	**(16 489)**	**(1 015)**	**(6 226)**	**(5 768)**	**(3 152)**	**(328)**	**0**

Operating expenses in the first half 2016 amounted to €16,489 thousand compared to €11,540 thousand in first half 2015, or a 43% increase. They include, in particular:

- **research and development expenses**, which include the wages and salaries paid to the research staff (€ 3,566 thousand at June 30, 2016 compared to €3,796 thousand at June 30, 2015), the cost of consumables and operational outsourcing (particularly clinical and pharmaceutical representing €6,226 thousand at June 30, 2016 compared to €2,997 thousand at June 30, 2015), and expenses related to intellectual property. These research and development expenses amounted to €12,323 thousand at June 30, 2016 compared to €9,008 thousand at June 30, 2015), or 75% and 78% of operating expenses, respectively.

  The first half 2016 was a transitional period with respect to operational outsourcing costs related to Elafibranor's development as it was marked by the launch of the pivotal Phase III study (RESOLVE-IT). Furthermore, other programs also generated operational outsourcing costs in the first half 2016, but in smaller amounts than those related to the development of Elafibranor because they are in an earlier stage of their development.

  The expenses for personnel assigned to research in the first half 2015 included €1,147 thousand correspondence to IFRS expenses related to the granting of equity warrants (BSAs) and redeemable warrants (BSAARs). Excluding these expenses, expenses for research personnel went from €2,649 thousand in the first half 2015 to €3,566 thousand in the first half 2016, an increase of 35%. This change is due to the increase in research personnel (83 versus 71) and the impact of bonuses granted to certain of these employees related to the implementation of the incentive plan in the first half 2016; and

- **general and administrative expenses**, which include the costs of personnel not assigned to research (€ 2,202 thousand at June 30, 2016 compared to €1,549 thousand at June 30, 2015), and the administrative and commercial costs.

These general and administrative expenses amounted to €4,166 thousand in the first half 2016 compared with €2,498 thousand in the first half 2015, or 25% and 22% of operating expenses, respectively.

The expenses for personnel not assigned to research in the first half 2015 included €640 thousand corresponding to IFRS expenses related to the granting of BSAAR and BSA. Excluding these expenses in the first half 2015, expenses for research personnel went from €909 thousand in the first half 2015 to €2,202 in the first half 2016, an increase of 142%. This change is due to the increase in personnel not assigned to research (25 versus 19) and the impact of bonuses granted to certain of these employees related to the implementation of the incentive plan in the first half 2016.

(iii) Operating expenses and other operating income by type

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

Contracted research and development activities conducted by third parties

Contracted research & development activities conducted by third parties	Half-year ended	
(in € thousands)	2015/06/30	2016/06/30
Research & development expenses	(2 997)	(6 226)
General & administrative expenses	(48)	(0)
Other operating income	0	0
Other operating expenses	0	0
TOTAL	**(3 045)**	**(6 226)**

Contracted research and development expenses conducted by third parties amounted to €6,226 thousand in the first half 2016 compared to €3,045 thousand in the first half 2015, corresponding to a 104% increase, which is mainly due to the launch of the pivotal Phase III study (RESOLVE-IT) in Elafibranor. The Company expects this expense item to increase substantially starting from the second half of 2016 in conjunction with the progression of the RESOLVE-IT study.

Employee expenses

Employee expenses	Half-year ended	
(in € thousands)	2015/06/30	2016/06/30
Research & development expenses	(3 796)	(3 566)
General & administrative expenses	(1 549)	(2 202)
Other operating income	0	0
Other operating expenses	0	0
TOTAL	**(5 346)**	**(5 768)**

Employee expenses amount to €5,768 thousand in the first half 2016 compared to €5,346 thousand in the first half 2015, or a 9% increase.

Among these expenses, the amount of wages and social security charges increased from €3,559 thousand in the first half 2015 to €5,768 thousand in the first half 2016, or an increase of 62%. This change is due to an increase in headcount (108 versus 90) and the impact of bonuses granted to certain of these employees related to the implementation of the incentive plan in the first half 2016.

The amount recognized as share-based compensation (BSAs and BSAARs) free of any impact on cash flow increased from €1,787 thousand in the first half 2015 to €0 thousand in the first half 2016. For further information, please refer to Note 6.20 of the Notes to the Consolidated Financial Statements for the period ended June 30, 2016.

Other expenses

Other expenses (maintenance, fees, travel, taxes…)	Half-year ended	
(in € thousands)	2015/06/30	2016/06/30
Research & development expenses	(990)	(1 310)
General & administrative expenses	(835)	(1 842)
Other operating income	0	0
Other operating expenses	(33)	(1)
TOTAL	**(1 857)**	**(3 152)**

Other expenses amount to €3,152 thousand in the first half 2016 compared to €1,857 thousand in the first half 2015. They include, in particular:

- "fees," which include legal, audit, and accounting fees, the fees of various advisors (press relations, investor relations, communication, IT), the external staff seconded to the Company (guard, security and reception), as well as the fees of some of its scientific advisers. This amount also includes Intellectual Property expenditures corresponding the fees incurred by the Company in connection with the registration and protection of its patents;

- expenses related to the rental, use, and maintenance of its registered offices, and rental of offices in the United States;

- expenses related to business travel and conferences, which essentially include the staff's travel expenses as well as the costs of participation in scientific, medical, financial, and business development conferences.

This change is mainly due to the Group's business' faster pace of development and its stronger presence in the United States.

Financial income

Financial income totals €181 thousand in the first half 2016 compared to €260 thousand in the first half 2015.

This decrease is due, in particular, to a decrease in financial revenue from €329 thousand in the first half 2015 to €278 thousand in the first half 2016, which was mainly the result of a decrease in interest rates of the investment vehicles and an increase in financial expenses which went from €69 thousand at June 30, 2015 to €97 thousand at June 30, 2016.

(iv) Net income (loss)

The first half 2016 resulted in a net loss of € 12,662 thousand compared to a net loss of € 8,871 thousand in the first half 2015.

3.2 Comments on the statement of financial position at June 30, 2016

At June 30, 2016, the total amount of the Group's Statement of Financial Position amounts to €107,789 thousand compared to €69,258 thousand as of December 31, 2015.

At June 30, 2016, the Group holds € 94,689 thousand in available cash, cash equivalents, and current financial instruments, compared to € 60,142 thousand as of December 31, 2015.

(v) **Non current assets**

Non-current assets, which include goodwill and intangible, tangible, and financial assets, increase from €2,505 thousand as of December 31, 2015 to €2,959 thousand at June 30, 2016. This increase is mainly due to investments made in the first half 2016 (IT, telecommunications and scientific equipment).

(vi) **Current assets**

Current assets amount to €104,829 thousand at June 30, 2016 compared to €66,753 thousand as of December 31, 2015.

The variation of trade and other receivables is justified by the receivables related to the research tax credit for the fiscal years 2014 and 2015 and the first half 2016. For the 2014 fiscal year, the French tax administration partially repaid in advance the research tax credit, after deduction as a precautionary measure, of the tax adjustment of €1,141 thousand that the Company contests and which remain due.
For the 2015 fiscal year, the Company's request for repayment in advance of the research tax credit is under review by the French tax administration (see chapter 8 hereafter of this report).

The variation of trade and other receivables corresponds to the increase in expenses recognized in advance related to current operating expenses.

Cash and cash equivalents increased from €60,111 thousand as of December 31, 2015 to €94,640 thousand at June 30, 2016, an increase of 57%. Available cash is mainly invested in highly liquid short-term investments presenting low risk of change in value.

Cash & cash equivalents	As of	
(in € thousands)	2015/12/31	2016/06/30
Short-term deposits	59 683	93 233
Cash & bank accounts	428	1 408
TOTAL	**60 111**	**94 640**

(vii) **Shareholders' equity**

As of June 30, 2016, the amount of the Group's shareholders' equity totaled €90,726 thousand compared to €55,416 thousand as of December 31, 2015.

The change in the Company's shareholders' equity is mainly due to the share capital increase carried out during the first half 2016, and the half year loss, which reflects the Company's efforts in research and development, the completion of preclinical studies, and the clinical studies for Elafibranor.

The Notes to the half year consolidated financial statements, 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.

(viii) **Non current liabilities**

This mainly concerns the following liabilities reaching maturity in more than one year:

- conditional advances granted to GENFIT SA by Bpifrance for the purpose of financing the research programs detailed in Note 6.12.1.1 "Refundable and Conditional Advances" of the notes to the half year 2016 consolidated financial statements; and

- bank loans (please refer to section note 6.12.1.2 “Bank loans” of the notes to the half year 2016 consolidated financial statements for details).

(ix) **Current liabilities**

This balance sheet item mainly includes liabilities reaching maturity in less than one year, such as conditional advances granted by Bpifrance to GENFIT, the development loan with a participation feature granted by Bpifrance, trade payables, and social security expenses. Please also refer to notes 6.12 and 6.13 of the notes to the half year 2016 consolidated financial statements. Changes in current liabilities are essentially due to, as indicated above, the increase in trade payables related to the increase in contracted research and development activities.

Trade & other payables - Current	As of	
(in € thousands)	2015/12/31	2016/06/30
Trade payables	5 275	8 027
Social security costs payables	1 832	1 973
Employee profit sharing	17	17
VAT payables	27	26
Taxes payables	129	113
Other payables	11	49
TOTAL	**7 292**	**10 205**

4. MAIN INTRAGROUP TRANSACTIONS

Effective as from January 1, 2016, GENFIT CORP and GENFIT SA entered into an 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 3%. "Structural" costs are billed at cost. In the first half 2016, GENFIT CORP billed USD$1,194 thousand to GENFIT SA.

In addition, GENFIT and GENFIT CORP signed in May 2016 a cash management agreement. The purpose of this agreement will be to ensure GENFIT SA's continued financing of its American subsidiary's operations via interest-bearing cash advances. This agreement is in place pursuant to the terms of Article L.511-7-3° of the French Monetary and Financial Code.

5. MAIN TRANACTIONS WITH RELATED PARTIES

This information is available in note 6.25 to the half year 2016 financial statements published in this report.

6. CAPITAL SOCIAL

Changes in the Company's share capital since the initial listing of GENFIT SA's shares on the Alternext stock exchange are shown in the table below:

Changes in issued capital & premium	Share capital			Premiums		
	Number of Shares	Nominal Value	Share capital	Share premium	Merger premium	Premium
At December 31, 2005	150,001	16.00	2,400,016	0	0	0
06/27/2006 – Division of share's nominal value.....	9,600,064	0.25	2,400,016	609,796	0	609,796
10/18/2006 – Private placement	11,270,626	0.25	2,817,657	14,323,832	0	14,323,832
11/21/2006 – Absorption of IT.OMICS .	11,270,626	0.25	2,817,657	14,323,832	37,833	14,361,665
02/16/2010 - Private placement	11,662,166	0.25	2,915,542	16,240,395	37,833	16,278,228
07/15/2011 & 19/07/2011– Private placement	13,340,295	0.25	3,335,074	20,864,969	37,833	20,902,802
10/04/2011 – Reserved share capital increase.....	13,424,328	0.25	3,356,082	20,968,324	37,833	21,006,157
10/28/2011 – Reserved share capital increase.....	13,580,578	0.25	3,395,145	21,427,072	37,833	21,464,905
10/23/2011 – Share capital increase – offset against receivables (BSA2011) ...	13,630,578	0.25	3,407,645	21,406,881	37,833	21,444,734
02/22/2012 – Reserved share capital increase – exercise of BSA (2011).....	13,726,762	0.25	3,431,691	21,606,965	37,833	21,644,798
03/07/2012 to 07/03/2012 – Reserved share capital increase.....	15,085,665	0.25	3,771,416	23,707,055	37,833	23,744,888
09/05/2012 to 17/10/2012 – Conversion of bonds	15,969,232	0.25	3,992,308	25,437,239	37,833	25,475,072
08/01/2012 – Share capital increase – offset against receivables (OCA2012)...	15,148,321	0.25	3,787,080	23,690,141	37,833	23,727,974
12/21/2012 to 03/08/2013 – Share capital increase –offset against receivables (OCA2012-2).....	16,029,806	0.25	4,007,452	25,415,946	37,833	25,453,779
04/17/2013 – Private placement	20,299,516	0.25	5,074,879	43,294,235	37,833	43,332,068
12/27/2012 to 04/11/2013 – Conversion of bonds (OCA20).....	17,370,068	0.25	4,342,517	30,591,512	37,833	30,629,345
04/19/2013 & 05/02/2013 – Share capital increase – offset against receivables (OCA	20,317,291	0.25	5,079,323	43,287,291	37,833	43,325,124

2012-2)						
04/24/2013 to 03/02/2013 – Conversion of bonds (OCA20)	20,541,821	0.25	5,135,455	44,270,698	37,833	44,308,531
02/03/2014 – Share capital increase with shareholders' preferential subscription rights	21,257,671	0.25	5,314,418	48,839,327	37,833	48,877,160
06/20/2014 – Private placement	23,374,238	0.25	5,843,560	95,698,624	37,833	95,736,457
12/17/2014 – Private placement	23,957,671	0.25	5,989,418	115,718,226	37,833	115,756,059
10/29/2015 & 4/11/2014– Share capital increase- exercise of BSAAR 2014	23,958,904	0.25	5,989,726	115,720,750	37,833	115,758,583
02/29/2016 – Private placement	26,354,794	0.25	6,588,698.50	163,141,779	37,833	163,179,612

During the first half 2016, the Company raised a gross amount of €49.6 million in a private placement, issuing 2,395,890 shares. The offering representing 10% of the share capital before the transaction and increased the total number of share post-offering to 26,354,794. As part of that offering, CVI Investments, Inc., declared that, as of February 29, 2016, it held more than 5% of the Company's share capital and voting rights, and holds 8.08% of the Company's share capital and 7.36% of its voting rights. Since that transaction, CVI Investments, Inc declared, following a sale of shares on the market on September 5, 2016, and that it no longer holds more than 5% of the share capital, and now holds 1,317,005 shares representing the same number of voting rights, i.e., 4.99% of the share capital and 4.55% of the voting rights.

Following the authorization granted by the Extraordinary Shareholders Meeting of April 2, 2014, the Company put in place in July 2014 and January 2015, two share warrant plans (BSA 2014 and BSA 2015) for individuals who are independent members of its Supervisory Board and for scientific consultants of the Company:

- 23 380 BSA 2014-A, 23 380 BSA 2014-B, 5 845 BSA 2015-A and 5 845 BSA 2015-B were subscribed by scientific consultants of the Company during the 2014 and 2015 fiscal years;

- 23 385 BSA 2014-A, 23 385 BSA 2014-B, 7 015 BSA 2015-A and 7 015 BSA 2015-B were subscribed by individual members of the Supervisory Board of the Company during the 2014 and 2015 fiscal years.

As of the date of this report, no BSA have been exercised. (see details in note 6.20 to the notes to the half year 2016 consolidated financial statements).

Following the authorization of the Extraordinary Shareholders' Meeting of April 2, 2014 and February 24, 2015, the Company put in place in September 2014 and July 2016 two redeemable share warrant plans (BSAAR 2014 et BSAAR 2016) for Management Board members and certain other employees of the Company:

- 5 901 BSAAR 2014-A, 17 822 BSAAR 2014-B and 18 711 BSAAR 2014-C were subscribed by Management Board members during the 2014 and 2015 fiscal years;

- 9 299 BSAAR 2014-A, 5 416 BSAAR 2014-B, 5 568 BSAAR 2014-C, 7 200 BSAAR 2016-A and 3 600 BSAAR 2016-B were subscribed by employees of the Company during the 2014, 2015 and 2016 fiscal years.

833 BSAAR 2014-A and 400 BSAAR 2014-C were exercised by employees at the date of this report (see details in note 6.20 of the half year 2016 consolidated financial statements).

The main characteristics of these allocations and the corresponding amounts subscribed or exercised as of the date of this report are described below:

Granting and subscription of BSAAR Employees	**BSAAR 2014-A**	**BSAAR 2014-B**	**BSAAR 2014-C**	**BSAAR 2016-A**	**BSAAR 2016-B**
Date of Shareholders' Meeting	04/02/2014	04/02/2014	04/02/2014	02/24/2015	02/24/2015
Date of Management Board	09/15/2014	09/15/2014	09/15/2014	07/22/2016	07/22/2016
Subscription period	From 19/09/2014 to 15/10/2014	From 07/05/2015 to 29/05/2015	From 06/07/2015 to 31/07/2015	From 25/07/2016 to 27/07/2016	From 25/07/2016 to 27/07/2016
Total number of BSAAR subscribed by employees	9,299	5,416	5,568	7,200	3,600
Exercise eligibility date	09/15/2015	09/15/2015	09/15/2015	01/01/2018	08/01/2019
Expiration date	09/15/2018	05/04/2019	07/01/2019	07/27/2020	07/27/2020
Subscription price	5.61 €	5.61 €	5.61 €	4.60 €	4.60 €
Exercise price for one BSAAR[(1) (2)]	23.50 €	23.50 €	23.50 €	23.50 €	23.50 €
Exercise terms	1 BSAAR / 1 share Exercisable in tranches of 1/3 of the number of BSAAR held by each beneficiary				

[(1)] The exercise price of the 2014 BSAARs corresponds to the volume weighted average closing price of the share during the consecutive 5-day period from August 13 to 19, 2014, minus a 13.60% discount.

[(2)] The exercise price of the 2016 BSAARs corresponds to the volume weighted average closing price of the share during the consecutive 5-day period from July 15 to 21, 2016, minus a 6.67% discount.

7. MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties to which the Company and the Group could face are listed below:

7.1 Risks related to the Company's business

Risks related to research and development of new drugs and biomarkers

The development of a new drug candidate, such as those of the Company, is a long, complex and expensive process with a high failure rate.

The common development and marketing stages for a pharmaceutical product are as follows:

- Research (in vitro and in vivo tests on laboratory animals);
- Preclinical development (regulatory pharmacology and toxicology studies on animals);
- Pharmaceutical development (formulation, production and stability of the final product);
- Phase I clinical trials: the molecule is administered to healthy subjects in order to assess its safety, identify potential side effects and assess its tolerance at the doses administered, as well as their distribution and metabolism;
- Phase II clinical trials are carried out on a limited population of patients affected by the disease. The objective is to provide initial proof of the drug's efficacy, determine its dosage and assess its tolerance when administered in effective doses;
- Phase III clinical trials are conducted on a broader population of patients affected by the disease studied. The objective is to demonstrate the product's efficacy and tolerance in comparison with products already on the market or placebos, in order to compile a dossier containing sufficient data to be filed with the regulatory authorities;
- Application for and obtaining of Marketing Authorization (MA);
- Commercialization;
- Pharmacovigilance procedures to monitor the effects and safety of the products authorized; and
- Post-approval phase IV clinical trials are regularly conducted to monitor the effects and safety of the products authorized.

Given the risks inherent in the research and development of new drugs, together with the constraints imposed by the regulatory and legal frameworks applicable to the activity, the Company cannot guarantee that the drug candidates or biomarker candidates that it is working on at present or may work on in the future will be commercialized or that there will be no delays in their development or launch on the market.

Risks related to clinical trials

The results obtained from phases of preclinical trials on animals cannot systematically be transposed to humans. In addition, during phase I, II or III clinical trials, the drug candidates developed by the Company may not prove to be as effective as expected or may cause unexpected side effects or toxic effects.

Significant side effects caused by a drug candidate or the fact that it is less effective than products already on the market can be sufficient grounds for discontinuing its development. Moreover, disappointing results during the initial phases of development are often not a sufficient basis for a decision as to whether or not a project should be continued. At these early stages, sample sizes, the duration of studies and the parameters examined may not be sufficient to enable a definitive conclusion to be drawn, in which case further investigations are required and the Company's results may be negatively affected. Conversely, promising results during the initial phases, and even after advanced clinical trials have been conducted, do not guarantee that a project will be successfully completed.

The completion of clinical trials takes several years and depends on various factors, such as the therapeutic indication in question, the size of the population affected, clinical trial design, qualification and initialization of clinical trial sites, availability of the investigational product, the proximity of patients to clinical test sites, the eligibility criteria for trials, rates and ease of and competition for the recruitment of patients, and compliance with and changes in regulatory requirements.

Moreover, the Company cannot guarantee that clinical trials that are authorized will be completed within the planned timeframes. Development costs can be very effected by the above including jeopardizing the continuation of the clinical development of a drug candidate.

Should one or more of these risks materialize, this would have a material adverse effect on the Company's activity, results, prospects, financial situation and development.

Risks related to the Company's regulatory environment

Within the framework of its preclinical development activities, the Company must comply with many regulations concerning safety, the use of laboratory animals, and health and environmental issues. Should these regulations change, failure to comply with them, even though the Company's Quality Assurance department has always taken such changes into account in the implementation of the Company's research and development activities, could result in consequences for the Company such as financial penalties or the temporary suspension of its operations. Furthermore, these regulations could be tightened, which could incur additional costs or cause delays in the products' development.

Each of the research and development stages leading to the commercialization of a pharmaceutical product is governed by a complex regulatory and legislative process. The facilities required to implement these stages of research, development and production are thus subject to protocols, directives and regulations defined and overseen by regulatory agencies such as France's Agence Française de Sécurité Sanitaire des Produits de Santé (AFSSAPS), the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA).

These agencies and their counterparts in other countries have the authority to permit the commencement of clinical trials or to temporarily or permanently halt a study. They are entitled to request additional clinical data before authorizing the commencement or resumption of a study, which could result in delays or changes to the Company's product development plan.
Should any one of these risks materialize, this could have a material adverse effect on the Company's business, prospects, financial situation, results and development.

Risks related to obtaining marketing authorization (MA)

The Company's drug candidates or biomarker candidates may not obtain marketing authorization (MA) for the indication sought in the countries in which the Company wants to market its products. The regulatory agencies (AFSSAPS, EMEA, FDA and other national agencies) can also request further information before granting marketing authorization, even if the molecule concerned has already been authorized in other countries. The procedure for granting marketing authorization is long and costly. The refusal by one or more agencies to deliver an MA, or a request for additional information, could compromise or adversely affect the ability of the Company or a third party to which it grants commercialization rights to market the product.

Should any one of these risks materialize, this could have a material adverse effect on the Company's business, prospects, financial situation, results and development.

Risks related to the delay or failure of product development by the Company, or to the absence of appropriate planning control and monitoring

A drug's launch on the market exposes a large number of patients to potential risks associated with the ingestion of a new pharmaceutical product. Certain side effects, which may not have been statistically identified during phase II and III clinical trials, can then appear. This is why the regulatory agencies require companies to implement post-approval pharmacovigilance. Depending on the occurrence of serious undesirable effects, the agencies can take a drug off the market temporarily or permanently, even if it is effective and has obtained all the necessary marketing authorizations.

The legislation, regulations and directives applicable in each country are subject to change. Such changes may lead the regulatory authorities, at the recommendation of the ethics committee or even the Company itself or a third party licensed to market the drug, to suspend or definitively end a product's development or marketing in a given country. The Company cannot guarantee that there will be no change in the regulatory agencies' recommendations concerning the preclinical development of its compounds, giving rise to delays and additional costs.

All these risks result in a high level of attrition in this activity, at every stage of the process. According to data published in June 2014 by the French Pharmaceutical Companies Association LEEM (Les Entreprises du Médicament), for the preclinical research and development stages, out of 10,000 molecules screened in exploratory research, 100 are tested during preclinical trials and only 10 reach the stage of clinical trials in phases I, II and III, and then the marketing authorization process.

So, in addition to the risk of higher-than-expected preclinical development costs, various other factors can disrupt or delay the program underway. The Company cannot, therefore, guarantee that all the drug candidates or biomarker candidates that it is working on at present or may work on in the future will effectively be commercialized or that there will be no delays in their development or launch on the market.

Should one or more of these risks materialize, this would have a material adverse effect on the Company's business, results, prospects, financial situation and development The set of procedures put in place to oversee the research and development activities, whether in terms of decision-making or project monitoring, help to mitigate this risk.

Risks inherent in the marketing of new drugs and biomarkers

The Company cannot guarantee the commercial success of its procedures for the granting of marketing licenses for its drug candidates or biomarker candidates. It cannot guarantee the commercial success of these products, or the commercial success of its partners, for which it collaborates in the development of these products, once the MA is obtained and the product is launched on the market.

Many factors can impede the launch or commercialization of a drug candidate or biomarker candidate, including the following:

- prescribers' misperception of the drug's therapeutic benefits ;
- the occurrence of too great a number of undesirable effects during treatment ;
- difficulties related to the product's administration ;
- a lack of support from "opinion leaders", i.e. leading physicians or scientists whose opinions on a drug's usefulness are very influential ;
- the cost of treatment ;
- an unsuitable reimbursement policy.

A competitor could launch a drug that is more effective, better tolerated or less expensive than that developed by the Company, thus disrupting its marketing.

Poor market penetration, resulting from one of these factors, could have an adverse effect on the Company's business, prospects, financial situation, results and development. This risk, however, will only materialize when the Company's products are on the market or close to being launched.

Risks related to potential changes in drug reimbursement conditions

A drug's commercial potential depends heavily on the conditions for its reimbursement. The successful marketing of a drug largely depends on the reimbursement rate granted by public health bodies, private medical insurers and other bodies concerned. Given that European governments and other bodies have spoken in favor of reducing the levels of reimbursement granted for new drugs, future reimbursement rates are a real concern. A change in the reimbursement rate or the application of a rate that is too low can seriously undermine a drug's sales performance.

Should this risk materialize, this could have a material adverse effect on the Company's business, prospects, financial situation, results and development.

Risks related to the search for new partnerships and dependence on current and future partners

Risks related to the Company's signature of new partnerships to meet requirements for products that it is developing for its own account

The development and marketing of the Company's drug candidates and biomarker candidates relies partially on the Company's ability to sign partnership agreements.

The Company will not assume the full development of its drug candidates and biomarker candidates alone, but is seeking co-development agreements and/or licenses with pharmaceutical groups for its drug candidates and biomarker candidates as from Phase III. For Elafibranor, there are existing expressions of interest from biopharmaceutical companies, and early-stage discussions are ongoing.

Neither will the Company take on the marketing of its drugs or biomarkers alone, once they have obtained marketing authorization. Here again, it intends to sign distribution and marketing agreements with pharma or diagnostic industry leaders in order to optimize the launch and market penetration of its products.

The risks inherent in the signature of such contracts are as follows:

- The negotiation and signature of these agreements is a long process that may not result in an agreement being signed or that can delay the development or commercialization of the candidate drug or candidate biomarker concerned ;
- These agreements can be cancelled or may not be renewed by the partners, or may not be fully complied with by the partners ;
- In the case of a license granted by the Company, the Company could lose control of the development of the candidate drug or candidate biomarker thus licensed. Also, in

such cases the Company would have only limited control over the means and resources allocated by its partner for the commercialization of its product;
- The partner could not prioritize the development of the drug candidate or biomarker.

Risks related to maintaining and renewing the collaborative research agreements currently in force and/or signing new alliances of co-research

In terms of alliances on behalf of third parties, the Company has since its creation developed collaborative research agreements with leading pharmaceutical groups, including Sanofi, Merck KGaA, Laboratoires Pierre Fabre, Laboratoires Fournier (Solvay group, acquired by Abbott) and Servier. Some of these contracts have regularly been renewed over time. The last framework agreements for collaborative research concluded with this type of partner determine a phase of shared-research between the teams of both partners and are generally for a set duration of three years, during which the Company receives revenues that currently make up the bulk of the Company's sales.

Until recently, the Company also potentiated a part of its research efforts by relying on technology partnerships as part of national or European consortia alongside academic research institutions and other biopharmaceutical companies. The management of and participation in these consortia also generates steady revenue and funding for the Company in the form of operating grants and/or repayable advances. Given that, in the pharmaceutical industry, the trend is towards reducing the co-financing of research carried out further upstream, these two types of resources should continue to decrease.

Therefore, the Company may not be able to renew its collaborative research contracts and consortia agreements or may be unable to sign new agreements with new partners. The early termination of a contract, or the non-renewal of a contract or the Company's inability to find new partners would change the Company's sales forecasts and, consequently, its results forecasts.
Should any one of these risks materialize, this could have a material adverse effect on the Company's business, prospects, financial situation, results and development.

Risks related to the subcontracting of certain activities

The Company relies on third parties to carry out clinical trials and certain preclinical trials on its drug candidates and biomarker candidates.

The Company subcontracts to external service providers the performance of its clinical trials and certain preclinical trials on its drug candidates and biomarker candidates.

In particular, the Company subcontracts to third parties (CROs - Contract Research Organizations) the design and conducting of its clinical tests. The Company works notably with the companies Naturalpha and Premier Research in the design and organization of phase I and II clinical trials for its most advanced products.

The Company contracts external investigators to carry out its trials supervise them and collect and analyze the results obtained.

Although the Company is involved in establishing the protocols for these trials and in monitoring them, it does not control all the stages of test performance and cannot guarantee that the third parties will fulfill their contractual and regulatory obligations. In particular, a partner's failure to comply with protocols or regulatory constraints, or repeated delays by a partner, could compromise the development of the Company's products or engage its liability. Such events could also inflate the product development costs borne by the Company.

Such events could have a material adverse effect on the Company's business, prospects, financial situation, results and development.

The Company does not currently own or operate a production unit.

The Company does not currently produce the drug candidates and biomarker candidates tested during its preclinical and clinical trials. The Company has no production units and relies largely on third parties to manufacture its products (e.g. synthesizing molecules).

This strategy means that the Company does not directly control certain key aspects of its product development, such as:

- the quality of the product manufactured;
- the delivery times for therapeutic units (pre-packaged lots specifically labeled for a given clinical trial);
- the clinical and commercial quantities that can be supplied;
- compliance with applicable laws and regulations.

Should these third parties breach their obligations, the manufacturing contracts be cancelled or the Company fail to renew the contracts, the Company cannot guarantee that it will be able to find new suppliers within a timeframe and under conditions that would not be detrimental to the Company.

The Company could also be faced with delays or interruptions in its supplies, which could result in a delay in the clinical trials and, ultimately, a delay in the commercialization of the drug candidates or biomarker candidates that it is developing.

Risks related to the dangerous nature of certain of the Company's activities

As part of its research and development activities for its drug candidates and biomarker candidates, the Company has to work with dangerous substances. As a result, certain of the Company's employees are exposed to chemical, biological and radiological risks. During their work, the Company's researchers notably have to :

- come into contact with radioelements, the purchase and handling of which are subject to authorization by France's Nuclear Safety and Radiation Protection Directorate (DGSNR for Direction Générale de Sûreté Nucléaire et de la Radioprotection);
- handle genetically modified organisms (GMO). Safety issues for individuals who handle these substances are overseen by the French Genetic Engineering Commission (Commission de Génie Génétique) ;
- carry out in vivo experiments on animals, which requires authorization from the French Department of Veterinary Services (DSV for Direction des Services Vétérinaires) ;
- carry out research that requires the use of human samples. This research is subject to application for authorization from the competent authorities to assess the usefulness of the research, ensure that patients have been properly informed, and assess the management of information obtained from the sampling.

Should it fail to comply with applicable laws and regulations, the Company could be subject to fines or could be forced to temporarily or permanently suspend its operations. In the event of accidental contamination, injuries or other damage, the Company could be held liable. This could be detrimental to its activity and its actual insurance coverage to cover the risks inherent in its operations could be insufficient, notably as regards the coverage of damage to Company's reputation.

The Company is also obliged to invest in healthcare, and in the environment and safety of its employees in compliance with French legislation.

Should the current legislation change, the Company could be obliged to acquire new equipment, to adapt its laboratories or to incur other significant costs.

Failure to comply with these regulations could result in serious consequences for the Company, such as substantial financial penalties, or the rejection, suspension or withdrawal of the MA for its drugs. This could result in the Company's activity and, ultimately, its results and development capacity being materially diminished.

Risks related to the Company's human resources management

The Company's ability to retain key persons in its organization and to recruit qualified personnel is crucial for its success. In particular, the Company's success depends heavily on its ability to retain key people in its organization, i.e. its co-founders and its principal managers, researchers and scientific advisers, notably:

- Xavier Guille des Buttes, Chairman of the Supervisory Board ;
- Jean-François Mouney, Chairman of the Executive Board ;
- Nathalie Huitorel, Member of the Executive Board and Chief Financial Officer ;
- Dean Hum, Chief Operating Officer and Chief Scientific Officer ;
- Bart Staels, President of the Scientific Advisory Board ;
- Sophie Mégnien, Medical Director.

Should the Company be unable to retain the individuals who form its team of key managers and key scientific advisors, this could have a material adverse effect on its business and development and could consequently affect its financial situation, results and prospects.

The Company's ability to recruit quality scientific, commercial, administrative or technical staff to support its growth is crucial. Since its creation, a high number of quality spontaneous applications and the Company's proximity to university communities have provided an extensive recruitment pool which has to date satisfied all of the Company's recruitment needs. The Company cannot, however, guarantee that these favorable conditions will remain in place. Nor can it fully guarantee the sustainability of its attractiveness to candidates.

Risks related to competition

The Company operates within a highly competitive sector.

Several companies in the biotechnology sector and large pharmaceutical groups are working on technologies, therapeutic targets or drug or biomarker candidates that aim to treat or diagnose the same diseases that the Company is working on.

If rival products were marketed before those of the Company, or at lower prices, or covering a wider therapeutic spectrum, or if they proved to be more effective or better tolerated, the Company's activity and development prospects and, ultimately, its results and financial situation would certainly be penalized.

7.2 Legal Risks

Risks related to the Company's ability to obtain, extend and enforce its patents and other intellectual property rights.

The Company cannot guarantee:

- that it will obtain the patents that it has applied for and that are under review, that it will be able to develop new patentable inventions, or that ill will obtain patents to protect such new inventions ;
- that there is no risk of the patents belonging to the Company or licensed by it to third parties being challenged or invalidated by a third party ;
- that a third party will not assert claims on the Company's patents or other intellectual property rights or those licensed by the Company to a third party ;
- that third parties will respect its patents, or that it is able, in general terms, to enforce all the elements that make up its intellectual property and effectively defend itself against infringement ;
- that the extent of the protection provided by its patents is sufficient to defend the Company against its rivals ;
- that it is impossible for third parties to infringe or circumvent its patents ;
- that there will be no change in national regulations that would allow third parties to access certain parts of the Company's intellectual property without having to pay financial compensation to the Company.

Challenges from competitors or other third parties could reduce the scope of the Company's patents or render them invalid.

The legal proceedings that the Company may then have to enter into in order to defend its intellectual property could be very costly, notably in the case of lawsuits in the USA. Furthermore, the legal uncertainty inherent to these lawsuits is important and the Company could lose.

The probability of disputes arising over the Company's intellectual property will increase progressively as patents are granted and as the value and appeal of the inventions protected by these patents are confirmed.

The occurrence of any of these events concerning any of the Company's patents or intellectual property rights could have an adverse effect on the Company's business, prospects, financial situation, results and development. These risks are all the higher for the Company, because of its limited financial and human resources.

Risk related to patents and intellectual property rights held by third parties

The field of biotechnology research and pharmaceuticals is subject to many applications for patents for technical devices to be used in laboratory research or for large families of molecules. These patent applications, and, where applicable, these patents, are usually extremely complex and it is often difficult to identify and estimate the exact protection conferred by them.

The Company could infringe or be accused of infringing the patents or other intellectual property rights owned or controlled by third parties. Should the molecules currently being developed by the Company lead to the development of drugs, these drugs would be marketed in many states. Although patents for these molecules have been applied for in many states, their launch on the market could infringe patents that are more extensive in scope or older, belonging to third parties in one or more of these states. The Company could unknowingly violate a third party's intellectual property rights during the development or commercialization of its drug or biomarker candidates or could face lawsuits brought against it by third parties claiming to own an intellectual property right infringed by the Company.

Should the Company be subject to legal proceedings for infringement of intellectual property rights, the Company could be required to:

- bear the potentially significant costs of proceedings brought against it;
- pay significant damages to the complainants;
- abandon the work/development in progress that is considered to infringe a third party's intellectual property right;
- discontinue the commercialization of a drug or biomarker candidate either temporarily or permanently in one or more regions (depending on the geographical scope of the third party's patents that have been infringed);
- acquire a potentially costly license from one or more third parties holding intellectual property rights in order to continue its work or development or the commercialization of the disputed molecule or technology. Moreover, the license acquired may not be exclusive, so the Company could potentially be required to share the associated rights with competitors.

Should one or more of these risks materialize, this would give rise to material costs and would compromise the Company's reputation, seriously affecting its ability to continue its operations.

Risks related to the Company's inability to protect the confidentiality of its information and expertise

The Company could fail to ensure the confidentiality of its trade or technical secrets.

The Company's trade and technical secrets include:

- certain unpatented technical expertise that enables it to offer to conduct research and development work for third parties ;
- certain scientific knowledge generated by the work carried out by the Company ;
- certain information relating to the products currently being developed within the Company ;
- certain information relating to the agreements signed between the Company and third parties.

These various trade and technical secrets give the Company a number of advantages. The disclosure of certain of these secrets could allow third parties to offer products or services to rival those of the Company or to generally prejudice the Company.

The possibility cannot be ruled out that rules on the security and protection of confidential information and agreements or other arrangements to protect the Company's trade secrets

fail to provide the protection sought, or are breached, or that the Company's trade secrets are disclosed to, or developed independently by, its competitors.

Should any one of these risks materialize, this could have a material adverse effect on the Company's business, prospects, financial situation, results and development.

Risks related to the use of the Company's trademark by third parties

The Company's trademark is a key component of its identity and its products. Although the key components of its trademarks have been registered, notably in France and the USA, other companies in the pharmaceutical sector might use or attempt to use components of this trademark, and thereby create confusion in the minds of third parties.

The Company would then have to redesign or rename its products in order to avoid encroaching on the intellectual property rights of third parties. This could prove to be impossible or costly in terms of time and financial resources and could be detrimental to its marketing efforts.

Should this risk materialize, this could have a material adverse effect on the Company's business, prospects, financial situation, results and development. The Company aims to limit this risk by filing and maintaining its trademarks and ensuring that appropriate monitoring is conducted by its intellectual property department.

Risk related to the Company's product liability

Given that the Company develops diagnostic and therapeutic products intended to be tested on humans in an initial phase, then commercialized, it may be subject to product liability.

Notably because of its products, the Company is exposed to the liability risk that is inherent in the production and commercialization of diagnostic and therapeutic products.

The Company may also be held liable in connection with clinical tests carried out on the administration of these products. Third parties, patients, regulatory agencies, biopharmaceutical companies or others could bring a lawsuit against the Company following actions resulting from its own activities or the activities of service providers appointed to act on its behalf.

Should the Company, its partners or its subcontractors be held liable in this context, the ongoing development and commercialization of its candidate drugs or biomarkers could be compromised and the Company's financial situation could subsequently be affected.

The insurance cover purchased by the Company may not be sufficient to cover the liability claims against it or the risk involved, or it may prove to be very costly. In particular, should the Company be faced with a lawsuit for bodily injury related to its products, and should the insurance cover prove to be insufficient, all or part of the Company's assets could be pledged to settle a liability lawsuit brought against the Company because of its products.

7.3 Financial risks

Financial performance risks

Since its creation in 2006, the Group had consistently generated a net profit. Following the substantial investments required for its most advanced products, however, it has reported a net loss.

The Group uses external service providers whose tariffs may increase faster than the Company's revenues, especially for the conducting of clinical and preclinical trials and the production of drug or biomarker candidates, thus undermining the Group's net results.

Finally, the agreements signed with biopharmaceutical companies constitute an important source of revenue for the Company. Should the Company prove unable to extend these agreements or sign new ones, it could be forced to delve deeper into its own cash reserves.

Risks related to the Company's financing capacity and liquidity risk

Risks related to the Company's financing capacity

The development of the Company's programs calls for significant financial investments. The Company's ability to raise funds to ensure the ongoing development of its drug candidates or biomarker candidates is of utmost importance.

The Company could need additional funds to finance future investments that are as yet unknown or difficult to quantify since they concern projects that have yet to reach maturity. The clinical development of future drugs is becoming increasingly expensive and subject to strict regulations. It is therefore difficult to quantify with any precision the overall costs associated with preclinical and clinical development, in particular as regards many products of the Company, that are still at an early stage of development.

The Company may also need additional funding if:

- an external acquisition opportunity is identified;
- an opportunity is identified to accelerate internal programs, e.g. in hepatobiliary disorders ;
- the developments underway prove to be lengthier and more expensive than currently expected;
- the regulatory authorities require the Company to undertake additional studies or the negotiations with the authorities are delayed;

- the Company has to settle a major legal dispute.

Should the Company fail to find additional funding, its business, results and development could be affected, and it could be forced to delay or discontinue the development or commercialization of certain products. In addition, should French or European government policies concerning research and development aid and funding impose a reduction or suppression of aid in the form of subsidies, repayable advances or research tax credits, this could have a material adverse effect on the Group's business, prospects, financial situation, results and development.

Liquidity risk

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, 2016, the Group has € 94,689 thousand in cash and cash equivalents and current financial instruments compared with €60,142 thousand as of December 31, 2015. In light of this amount, at June 30, 2016, the Company does not believe that is has liquidity risk in the short term. The Company believes that its cash and cash equivalents and current financial instruments are sufficient to ensure its financing, in light of its current projects and undertakings, for the next twelve months.

However, these funds could prove insufficient to cover any additional financing needs, in which case new funding would be required. The conditions and arrangements for such new financing would depend, among other factors, on economic and market conditions that are beyond the Company's control. Such new funding could take the form of bank financing, but this would undermine the Company's financial structure. New funding could also take the form of a capital increase, which would dilute the holdings of existing shareholders.

Finally, in the event of a new international financial crisis, access to financing sources could be reduced or impossible.

- Maturity of financial liabilities :

Conditional advances are made up entirely of public financing from Bpifrance to finance defined research programs. The elements related to these conditional advances are detailed in the next table:

Maturity of financial liabilities (in € thousands)	As of 2016/06/30	Less than 1 year	Less than 2 years	Less than 3 years	Less than 4 years	Less than 5 years	More than 5 years
BPI FRANCE - IT-DIAB	3 229	0	0	0	0	3 229	0
BPI FRANCE - AVANCE N°1 - OLNORME II - 1	133	36	72	25	0	0	0
BPI FRANCE - AVANCE N°2 - OLNORME II - 2	133	36	72	25	0	0	0
BPI FRANCE - AVANCE N°3 - OLNORME II - 3	106	29	58	20	0	0	0
TOTAL - Refundable & conditional advances	**3 601**	**101**	**201**	**70**	**0**	**3 229**	**0**
Bank loans	1 776	580	493	467	152	85	0
Development loans with participation feature	575	575	0	0	0	0	0
Accrued interests	10	10	0	0	0	0	0
Other financial loans and borrowings	24	24	0	0	0	0	0
TOTAL - Other loans & borrowings	**2 386**	**1 189**	**493**	**467**	**152**	**85**	**0**
TOTAL	**5 986**	**1 290**	**694**	**536**	**152**	**3 314**	**0**

The Company's financial assets are made up entirely of “dynamic” marketable securities comprising either “dynamic” money market funds, term deposits, negotiable medium-term notes, or mutual funds with a guaranteed capital return. These investments can be monetized at any time.

Cash & cash equivalents	As of	
(in € thousands)	2015/12/31	2016/06/30
Short-term deposits	59 683	93 233
Cash & bank accounts	428	1 408
TOTAL	**60 111**	**94 640**

Short-term deposits	As of	
(in € thousands)	2015/12/31	2016/06/30
UCITS	4 541	22 081
TERM ACCOUNTS	53 987	48 692
NEGOTIABLE MEDIUM TERM NOTES	1 050	15 300
INTEREST BEARING CURRENT ACCOUNT	105	7 160
TOTAL	**59 683**	**93 233**

The breakdown of the Group’s financial liabilities as of June 30, 2016 is presented below:

- Breakdown of the Group’s financial liabilities into current and non-current liabilities

Loans & borrowings - Total	As of	
(in € thousands)	2015/12/31	2016/06/30
Refundable & conditional advances	3 998	3 601
Bank loans	988	1 776
Development loans with participation feature	690	575
Accrued interests	5	10
Other financial loans and borrowings	24	24
TOTAL	**5 705**	**5 986**

Loans & borrowings - Current	As of	
(in € thousands)	2015/12/31	2016/06/30
Refundable & conditional advances	360	101
Bank loans	374	580
Development loans with participation feature	460	575
Accrued interests	5	10
Other financial loans and borrowings	24	24
TOTAL	**1 223**	**1 290**

Loans & borrowings - Non current	As of	
(in € thousands)	2015/12/31	2016/06/30
Refundable & conditional advances	3 638	3 500
Bank loans	614	1 196
Development loans with participation feature	230	0
Accrued interests	0	0
Other financial loans and borrowings	0	0
TOTAL	**4 482**	**4 696**

- Bank loans (see notes 6.12.1.2 and 6.12.1.3 to the half year 2016 consolidated financial statements)

The bank loans taken out in 2013, 2014 and 2015 totaled € 1,500 thousand and will be fully paid back in 2019. The participating loan agreement taken out in 2010 for a total of € 2.3 million will be fully reimbursed in 2017.

In addition, during the first half 2016, the Company received the following banking commitments for the financing of its investment program in scientific and office equipment:

- in April, Crédit du Nord loaned the Company €0.5 million repayable over five years;
- in June, Banque Neuflize OBC loaned the Company €0.5 million repayable over three years; and
- at the end of June, BNP Paribas granted the Company a loan of €0.5 million repayable over three years which the Company intends to draw down on before the end of 2016.

- Financial lease contracts

During the first half 2016, CM-CIC Bail and the Company entered into a master agreement with a lease-to-purchase option during the second half 2016, for scientific equipment for a maximum amount of €2 million.

Risks relating to the Research Tax Credit

To finance its operations, the Company benefits from Research Tax Credit ("CIR" for "Crédit d'Impôt Recherche").

The French Treasury always refunded Research Tax Credit to the Company during the year following the close of the fiscal year concerned. Regarding the Research Tax Credit recognized for 2015 and future years, it is possible that the tax authorities could call into question the accelerated reimbursement allows to the Small and Medium Size Cies, the methods used by the Company to calculate its research and development expenses or that the CIR itself could be called into question due to a change in policy or because it is contested by the tax authorities, even though the Company complies with the requirements in terms of documentation and eligibility of its expenditure. Should this happen, it could have an adverse effect on the Company's results, financial situation and prospects.

At the date of this report and following a fiscal control on fiscal years ended December 31 2011, 2012 and 2013, as well as on the Research Tax Credit for 2010, the Company received two reassessment proposals concerning the Research Tax Credit for 2010, 2011 and 2012 that it contests. They state a potential recovery that could amount to a total of €2,475 thousand induced by evolution of the calculation methods advocated by the tax authorities for Research Tax Credit. The dispute primarily relates to co-research alliances concluded pharmaceuticals companies. The tax authorities contend that, in these agreements, the Company is acting a sub-contractor, which would result in reducing the basis on which the CIR is computed to the amounts billed by the Company to the other party.

Thus, it cannot be excluded that the tax control on the CIR led to the questioning of the CIR for the controlled fiscal years and for subsequent fiscal years and therefore cannot be excluded that it could have an adverse effect on the Company's results, financial situation and prospects of the Company and Group (see section 8 of this report).

Other risks

Exchange rate risks

As of the date of this report, the Group's exposure to exchange rate risk is moderate because almost all of its operations are denominated in euros, with the notable exception of the transactions performed by GENFIT CORP in dollars. Purchases of USD$ in the first half 2016 amounted to €1,720 thousands in light of the intragroup transactions with GENFIT CORP (representing USD$1,194 thousand) (see chapter 4 on intragroup transactions)

In the future, GENFIT SA might enter into an increasing number of transactions denominated in other foreign currencies or indirectly exposed to currency risk, which would increase its overall exposure to this risk.

Subject to the development pathways put in place by the Company, its exposure to this type of risk is subject to change depending 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.

At present, the Company has put in place several specific hedging arrangements. However, if its currency exposure were to progress, the Company would consider putting in place appropriate hedging arrangements.

Market risks

The Company's exposure to interest rate fluctuations mainly affects two items on the balance sheet: cash and cash equivalents. These items comprise mainly term deposits, units in mutual funds, negotiable medium-term notes and SICAV money market funds. These are highly liquid short-term investments subject to an insignificant risk of change in value. The Company's policy in terms of investing its cash has always been to favor the absence of risk on capital.

Interest rate risk

As of June 30, 2016, the Group's financial liabilities totaled € 5,986 thousand of which one variable-rate loan contracted with Banque Neuflize at a rate of the 3 month EURIBOR + 2.5% on which the principal owed at June 30, 2016 totaled € 50 thousand. The exposure of the Company's financial assets to interest rate risk is also limited, since these assets are mainly euro-denominated money market funds (SICAV), medium-term negotiable notes or term deposits with progressive rates.

The Company considers that a +/-1% movement in interest rates would have an insignificant impact on its bottom line in view of the losses generated by its operating activity.

Risk of volatility in the Company's share price

It is likely that the price of the Company's shares would be significantly affected by events such as changes in market conditions related to its sector of activity, announcements of new contracts, technological innovations and collaborations by the Company or its main competitors, developments concerning intellectual property rights (including patents), announcements regarding scientific and clinical results concerning products currently being developed by the Company or its main competitors, receipt of required approvals and regulatory authorizations as well as the development, launching and sale of new products by the Company or its main competitors and changes in the Company's financial results.

Furthermore, the stockmarkets have experienced considerable price fluctuations over the last few years, and often, these movements do not reflect the operational and financial performance of the listed companies concerned. In particular, biotechnology companies' share prices have been highly volatile and may continue to be highly volatile in the future.

Fluctuations in the stock-market as well as the macro-economic environment could significantly affect the price of the Company's shares.

Dilution Risk

Since the Company's creation, it has regularly allocated or issued stock-options, equity warrants ("BSA") and redeemable share subscription warrants ("BSAAR") to motivate its managers, employees and consultants. As of the date of this report, the Company's previous stock option plan has lapsed. The BSA and BSAARs plans are however in effect. Before the end of the fiscal year, the Company expects to grant or issue new capital instruments or securities providing access to its share capital as set out in the 25th (stock options) and 26th (free shares) resolutions of the Extraordinary Shareholders' Meeting on June 21, 2016.

As of the date of this report, the exercise of financial instruments giving access to the Company's share capital would enable the subscription of 191,534 new shares, representing approximately 0.73 per cent of the diluted share capital. The exercise of financial instruments giving access to the Company's share capital which could be put in place, as well as all allocations or new issues, would lead to dilution for the shareholders.

7.4 Insurance and risk hedging

The Group has implemented a policy for hedging against key insurable risks, providing cover which it believes to be appropriate in light of the nature of its business. The Group's main insurance policies at present are as follows:

Insurance Policies	Insurers	Risks covered	Insurance guaranties	Expiry date

			(in €)	
Directors and Company officers liability insurance Policy 0007904132/0000 Amendment 7	AIG	Loss arising out of any complaint against an executive officer and defense of executive officers	15,000,000	automatically renewable
Freight transport Description		Overall ceiling per shipment		
		Per exhibition		
		After Sale Service		
Property and Casualty insurance of the Company Policy companies - property damage "All risks except" 013021171	ALLIANZ IARD	Damages to property/ contents	7,152,000	automatically renewable
		theft	222,786	
		broken glass	44,757	
		machines breakdown	2,238,166	
		operating loss policy	12,000,000	
Individual insurance accidents Policy 012513003	ALLIANZ IARD	Per event	15,000,000	automatically renewable
		Accidental death	100,000	
Operating and Product liability Policy DB0000600919	CHUBB	Operating (before delivery)	7,622,451	automatically renewable
		Product (after delivery)	2,300,000	

Moreover, as a sponsor, the Company takes out specific insurance cover for each trial carried out.

The total expenses paid by the Group for all insurance policies were respectively € 107 thousand, €136 thousand and € 115 thousand for the fiscal years ended on December 31, 2015, 2014 and 2013.

8. LEGAL AND ARBITRATION PROCEEDINGS

Dispute with Mr. Jean-Charles Fruchart and his wife

In April 2008, Jean-Charles Fruchart relinquished his position of Chairman of the Supervisory Board of the Company. Following this, he and his wife initiated multiple legal proceedings, in both commercial and criminal courts, against or involving the Company and certain of its officers, shareholders, subsidiaries and affiliated companies, almost systematically appealing against unfavorable court rulings. As such, some of these claims are ongoing before appeal courts, or are in pre-hearing proceedings.

As these proceedings negatively impacted their reputation and their investment in the Company, two institutional shareholders of the Company have sought to hold Mr. and Mrs. Fruchart liable. As the Company has itself incurred a number of internal expenses, lawyers' fees and other legal expenses, it has joined the shareholders' legal action to obtain indemnification for these expenses, as well as compensation for the costs and damages it has suffered due to Mr. and Ms. Fruchart's actions. The Company and its shareholders have recently appealed against a ruling by the trial court in this matter.

Research Tax Credit Audit by the French Tax Administration

As of the date of this report, and following a tax audit of the fiscal years ended December 31, 2011, 2012, and 2013, as well as the audit of the Research Tax Credit (*Crédit d'Impôt Recherche)* authorities have notified the Company regarding two proposed tax adjustments pertaining to the 2010, 2011, and 2012 CIRs fiscal years, which could lead to a total potential tax adjustment of €2,475 thousand.

The tax authorities' adjustments mainly pertain to collaborative research alliances with companies in the pharmaceutical industry. The tax authorities contend that, in these agreements, the Company is acting as a sub-contractor, which should reduce the basis on which the CIR is computed by deducting amounts billed by the Company to the other party. The Company maintains that the contracts governing said collaborative research alliances include 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 are not sub-contracting agreements.

In February 2015, the Company formally contested the proposed tax adjustment pertaining to the 2010 CIR (€ 1,141 thousand). A similar type of detailed response regarding the tax adjustment pertaining to the 2011 and 2012 CIRs was sent by the Company to the tax authorities in February 2016. At the end of May 2016, the tax administration responded to the two letters of contest maintaining that the bulk of the adjustments contained in the two notices. GENFIT used the remedies available to it to contest this position. After an initial unsuccessful attempt, GENFIT requested, in a letter dated July 20, 2016, the second stage remedy available to it.

During the 2015 fiscal year, the tax authorities have agreed to the Company's request for the immediate payment of its 2014 CIR, minus, as a provisional measure, the proposed tax adjustment relative to the 2010 CIR.

Under these circumstances, the Company, although confident in its position, has provisionally calculated the amount of the potential tax liability pertaining to the 2010 to 2015 CIR as if the tax authorities' interpretation were to prevail. On the basis of analyses conducted by third party experts, the Company believes that this potential tax liability could amount to € 2,018 thousand, out of the aggregate € 20,695.4 thousand in CIRs reported in the 2010 to 2015 financial statements. (please also refer to Note 6.24 of the half year consolidated financial statements).

Reference to this potential tax liability in this report and in the notes in the annex to the half year consolidated financial statements does not, under any circumstances whatsoever, constitute an acknowledgement of the tax authorities' arguments in this matter.

For the 2015 fiscal year, the Company's request for reimbursement of the research tax credit is under review by the French Treasury.

AMF Investigation

Lastly, on January 19, 2015, the *Autorité des Marchés Financiers* (French financial markets regulator) opened an inquiry into the Company's financial disclosures and into the trading of its shares over the June 2014 – April 2015 period. On January 14, 2016, the AMF's Investigations and Inspections Department sent three official letters to Biotech Avenir, GENFIT SA and the Chairman of GENFIT SA's Executive Board. These letters mainly discuss the fact that on September 26, 2014, after market close, Biotech Avenir sold shares in a block trade shortly before the Company's press release announcing half-year 2014 results was published. In addition, the AMF's Investigations and Inspections Department also raised the issue of an interview given by the CEO that same day in the afternoon, in which the recent activities and positive outlook of GENFIT were discussed, without mention of its net losses in the first half of that year. Finally, the AMF's official letters also referred to the sale notification that Biotech Avenir made on October 7, 2014 pursuant to Article 223-22 of the AMF's General Regulations, which the AMF contends was not made by in full accordance with the regulations.

The Company, Biotech Avenir, and the Chairman of the Executive Board sent their responses to said official letter on February 23, 2016.

On June 26, 2016, Biotech Avenir and the Chairman of GENFIT's Executive Board were notified of claims relating to the aforementioned transaction of September 26, 2014 (nevertheless, the AMF did not make any claim regarding the sale notification). In their responses dated September 19 2016, Biotech Avenir and the Chairman of GENFIT's Executive Board vigorously contested the claims that were notified to them.

However, no sanction proceedings were opened with respect to the Company.

Except for the proceedings described above, there are no other government, court or arbitration proceedings of which the Company is aware, that are pending or threatened, and that could potentially have or have already had, over the past twelve months, a significant impact on the financial situation, business or profit of the Company and the Group.

9. SUBSEQUENT EVENTS TO JUNE 30, 2016

With effect from July 1, 2016, GENFIT decided to finance, up to a maximum amount of approximately USD$1.6 million over 18 months, the creation by Pinnacle Clinical Research of a registry of patients with NAFLD/NASH. These patients will have access to state of the art medical care by specialized clinics associated with this initiative. The data compiled will assist in informing the medical field about the prevalence, evolution and progression of and co-morbidities associated with the disease. GENFIT will have access to de-identified data allowing it to reinforce its own understanding of these diseases and continue its own disease awareness work**.**

The Company announced the results of the first analyses of the validation tests for biomarkers (miARNs) identified in the framework of its BMGFT03 program which were used in a cohort of extremely obese patients (NASH and non-NASH) of the University of Antwerp:

first analyses have validated the predictive value of miRNAs previously identified by GENFIT as biomarkers of NASH.

In addition, the Company opened a secondary establishment in Paris, with 150 m^2 of leased office space.

10. OUTLOOK

The Company intends to continue its value creation strategy based on developing its proprietary therapeutic and diagnostic assets; and in particular by developing Elafibranor, the drug candidate at the most advanced development stage and that the Company foresees as being the main catalyst for growth in the coming years.

The Company also intends to benefit from the pivotal Phase III clinical trial of Elafibranor in NASH (RESOLVE-IT) in progress at the time of this report, to move forward with the associated biomarker program; the validation of the algorithm developed in 2015 could thus significantly strengthen the value of Elafibranor.

While the available cash at the date of this report allowed the Company to launch the pivotal Phase III trial RESOLVE-IT, it is not sufficient to cover the mid-term financing needs of the Company to 2019, date when the Company would anticipate receiving the marketing authorization of Elafibranor in NASH. The Company will thus need to finance this last stage of Elafibranor's clinical development and the progression of its other proprietary programs. Drivers for this financing could be to raise additional capital and/or sign one or several licensing agreement(s) for one or some of its products.

11. DECLARATION BY THE PERSON RESPONSIBLE FOR THE INFORMATION

"I hereby declare, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable generally accepted accounting principles and give a true and fair view of the assets and liabilities, the financial position and the results of the Company at June 30, 2016, and that the half year 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."

Jean-François Mouney
Chairman of the Executive Board

Loos, September 23, 2016

Encl:

- Condensed consolidated financial statements at June 30, 2016
- Significant accounting policies
- Notes to the consolidated financial statements at June 30, 2016

HALF-YEAR FINANCIAL STATEMENTS AS OF JUNE 30, 2016

HALF YEAR
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

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1. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS (in € thousands)	Notes	As of 2015/12/31	 2016/06/30
Non-current assets			
Intangible assets	6.5.	563	554
Property, plant & equipment	6.6.	1 324	1 746
Non current trade & others receivables	6.7.	7	4
Other non-current financial assets	6.8.	612	655
Total - Non-current assets		2 505	2 959
Current assets			
Inventories	-	28	17
Current trade & others receivables	6.7.	5 998	9 089
Other current financial assets	6.8.	31	49
Other current assets	6.9.	585	1 034
Cash & cash equivalents	6.10.	60 111	94 640
Total - Current assets		66 753	104 829
Total - Assets		**69 258**	**107 789**

EQUITY & LIABILITIES (in € thousands)	Notes	As of 2015/12/31	 2016/06/30
Shareholders' equity			
Share capital	6.11.	5 990	6 589
Share premium	-	118 038	165 417
Retained earnings	-	(51 492)	(68 628)
Currency translation adjustment	-	15	11
Net loss	-	(17 135)	(12 662)
Total shareholders' equity - Group share		55 416	90 726
Non-controlling interests	-	0	0
Total - Shareholders' equity		55 416	90 726
Non-current liabilities			
Non-current loans & borrowings	6.12.	4 482	4 696
Non-current deferred income and revenue	6.14.	5	4
Non-current employee benefits	6.16.	743	782
Total - Non-current liabilities		5 229	5 483
Current liabilities			
Current loans & borrowings	6.12.	1 223	1 290
Current trade & other payables	6.13.	7 292	10 205
Current deferred income and revenue	6.14.	29	16
Current provisions	6.15.	69	69
Total - Current liabilities		8 613	11 580
Total - Equity & liabilities		**69 258**	**107 789**

2. CONSOLIDATED STATEMENTS OF OPERATIONS

(in € thousands, except earnings per share data)	Notes	Half-year ended 2015/06/30	2016/06/30
Revenues and other income			
Revenue	6.18.	395	151
Other income	6.18.	2 014	3 495
Revenues and other income		2 409	3 647
Operating expenses and other operating income (expenses)			
Research & development expenses	6.19.	(9 008)	(12 323)
General & administrative expenses	6.19.	(2 498)	(4 166)
Other operating income	6.19.	(0)	0
Other operating expenses	6.19.	(34)	(1)
Operating loss		(9 130)	(12 843)
Financial revenue	6.21.	329	278
Financial expenses	6.21.	(69)	(97)
Financial income		260	181
Income tax	6.22.	(0)	(0)
Net loss		**(8 871)**	**(12 662)**
Attributable to owners of the Company		(8 871)	(12 662)
Attributable to non-controlling interests		0	0
Basic / diluted loss per share attributable to shareholders of Genfit			
Basic earnings per share (€/share)	6.23.	(0.37)	(0.49)

3. CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS

(in € thousands)	Notes	Half-year ended 2015/06/30	2016/06/30
Net loss		**(8 871)**	**(12 662)**
Actuarial gains and losses	6.16.	59	0
Other comprehensive income (loss) that will never be reclassified to profit or loss		59	0
Exchange differences on translation of foreign operations		23	(5)
Other comprehensive income (loss) that are or may be reclassified to profit or loss		23	(5)
Total other comprehensive loss		**(8 789)**	**(12 667)**
Attributable to owners of the Company		(8 789)	(12 667)
Attributable to non-controlling interests		0	0

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

(in € thousands)	Half-year ended 2015/06/30	Year ended 2015/12/31	Half-year ended 2016/06/30
Cash flows from operating activities			
+ Net loss	(8 871)	(17 135)	(12 662)
Reconciliation of net loss and of the cash used for operating activities			
Adjustments for:			
+ Amortization	153	327	274
+ Depreciation & impairment charges	174	237	39
- Gain / (loss) on disposal of property, plant & equipment	0	3	0
- Net finance expenses / (revenue)	41	(27)	71
- Expenses related to share-based compensation	1 787	2 012	0
- Income tax expense	0	0	0
+ Other non-cash items	12	10	(394)
Operating cash flows before change in working capital	(6 704)	(14 572)	(12 671)
Change in:			
Decrease (+) / increase (-) in inventories	184	219	12
Decrease (+) / increase (-) in trade receivables & other assets	(1 492)	946	(3 599)
Decrease (-) / increase (+) in trade payables & other liabilities	(2 215)	(1 462)	2 951
Change in working capital	(3 523)	(298)	(636)
Income tax paid	0	0	0
Net cash flows provided by (used in) operating activities	**(10 227)**	**(14 870)**	**(13 308)**
Cash flows from investment activities			
- Acquisition of property, plant & equipment	(199)	(790)	(686)
+ Proceeds from disposal of property, plant & equipment	0	2	(0)
- Acquisition of financial instruments	(12)	(16)	0
+ Proceeds from sale of financial instruments	0	4 300	0
- Acquisition of subsidiary, net of cash acquired	0	0	0
Net cash flows provided by (used in) investing activities	**(211)**	**3 496**	**(686)**
Cash flows from financing activities			
+ Proceeds from issue of share capital (net)	0	2	47 978
+ Proceeds from subscription / exercise of share warrants	131	267	0
+ Proceeds from new loans & borrowings	503	807	1 000
- Repayments of loans & borrowings	(841)	(1 609)	(390)
- Financial interests paid (including finance lease)	(54)	13	(66)
Net cash flows provided by (used in) financing activities	**(261)**	**(520)**	**48 522**
Increase / (decrease) in cash & cash equivalents	**(10 699)**	**(11 894)**	**34 529**
Cash & cash equivalents at the beginning of the period	**72 005**	**72 005**	**60 113**
Cash & cash equivalents at the end of the period	**61 306**	**60 113**	**94 642**

5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in € thousands)	Share capital		Share premiums	Treasury shares	Retained earnings	Currency translation adjustment	Net profit (loss)	Total shareholders' equity Group share	Non-controlling interests	Total shareholders' equity
	Number of shares	Share capital								
As of January 1, 2015	23 957 671	5 989	115 757	0	(34 278)	(15)	(17 025)	70 429	0	70 429
Net loss							(17 135)	(17 135)		(17 135)
Other comprehensive income (loss)					(62)	30		(32)		(32)
Total comprehensive income (loss)	0	0	0	0	(62)	30	(17 135)	(17 167)	0	(17 167)
Allocation of prior period profit (loss)					(17 025)		17 025	0		0
Capital increase	1 233	0	1					2		2
Share-based compensation			2 012					2 012		2 012
Treasury shares				(127)				(127)		(127)
Other movements			267					267		267
As of December 31, 2015	23 958 904	5 990	118 038	(127)	(51 365)	15	(17 135)	55 416	0	55 416
Net loss							(12 662)	(12 662)		(12 662)
Other comprehensive income (loss)					0	(5)		(5)		(5)
Total comprehensive income (loss)	0	0	0	0	0	(5)	(12 662)	(12 667)	0	(12 667)
Allocation of prior period profit (loss)					(17 135)		17 135	0		0
Capital increase	2 395 890	599	47 379					47 978		47 978
Share-based compensation			0					0		0
Treasury shares				0				0		0
Other movements			0					0		0
As of December 31, 2016	26 354 794	6 589	165 417	(127)	(68 500)	11	(12 662)	90 727	0	90 727

6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1. THE COMPANY

Founded in 1999 under the laws of France, GENFIT S.A. (the "Company") is a biopharmaceutical company whose mission is to discover and develop innovative treatment solutions (candidate drugs) and diagnostic products (candidate biomarkers) to combat certain metabolic, inflammatory, autoimmune or fibrotic diseases affecting especially the liver (such as non-alcoholic steatohepatitis or NASH); diseases for which medical needs are largely unmet due to the lack of effective treatments and because of the increasing number of patients worldwide.

The consolidated financial statements of the Company include the operations of GENFIT S.A. and GENFIT CORP., our wholly-owned U.S. subsidiary (together referred to as "GENFIT" or the "Group").

6.2. BASIS OF PRESENTATION

The Consolidated Financial Statements of GENFIT have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as of June 30, 2016. Comparative figures are presented for the year ended December 31, 2015 and the six months ended June 30, 2015.

Pursuant to European regulation n°1606/2002, these consolidated financial statements for the six month ended June 30, 2016 were established in accordance with IAS 34 relating to interim financial information, under IFRS as adopted by the European Union. GENFT applied IAS 1 "Presentation of Financial Statements" to prepare the financial statements for the six months ended June 30, 2016.

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.

The companies were consolidated on the basis of the interim financial situation at June 30, 2016. These consolidated financial statements for six months ended June 30, 2016 were established under the responsibility of the Management Board who approved them in a resolution dated September 19, 2016.

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

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

6.2.1. Changes in accounting policies and new standards or amendments

None.

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

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015 and earlier application is permitted; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 9 Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Accounting for acquisitions of interests in joint operations (amendments to IFRS 11);
- Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38);
- Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28);
- Annual Improvements to IFRSs for the 2012–2014 Cycle;
- Disclosure initiative (amendments to IAS 1).

6.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.3.1. Use of estimates and judgments

In preparing the financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual amounts may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The estimates and underlying assumptions mainly relate to research tax credit (see section 6.3.18.2. - "Research tax credit"), employee benefits (see section 6.3.16. - "Employee benefits") and share-based payments (see section 6.3.21. - "Share-based compensation").

6.3.2. Consolidation

An investor controls an investee when the investor is exposed to variable returns from its involvement with the investee, and when the investor has the ability to affect those returns through its power over the investee. The notion of control implies exposure, or rights, to variable returns from the involvement with the investee and the ability to affect those returns through the power over the investee.

The Group controls all the entities included in the consolidation.

6.3.3. Foreign currency

6.3.3.1. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the entities of the Group at the exchange rates applicable at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the reporting date.

The resulting exchange gains or losses are recognized in the statement of operations.

6.3.3.2. Foreign currency translation

The assets and liabilities of foreign operations having a functional currency different from the euro are translated into euros at the closing exchange rate. The income and expenses of foreign operations are translated into euros at the exchange rates effective at the transaction dates or, in practice, using the average exchange rate for the reporting period unless this method cannot be applied due to significant exchange rate fluctuations.

Gains and losses arising from foreign operations are recognized in the statement of other comprehensive loss. When a foreign operation is partly or fully divested, the associated share of gains and losses recognized in the currency translation reserve is transferred to the statement of operations.

The Group presentation currency is euro, which is also the functional currency of GENFIT S.A.
The functional currency of GENFIT CORP. is US dollars.

Euros (EUR) / US dollars (USD)	As of	
	2015/12/31	2016/06/30
Exchange rate at period-end	0.91853	0.90074
Average exchange rate for the period	0.9019	0.89672

6.3.4. Intangible assets

Intangible assets mainly consist of software and operating licenses acquired by the Group. They are recognized at cost less accumulated amortization and impairment. Amortization expense is recorded on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives of both patents and software are between 3 and 10 years.

6.3.5. Property, plant and equipment

Property, plant and equipment are initially recognized at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Routine maintenance costs are expensed as incurred.

Subsequently, depreciation expense is recognized on a straight-line basis over the estimated useful lives of the assets. If components of property, plant and equipment have different useful lives, they are accounted for separately. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

The estimated useful lives are as follows:

Scientific equipment	Between 4 and 12 years
Computer equipment	4 years
Furniture	10 years
Vehicles	6 years

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item. The net amount is recognized in the consolidated statement of operations under the line item "Other operating income" or "Other operating expenses."

6.3.6. Leases

6.3.6.1. Finance leases

If, according to the terms of a lease, it appears that substantially all the risks and rewards incidental to ownership are transferred from the lessor to the lessee, the leasing contract is qualified as a finance lease. The associated leased assets are initially recognized as an asset at their fair value or present value of the minimum lease payments due under the contract, if this is lower, and are subsequently depreciated or impaired, as necessary. The resulting financial liabilities are reported in the line item "Non-current loans and borrowings" and "Current loans and borrowings".

6.3.6.2. Operating leases

A lease is classified as an operating lease if it does not transfer to the lessee substantially all the risks and rewards incidental to ownership.

Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

Lease incentives received such as rent-free periods or uneven lease payments are spread on a straight-line basis over the term of the lease.

GENFIT is a lessee in a number of lease contracts (see section 6.6. - "Property, plant and equipment").

6.3.7. Impairment of tangible assets, intangible assets and goodwill

If indicators of impairment are identified, amortizable intangible assets and depreciable tangible assets are subject to an impairment test under the provisions of IAS 36, *Impairment of Assets*.

Goodwill is tested for impairment as part of the cash-generating unit to which it has been allocated at least once per year. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The goodwill resulting from the acquisition of the company IT.OMICS S.A. in November 2006 has been allocated to GENFIT S.A., which is also the lowest level at which it is monitored for internal management purposes.

6.3.8. Inventories

Inventories of supplies which consist mainly of laboratory consumables are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Since 2015, the amount of inventory of laboratory consumables has continued to decrease due to a decrease in the collaboration research activity.

6.3.9. Trade & other receivables

Trade and other receivables are recognized at fair value, which is the nominal value of invoices unless payment terms require a material adjustment for the time value discounting effect at market interest rates. Trade receivables are subsequently measured at amortized cost. A valuation allowance for trade receivables is recognized if their recoverable amount is less than their carrying amount.

Receivables are classified as current assets, except for those with a maturity exceeding 12 months after the reporting date.

6.3.10. Other financial assets

Investments in dynamic UCITS where the recommended investment horizon is generally more than three months are considered as available-for-sale financial assets. These investments can be liquidated within a period between 0 and 32 days, but without capital protection in case of early redemption. All these investments have capital protection at maturity.

A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized in other comprehensive income except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. At that time the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

6.3.11. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments. They are readily convertible to a known amount of cash and thus are subject to an insignificant risk of changes in value.

Initially recognized at their purchase cost at the transaction date, investments are subsequently measured at fair value. Changes in fair value are recognized in net finance costs.

6.3.12. Equity

Share capital comprises ordinary shares and ordinary shares with double voting rights classified in equity. Costs directly attributable to the issue of ordinary shares or share options are recognized as a reduction in equity.

6.3.13. Loans & borrowings

Financial liabilities are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method.

The Group derecognizes financial liabilities when the contractual obligations are discharged or cancelled or expire.

In June 2010, BpiFrance granted GENFIT a loan with a participation feature. The interest rate of this loan is 4.46%. It gives rise to additional remuneration for BpiFrance depending on the revenues of GENFIT S.A. (see section 6.12.1.3. - "Development loans with participation feature").

6.3.14. Trade & other payables

Trade and other payables are initially recognized at the fair value of the amount due. This value is usually the nominal value, due to the relatively short period of time between the recognition of the instrument and its repayment.

6.3.15. Provisions

Provisions are recognized when the Group has a present obligation (legal, regulatory, contractual or constructive) as a result of a past event, for which it is probable that an outflow of resources will be required to settle the obligation, and of which the amount can be estimated reliably.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions are discounted when the time value effect is material.

6.3.16. Employee benefits

The Group's pension schemes and other post-employment benefits consist of defined benefit plans and defined contribution plans.

6.3.16.1. Defined benefit plans

Defined benefit plans relate to French retirement benefit plans under which the Group is committed to guaranteeing a specific amount or level of contractually defined benefits. The obligation arising from these plans is measured on an actuarial basis using the projected unit credit method. The method consists in measuring the obligation based on a projected end-of-career salary and vested rights at the measurement date, according to the provisions of the collective bargaining agreement, corporate agreements and applicable law.

Actuarial assumptions are performed to determine the benefit obligations. The amount of future payments is determined on the basis of demographic and financial assumptions such as mortality, staff turnover, pay increases and age at retirement, and then discounted to their present value. The discount rate used is the yield at the reporting date on AA credit-rated bonds with maturity dates that approximate the expected payments for the Group's obligations.

Re-measurements of the net defined benefit liability which comprise actuarial gains and losses are recognized immediately in the statement of other comprehensive loss.

The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

6.3.16.2. Defined contribution plans

Under defined contribution plans, the management of plans is performed by an external organization, to which the Group pays regular contributions. Payments made by the Group in respect of these plans are recognized as an expense for the period in the statement of operations.

6.3.16.3. Short-term employee benefits

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

6.3.17. Revenues

GENFIT derives revenue from its projects with partners in the pharmaceutical industry in the context of co-research alliances as well as the occasional provision of research services.

The terms of these co-research alliances include several elements such as milestone payments, annual payments for research and royalties.

6.3.17.1. Annual payments for research

Annual payments for research correspond to fixed research funding payments contractually agreed with the industry partner. They depend on the resources allocated to the scientific programs and are generally recognized based on a Full-Time Equivalent (FTE) basis.

6.3.17.2. Milestone payments

Milestone payments represent amounts received from our co-research alliances, the receipt of which is dependent upon the achievement of certain scientific, regulatory, or commercial milestones. The Group recognizes milestone payments when:

- the milestone is substantive;
- the triggering event contractually agreed with the industry partner is met;
- there are no further contingencies or services to be provided with respect to that event; and
- the co-contracting party has no right to refund of payment.

Examples of triggering event include: the identification of a target, the development of a screening tool, the transition to a clinical phase or the application filing for a marketing authorization (“Autorisation de Mise sur le Marché”).

6.3.18. Other income

6.3.18.1. Government grants

The Group receives various forms of government grants. This government aid is provided for and managed by French state-owned entities, and specifically "BpiFrance" ("Banque Publique d'Investissement"), formerly named "OSEO Innovation".

Subsidies received are non-refundable. Conditional advances received are subject to nil or low interest rate depending on contractual provisions.

Grants related to assets

Grants related to assets are intended to finance the purchase of long-term assets. They are presented in the statement of financial position as deferred income and recognized in the line item "Other income" in the statement of operations on a systematic basis over the useful life of the related asset.

Grants related to income

Grants related to income are intended to finance research programs.

They are presented in the statement of financial position as deferred income and recognized in the line item "Other income" in the statement of operations as and when costs related to the research programs are incurred.

Conditional advances related to research programs

Conditional advances subject to nil or low interest rate are intended to finance research programs

In accordance with IAS 20, *Accounting for government grants and disclosure of government assistance*, the advantage resulting from nil or low interest rate as compared to a market interest rate is considered and accounted for as a government grant. A financial liability is recognized for proceeds received from the advance less the grant, and interest expense is subsequently imputed at market interest rate.

The grant portion of conditional advances is treated as a grant related to income.

For advances granted by BpiFrance, repayment is required in the event of commercial success. In addition, if GENFIT decides to stop the research program, the conditional advance may be repayable. If a program is unsuccessful, a pre-determined amount may be repayable. The remaining amount, if any, is then considered as a grant and written off in the line item "Other income" in the statement of operations.

Refundable advances

These advances, which bear interest, have been provided by MEL ("Métropole Européenne de Lille"), formerly named LMCU ("Lille Métropole Communauté Urbaine" hereafter "Lille Metropolitan Urban Community") and Nord Pas-de-Calais Region in order to support the Group. Repayment of such advances is required in all cases.

6.3.18.2. Research tax credit

The Research Tax Credit ("*Crédit d'Impôt Recherche",* or "CIR") is granted to entities by the French tax authorities in order to encourage them to conduct technical and scientific research. Entities that demonstrate that their research expenditures meet the required CIR criteria receive a tax credit that may be used for the payment of their income tax due for the fiscal year in which the expenditures were incurred, as well as in the next three years. If taxes due are not sufficient to cover the full amount of tax credit at the end of the three-year period, the difference is repaid in cash to the entity by the authorities. If a company meets certain criteria in terms of sales, headcount or assets to be considered a small/middle size company, immediate payment of the Research Tax Credit can be requested. GENFIT S.A. meets such criteria.

The Group applies for CIR for research expenditures incurred in each fiscal year and recognizes the amount claimed in the line item "Other income" in the statement of operations in the same fiscal year. In the notes to the financial statements, the amount claimed is recognized under the heading "Research tax credit" (see section 6.7. - "Trade and other receivables" and 6.18. - "Revenue and other income"). Research tax credit for fiscal years 2010, 2011 and 2012 is currently under audit by the tax authorities.

6.3.19. Research and development costs

Research expenses are recorded in the financial statements as expenses (see section 6.19. - "Operating expense").

In accordance with IAS 38, *Intangible Assets*, development expenses are recognized as intangible assets only if all the following criteria are met:

- Technical feasibility necessary for the completion of the development project;
- Intention on our part to complete the project and to utilize it;
- Capacity to utilize the intangible asset;
- Proof of the probability of future economic benefits associated with the asset;
- Availability of the technical, financial, and other resources for completing the project; and
- Reliable evaluation of the expenses attributed to the intangible asset during its development.

Since some of these criteria were not fulfilled, the Group did not capitalize any development costs.

6.3.20. Classification of operating expenses

Research and development expenses include:

- employee-related costs;
- lab supplies and facility costs;
- fees paid to scientific advisers and contracted research and development activities conducted by third parties;and
- intellectual property fees corresponding to the filing of the Group's patents.

Contracted research and development activities conducted by third parties include services subcontracted to research partner for regulatory reasons, for the production of active ingredients and therapeutic units, as well as pharmacokinetics studies. Costs primarily relate to clinical trials (coordination of clinical trials, hospital services, etc.) and pre-clinical trials (tolerability and interaction studies) that are necessary to the development of GENFIT's drug candidates and biomarker candidates.

General and administrative expenses include:

- employee-related costs for executive, business development, intellectual property, finance, legal and human resource functions;
- facility-related costs;
- legal, audit and accounting fees;
- fees paid to the company responsible for press relations and communication;
- the costs of external employees seconded to the Company (security and reception);
- other service fees (recruiting, etc.); and
- intellectual property fees corresponding to the maintenance of the Group's patents.

6.3.21. Share-based compensation

The grant date fair value of equity settled share-based compensation granted to employees is recognized as a remuneration expense with a corresponding increase in equity, over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market performance conditions are expected to be met.

The fair values of equity settled share-based compensation granted to employees are measured using the Black-Scholes model. Measurement inputs include share price on the measurement date, the exercise price of the instrument, expected volatility, expected maturity of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. For share-based compensation awards with non vesting conditions, the grant date fair value of the share-based compensation is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

GENFIT may also grant equity-settled share-based compensation to consultants who are not considered employees in exchange for services. In such cases, the value of the services is measured when they are rendered by the consultants and the share-based compensation exchanged for the services is measured at an equal amount. If the value of the services cannot be measured reliably, then such value is measured with reference to the fair value of the equity instruments granted.

Share-based compensation granted to employees and consultants consist of share warrants, some of which may be redeemed at GENFIT's discretion.

6.3.22. Income tax

Income tax expense (income) comprises current tax expense (income) and deferred tax expense (income).

Deferred taxes are recognized for all the temporary differences arising from the difference between the tax basis and the accounting basis of assets and liabilities.

Deferred tax assets are recognized for unused tax losses, unused tax credits and temporary deductible differences to the extent that it is probable that future taxable profit will be available against which they can be used.

GENFIT has not recognized net deferred tax assets in the statement of financial position.

6.3.23. Earnings per share

Basic earnings per share are calculated by dividing profit attributable to our ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by adjusting profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares (share warrants, employee warrants).

6.3.24. Operating segments

The Chief Operating Decision Maker ("CODM") is the Management Board.
The Management Board views the operations and manages the business as one segment with a single activity; namely the research and development of innovative medicines, the marketing of which depends on the success of the clinical development phase.

6.4. FINANCIAL RISKS MANAGEMENT

The Group may be exposed to the following risks arising from financial instruments: foreign exchange risk, interest rate risk, liquidity risk and credit risk.

6.4.1. Foreign exchange risk

As of the date of this document, the Group's exposure to exchange rate risk is moderate because almost all of its operations are denominated in euros, with the notable exception of the operations performed by GENFIT CORP in dollars.

In the future, GENFIT S.A. might enter into an increasing number of transactions denominated in other foreign currencies or indirectly exposed to currency risk, which would increase its overall exposure to this risk.

Subject to the development pathways put in place by the Company, its exposure to this type of risk is subject to change depending 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.

At present, the Company has put in place several specific hedging arrangements. However, if its currency exposure were to progress, the Company would consider putting in place appropriate hedging arrangements.

6.4.2. Interest rate risk

To date, the Group is only liable for governmental advances or conditional advances with no interest or interest at a fixed rate, generally below market rate. Consequently, the Group is not significantly exposed to fluctuations in interest rates for their liabilities.

At June 30, 2016, the Group's financial liabilities totalled € 5 986k (as of December, 31, 2015: € 5 705k) and included no variable-rate loans. The Group's exposure to interest rate risk through its financial assets is also limited, since these assets are mainly euro-denominated money market funds (SICAV), medium-term negotiable notes or term deposits with progressive rates.

6.4.3. Liquidity risk

The Group's loans and borrowings mainly consist of government advances for research projects, bank loans, and development loans with participation features. For conditional advances, reimbursement of the principal is subject to the commercial success of the related research project.

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, 2016, the Group has € 95 344k in cash and cash equivalents and other financial assets (as of December 31, 2015: € 60 754k).

However, these funds could prove insufficient to cover any additional financing needs, in which case new funding would be required. The conditions and arrangements for such new financing would depend, among other factors, on economic and market conditions that are beyond the Company's control. Such new funding could take the form of bank financing, but this would undermine the Company's financial structure. New funding could also take the form of a capital increase, which would dilute the holdings of existing shareholders.

6.4.4. Credit risk

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

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

6.5. INTANGIBLE ASSETS

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

Intangible assets - Movements (En milliers d'euros)	As of 31/12/2015	Increase	Decrease	Translation adjustments	Reclassification	As of 30/06/2016
Gross						
Software	1 382	257	0	0	(201)	1 437
Patents	21	0	0	0	0	21
Other intangibles	0	0	0	0	0	0
TOTAL - Gross	**1 403**	**257**	**0**	**0**	**(201)**	**1 458**
Accumulated depreciation & impairment						
Software	(818)	(64)	0	0		(883)
Patents	(21)	0	0	0		(21)
Other intangibles	0	0	0	0		0
TOTAL - Accumulated depreciation & impairment	**(840)**	**(64)**	**0**	**0**		**(904)**
TOTAL - Net	**563**	**192**	**0**	**0**	**(201)**	**554**

6.6. PROPERTY, PLANT AND EQUIPMENT

Immobilisations corporelles - Movements (En milliers d'euros)	As of 31/12/2015	Increase	Decrease	Translation adjustments	Reclassification	As of 30/06/2016
Gross						
Buildings on non-freehold land	0	0	0	0	0	0
Scientific equipment	4 937	92	(3)	0	66	5 093
Fittings	881	26	0	0	0	907
Vehicles	82	0	0	0	0	82
Computer equipment	647	44	(12)	0	437	1 109
Furniture	298	1	0	0	0	299
In progress	20	501	(219)	0	(310)	0
TOTAL - Gross	**6 865**	**664**	**(234)**	**0**	**194**	**7 489**
Accumulated depreciation & impairment						
Buildings on non-freehold land	0	0	0	0		0
Scientific equipment	(4 215)	(117)	4	0		(4 330)
Fittings	(589)	(43)	0	0		(632)
Vehicles	(14)	(7)	0	0		(22)
Computer equipment	(460)	(37)	10	0		(487)
Furniture	(262)	0	0	0		(271)
In progress	0	0	0	0		0
TOTAL - Depreciation & impairment	**(5 542)**	**(205)**	**14**	**0**		**(5 743)**
TOTAL - Net	**1 324**	**458**	**(220)**	**0**	**194**	**1 746**

Assets under finance lease contracts relate to scientific equipment. Their net carrying value as of June 30, 2016 amounts to € 58k.

Financial commitments - Operating leases

The minimum future lease payments for property rented under the Group's real estate operating lease amounted to € 920k at June 30, 2016 for the next 12 months:

Operating lease commitments - group as lessee (in € thousands)	As of 2015/12/31	2016/06/30
Minimum payments - within 1 year	920	920
Minimum payments - after 1 year but no more than 5 years	3 679	3 679
Minimum payments - more than 5 years	1 354	894
TOTAL	**5 953**	**5 493**

GENFIT has guaranteed its obligation under the lease agreement by pledging term accounts in the amount of € 454k as of June 30, 2016 (same amount as of December 31, 2015).

6.7. TRADE AND OTHER RECEIVABLES

Trade & other receivables - Total	As of	
(in € thousands)	2015/12/31	2016/06/30
Trade receivables	173	104
Research tax credit	4 845	7 888
Social security costs receivables	19	7
VAT receivables	842	881
Grants receivables	11	9
Other receivables	115	204
TOTAL	**6 005**	**9 093**

Trade & other receivables - Current	As of	
(in € thousands)	2015/12/31	2016/06/30
Trade receivables	173	104
Research tax credit	4 845	7 888
Social security costs receivables	19	7
VAT receivables	842	881
Grants receivables	5	5
Other receivables	114	204
TOTAL	**5 998**	**9 089**

Trade & other receivables - Non-current	As of	
(in € thousands)	2015/12/31	2016/06/30
Trade receivables	0	0
Research tax credit	0	0
Social security costs receivables	0	0
VAT receivables	0	0
Grants receivables	6	4
Other receivables	1	0
TOTAL	**7**	**4**

As of June 30, 2016, trade receivables neither past due nor impaired amounted to € 82k compared to € 131k as of December 31, 2015.
As of June 30, 2016, past due trade receivables amounted to € 22k compared to € 42k as of December 31, 2015.

During the period, part of the trade receivables were classified as doubtful accounts for an amount of € 74k. As a result, a provision for depreciation was registered in an amount of € 62k.

Research tax credit

As described in section 6.24. - "Litigation and contingent liabilities", the research tax credit receivable as of June 30, 2016 relates to the tax credit receivable for 2015 and to the unpaid portion of the 2014 research tax credit due to an ongoing tax audit. In addition to this amount should be added the research tax credit for the first half 2016.

6.8. OTHER FINANCIAL ASSETS

Financial assets - Total	As of	
(in € thousands)	2015/12/31	2016/06/30
Loans	159	173
Loan related security deposit	132	138
Deposits & guarantees	239	251
Liquidity contracts	113	142
TOTAL	**643**	**704**

Financial assets - Current	As of	
(in € thousands)	2015/12/31	2016/06/30
Loans	0	0
Loan related security deposit	9	23
Deposits & guarantees	22	25
Liquidity contracts	0	0
TOTAL	**31**	**49**

Financial assets - Non current	As of	
(in € thousands)	2015/12/31	2016/06/30
Loans	159	173
Loan related security deposit	123	115
Deposits & guarantees	217	225
Liquidity contracts	113	142
TOTAL	**612**	**655**

6.9. OTHER ASSETS

Other assets of €1 034k as of June 30, 2016 and € 585k as of December 31, 2015 correspond to prepaid expenses related to current operating expenses.

6.10. CASH AND CASH EQUIVALENTS

The main components of cash equivalents were:

- UCITS and INTEREST-BEARING CURRENT ACCOUNT, available immediately;
- TERM ACCOUNTS, available within the contractual maturities or by the way of early exit;
- NEGOTIABLE MEDIUM TERM NOTES, available with a quarterly maturity or by the way of early exit.

These investments are short-term, highly liquid and subject to negligible risk of changes in value.

Cash & cash equivalents	As of	
(in € thousands)	2015/12/31	2016/06/30
Short-term deposits	59 683	93 233
Cash & bank accounts	428	1 408
TOTAL	**60 111**	**94 640**

Short-term deposits	As of	
(in € thousands)	2015/12/31	2016/06/30
UCITS	4 541	22 081
TERM ACCOUNTS	53 987	48 692
NEGOTIABLE MEDIUM TERM NOTES	1 050	15 300
INTEREST BEARING CURRENT ACCOUNT	105	7 160
TOTAL	**59 683**	**93 233**

6.11. EQUITY

Common shares are classified under shareholders' equity. Any shareholder, regardless of nationality, whose shares are fully paid-in and registered for at least two years, enjoys double voting rights under the conditions prescribed by law (Article 32 of the Articles of GENFIT S.A.).

As of June 30, 2016, 2 569 969 shares have been held for more than two years and entitle their holders to double voting rights (9.75% of the issued share capital).

Changes in share capital in 2016

On February 29, 2016, pursuant to the 5th resolution of the Shareholders' Meeting of February 24, 2015, GENFIT SA increased its share capital through the private placement of 2 395 890 new shares representing a subscription of a total gross amount of €49 595k.

Changes in share capital in 2015

In 2015, in accordance with the 10th resolution of the Combined Shareholder's Meeting of April 2, 2014, GENFIT S.A carried out a capital increase resulting from the exercise of 833 BSAAR 2014-A and 400 BSAAR 2014-C by some employees. The gross amount of this capital increase was € 29k, resulting in the issue of 1,233 new shares.

6.12. LOANS AND BORROWINGS

6.12.1. Breakdown of loans and borrowings

Loans & borrowings - Total	As of	
(in € thousands)	2015/12/31	2016/06/30
Refundable & conditional advances	3 998	3 601
Bank loans	988	1 776
Development loans with participation feature	690	575
Accrued interests	5	10
Other financial loans and borrowings	24	24
TOTAL	**5 705**	**5 986**

Loans & borrowings - Current	As of	
(in € thousands)	2015/12/31	2016/06/30
Refundable & conditional advances	360	101
Bank loans	374	580
Development loans with participation feature	460	575
Accrued interests	5	10
Other financial loans and borrowings	24	24
TOTAL	**1 223**	**1 290**

Loans & borrowings - Non current	As of	
(in € thousands)	2015/12/31	2016/06/30
Refundable & conditional advances	3 638	3 500
Bank loans	614	1 196
Development loans with participation feature	230	0
Accrued interests	0	0
Other financial loans and borrowings	0	0
TOTAL	**4 482**	**4 696**

All financial liabilities are denominated in euros.

6.12.1.1. Refundable and conditional advances

General overview

From 2006 to 2010, GENFIT received 12 conditional advances with BpiFrance. Advances are subject to nil or low interest rates and are intended to finance research programs described in 6.3.18.1 - "Government grants".

In addition, two refundable advances of € 1,000k and € 500k were granted in 2011 by the Nord-Pas de Calais Region and Lille Metropolitan Urban Community.

Refundable & conditional advances - general overview (in € thousands)	Grant date	Total amount allocated	Receipts	Repayments	Other movements	Effets of discounting	Net book value 06/30/2016
BPI FRANCE - OLNORME	10/20/2006	900	900	(900)	0	0	0
BPI FRANCE - OLNORME 2	06/21/2007	200	200	(100)	(100)	0	0
Identification of novel ligands for orphan nuclear receptors from plant extracts							
BPI FRANCE - IT-DIAB	12/23/2008	3 229	3 229	0	0	0	3 229
Development of a global strategy for the prevention and management of type 2 diabetes							
BPI FRANCE - ADVANCE N°1 - B-DIAB 1	06/15/2009	31	31	(31)	0	0	0
BPI FRANCE - ADVANCE N°2 - B-DIAB 2	06/15/2009	31	31	(31)	0	0	0
BPI FRANCE - ADVANCE N°3 - B-DIAB 3	06/26/2009	37	37	(37)	0	0	0
Preclinical and clinical characterization of beta-glucans from yeast in type 2 diabetes							
BPI FRANCE - ADVANCE N°1 - AD-INOV 1	12/14/2009	172	172	(73)	(98)	0	0
BPI FRANCE - ADVANCE N°2 - AD-INOV 2	12/14/2009	172	172	(73)	(98)	0	0
BPI FRANCE - ADVANCE N°3 - AD-INOV 3	02/17/2010	150	150	(64)	(86)	(0)	(0)
Innovation program							
BPI FRANCE - ADVANCE N°1 - OLNORME II - 1	11/24/2010	250	200	(50)	0	(17)	133
BPI FRANCE - ADVANCE N°2 - OLNORME II - 2	11/24/2010	250	200	(50)	0	(17)	133
BPI FRANCE - ADVANCE N°3 - OLNORME II - 3	11/24/2010	200	160	(40)	0	(14)	106
Research of pharmaceutical entities in plant extracts for the treatment of inflammatory diseases							
NORD PAS-DE-CALAIS REGION	09/20/2012	1 000	1 000	(1 000)	0	0	0
To support the Company							
LILLE METROPOLITAN URBAN COMMUNITY	07/28/2012	500	500	(500)	0	0	0
To support the Company							
TOTAL		**7 121**	**6 980**	**(2 948)**	**(383)**	**(48)**	**3 601**

Receipts and repayments of refundable and conditional advances

Between January 1, 2016 and June 30, 2016, GENFIT repaid € 63K of refundable and conditional advances.
In 2015, GENFIT received € 305k and repaid € 650k of refundable and conditional advances.

Main terms of the contracts

BPI FRANCE OLNORME	This non-interest bearing advance is repayable in full (at 100% of its nominal value) in the event of technical and/or commercial success.
BPI FRANCE OLNORME 2	This non-interest bearing advance is repayable in full (at 100% of its nominal value) in the event of technical and/or commercial success. As provided in the agreement, GENFIT has requested that LMCU ("Lille Metropolitan Urban Community") fully waive repayment of the advance, based on the industrial exploitation in the metropolitan area. In June 2016, the Company received a waiver of the advance of € 100k. A grant was thus accounted for as of June 30, 2016.

BPI FRANCE IT-DIAB	The advance granted by BpiFrance was part of a framework innovation aid agreement involving several scientific partners and for which GENFIT was the lead partner. The contribution expected at each stage by each of the partners in respect of work carried out and results achieved is defined in the framework agreement. As regards GENFIT, the aid consists of: • a € 3,229k repayable advance; • a € 3,947k non-repayable government grant; As of December 31, 2014, € 2,924k of the repayable advance and € 3,552k of the government grant had been received. The program was finalized on December 31, 2014, which resulted in the remaining portion being paid in the course of 2015. 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 € 3,229k advance[1]. Any further amounts will be classified as additional payments.
BPI FRANCE ADVANCE N°1 - B-DIAB 1	These non-interest bearing advances are repayable in full (at 100% of their nominal amount) in the event of technical and/or commercial success.
BPI FRANCE ADVANCE N°2 - B-DIAB 2	
BPI FRANCE ADVANCE N°3 - B-DIAB 3	
BPI FRANCE ADVANCE N°1 - AD-INOV 1	These non-interest bearing advances are repayable in full (at 100% of their nominal amount) in the event of technical and/or commercial success. Regardless of the technical and / or commercial success, the attribution contract includes a minimum repayment clause up to: • advance n°1 : € 35k • advance n°2 : € 35k • advance n°3 : € 30k Three partial failures were recorded in June 2016. The remaining amount due was thus waived by BpiFrance and accounted as an operating grant for an amount of € 283k.
BPI FRANCE ADVANCE N°2 - AD-INOV 2	
BPI FRANCE ADVANCE N°3 - AD-INOV 3	
BPI FRANCE ADVANCE N°1 - OLNORME II - 1	These non-interest bearing advances are repayable in full (at 100% of their nominal amount) in the event of technical and/or commercial success. Regardless of the technical and / or commercial success, the attribution contract includes a minimum repayment clause up to: • advance n°1 : € 120k • advance n°2 : € 120k • advance n°3 : € 96k
BPI FRANCE ADVANCE N°2 - OLNORME II - 2	
BPI FRANCE ADVANCE N°3 - OLNORME II - 3	
NORD PAS-DE-CALAIS REGION	These interest bearing advances are repayable monthly in accordance with the

[1] The agreement stipulates that the repayable advance will be regarded as repaid in full when the total payments made in this regard by the recipient, discounted at the rate of 5.19%, equal the total amount, discounted at the same rate, of the aid paid.

LILLE METROPOLITAN URBAN COMMUNITY	repayment schedule. The interest rates of these advances are : • NORD PAS-DE-CALAIS REGION : 1.73% • LILLE METROPOLITAN URBAN COMMUNITY : 4.25%

6.12.1.2. Bank loans

Crédit Industriel et Commercial	In August 2013, GENFIT borrowed : • a € 200k loan • repayable in 41 months, repayment of which began after a 5 month grace period • at the effective interest rate of 1.89%. As of June 30, 2016, the principal amount outstanding was € 34k (2015: € 68k).
Crédit du Nord	In September 2013, GENFIT borrowed: • a € 150k loan • repayable in three years • at the effective interest rate of 2.11%. As of June 30, 2016, the principal amount outstanding was € 9k (2015: € 34k).
	In April 2016, GENFIT borrowed: • a € 500k loan • repayable in 5 years • at an effective interest rate of 0.78%. As of June 30, 2016, the principal amount outstanding was € 484k.
Banque Neuflize OBC	In June 2014, GENFIT borrowed: • a € 150k loan • repayable in three years • at the effective interest rate of Euribor 3 months + 2.50%. As of June 30, 2016, the principal amount outstanding was € 50k (2015: € 75k).
	In June 2016, GENFIT borrowed: • a € 500k loan • repayable in three years • at an effective interest rate of 1.10%. As of June 30, 2016, the principal amount outstanding was € 500k.
Banque Nationale de Paris - Paribas	In December 2014, GENFIT borrowed: • a € 500k loan • repayable in 60 months • at the effective interest rate of 2.00%. As of June 30, 2016, the principal amount outstanding was € 354k (2015: € 403k).

Crédit Industriel et Commercial	In March 2015, GENFIT borrowed: • a € 500k loan • repayable in 48 months • at the effective interest rate of 0.85%. As of June 30, 2016, the principal amount outstanding was € 346K (2015: €408k).

Bank loans are used to finance research and laboratory equipment.

6.12.1.3. Development loans with participation feature

In June 2010, BpiFrance granted GENFIT S.A. a development loan amounting to € 2,300k over a 7 year period.
No repayment of principal was scheduled during the first two years.
Since June 15, 2012, the repayments are made quarterly.
The interest rate of this loan is 4.46%.

The loan agreement contains a participation feature, which entitles BpiFrance to additional remuneration based on the revenues of GENFIT S.A.

The loan is measured at amortized cost. GENFIT regularly reviews estimates of future cash flows which vary according to revenue estimates and adjusts the carrying amount of the liability accordingly.

6.12.2. Maturities of financial liabilities

Maturity of financial liabilities (in € thousands)	As of 2016/06/30	Less than 1 year	Less than 2 years	Less than 3 years	Less than 4 years	Less than 5 years	More than 5 years
BPI FRANCE - IT-DIAB	3 229	0	0	0	0	3 229	0
BPI FRANCE - AVANCE N°1 - OLNORME II - 1	133	36	72	25	0	0	0
BPI FRANCE - AVANCE N°2 - OLNORME II - 2	133	36	72	25	0	0	0
BPI FRANCE - AVANCE N°3 - OLNORME II - 3	106	29	58	20	0	0	0
TOTAL - Refundable & conditional advances	**3 601**	**101**	**201**	**70**	**0**	**3 229**	**0**
Bank loans	1 776	580	493	467	152	85	0
Development loans with participation feature	575	575	0	0	0	0	0
Accrued interests	10	10	0	0	0	0	0
Other financial loans and borrowings	24	24	0	0	0	0	0
TOTAL - Other loans & borrowings	**2 386**	**1 189**	**493**	**467**	**152**	**85**	**0**
TOTAL	**5 986**	**1 290**	**694**	**536**	**152**	**3 314**	**0**

6.13. TRADE AND OTHER PAYABLES

Trade & other payables - Total	As of	
(in € thousands)	2015/12/31	2016/06/30
Trade payables	5 275	8 027
Social security costs payables	1 832	1 973
Employee profit sharing	17	17
VAT payables	27	26
Taxes payables	129	113
Other payables	11	49
TOTAL	**7 292**	**10 205**

Trade & other payables - Current	As of	
(in € thousands)	2015/12/31	2016/06/30
Trade payables	5 275	8 027
Social security costs payables	1 832	1 973
Employee profit sharing	17	17
VAT payables	27	26
Taxes payables	129	113
Other payables	11	49
TOTAL	**7 292**	**10 205**

Trade & other payables - Non current	As of	
(in € thousands)	2015/12/31	2016/06/30
Trade payables	0	0
Social security costs payables	0	0
Employee profit sharing	0	0
VAT payables	0	0
Taxes payables	(0)	0
Other payables	0	0
TOTAL	**(0)**	**0**

6.14. DEFERRED INCOME AND REVENUE

Deferred income & revenue - Total	As of	
(in € thousands)	2015/12/31	2016/06/30
Deferred revenue arising from contracts with customers	26	14
Deferred income arising from equipment grants	7	6
TOTAL	**33**	**20**

Deferred income & revenue - Current	As of	
(in € thousands)	2015/12/31	2016/06/30
Deferred revenue arising from contracts with customers	26	14
Deferred income arising from equipment grants	2	2
TOTAL	**29**	**16**

Deferred income & revenue - Non-current	As of	
(in € thousands)	2015/12/31	2016/06/30
Deferred revenue arising from contracts with customers	0	0
Deferred income arising from equipment grants	5	4
TOTAL	**5**	**4**

6.15. PROVISIONS

See reference to provision linked to the CIR in section 6.24 - "Litigation and contingent liabilities".

6.16. EMPLOYEE BENEFITS

In France, pension funds are generally financed by employer and employee contributions and are accounted for as 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 years ended December 31, 2014 and 2015 amounted to € 400k and € 407k respectively.

The expense recognized during the first half 2016 amount to € 227k against € 198k for the first half 2015.

French law also requires payment of a lump sum retirement indemnity to employees based on years of service and annual compensation at retirement. Benefits do not vest prior to retirement. The Group is paying this defined benefit plan. It is calculated as the present value of estimated future benefits to be paid, applying the projected unit credit method whereby each period of service is seen as giving rise to an additional unit of benefit entitlement, each unit being measured separately to build up the final. As of June 30, 2016, € 782k are recognized as pension provisions compared to € 743k as of December 31, 2015. The evaluation of the provision at June 30, 2016 was made on the basis of a projected calculation made in December 2015.

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

Population	Permanent staff
Retirement age	67
Terms of retirement	Initiated by the employee
Life expectancy	On the basis of the INSEE table
Probability of continued presence in the company at retirement age	On the basis of the DARES table

Rate	As of	
(in € thousands)	2015/12/31	2016/06/30
Salary growth rate	4.%%	4.%%
Discount rate	1.81%	1.81%

The discount rates are based on the market yield at December 31, 2015 on high quality corporate bonds.

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

Changes in the present value of the defined benefit obligation (in € thousands)	
Defined benefit obligation as of January 1,	**614**
Current service cost	57
Interest cost on benefit obligation	10
Actuarial losses / (gains) on obligation	62
Defined benefit obligation as of December 31,	**743**
Current service cost	33
Interest cost on benefit obligation	7
Actuarial losses / (gains) on obligation	0
Defined benefit obligation as of December 31,	**782**

6.17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables provide the financial assets and liabilities carrying values by category and fair values as of June 30, 2016 and December 31, 2015:

	As of December 31,						
	Carrying value				Fair value		
(in € thousands)	As per statement of financial position	Assets at fair value through profit & loss	Loans & receivables	Debt at amortized cost	Level 1	Level 2	Level 3
Assets							
Loans	159		159			159	
Loan related security deposit	132		132			132	
Deposits & guarantees	239		239			239	
Trade receivables	173		173			173	
Cash & cash equivalents	60 111	60 111			60 111		
TOTAL - Assets	**60 814**	**60 111**	**703**	**0**	**60 111**	**703**	**0**
Liabilities							
Conditional advances	3 998			3 998			3 998
Bank loans	988			988		988	
Participating development loan	690			690		690	
Accrued interests	5			5		5	
Other financial loans and borrowings	24			24		24	
Trade payables	5 275			5 275		5 275	
Other payables	11			11		11	
TOTAL - Liabilities	**10 990**	**0**	**0**	**10 990**	**0**	**6 993**	**3 998**

	As of December 31,						
	Carrying value				Fair value		
(in € thousands)	As per statement of financial position	Assets at fair value through profit & loss	Loans & receivables	Debt at amortized cost	Level 1	Level 2	Level 3
Assets							
Loans	173		173			173	
Loan related security deposit	138		138			138	
Deposits & guarantees	251		251			251	
Trade receivables	104		104			104	
Cash & cash equivalents	94 640	94 640			94 640		
TOTAL - Assets	**95 306**	**94 640**	**666**	**0**	**94 640**	**666**	**0**
Liabilities							
Conditional advances	3 601			3 601			3 601
Bank loans	1 776			1 776		1 776	
Participating development loan	575			575		575	
Accrued interests	10			10		10	
Other financial loans and borrowings	24			24		24	
Trade payables	8 027			8 027		8 027	
Other payables	49			49		49	
TOTAL - Liabilities	**14 062**	**0**	**0**	**14 062**	**0**	**10 461**	**3 601**

6.18. REVENUE AND OTHER INCOME

Industrial revenues were € 151k at June 30, 2016 compared with € 395k for the same period 2015.

Other income	Half-year ended	
(in € thousands)	2015/06/30	2016/06/30
Government grants	0	384
Research tax credit	1 964	3 043
Other operating income	51	69
TOTAL	**2 014**	**3 495**

As described in section "6.24. - Litigation and contingent liabilities", the research tax credits for the fiscal years 2010, 2011 and 2012 are subject to an ongoing tax audit.

During the first half 2016, the Group recognized in other operating income € 61k (first half 2015: € 50k) relating to the CICE (*Crédit d'impôt pour la compétitivité et l'emploi*), which is a tax credit implemented to enhance the competitiveness of businesses through the promotion of certain activities and employment. In 2016, the tax credit is equal to 6% of all wages paid to employees during the year in respect of salaries that do not exceed 2.5 times the French minimum wage (2015: 6%). In 2016, this tax credit was used to finance the increase in headcount and to purchase scientific equipment.

6.19. OPERATING EXPENSE

Operating expenses and other operating income (expenses) (in € thousands)	Half-year ended 2015/06/30	Of which:					
		Raw materials & consumables used	Contracted research & development activities conducted by third parties	Employee expenses	Other expenses (maintenance, fees, travel, taxes...)	Depreciation, amortization & impairment charges	Gain / (loss) on disposal of property, plant & equipment
Research & development expenses	(9 008)	(980)	(2 997)	(3 796)	(990)	(245)	0
General & administrative expenses	(2 498)	(40)	(48)	(1 549)	(835)	(26)	0
Other operating income	(0)	0	0	0	0	0	(0)
Other operating expenses	(34)	0	0	0	(33)	(1)	0
TOTAL	**(11 540)**	**(1 019)**	**(3 045)**	**(5 346)**	**(1 857)**	**(272)**	**(0)**

Operating expenses and other operating income (expenses) (in € thousands)	Half-year ended 2016/06/30	Of which:					
		Raw materials & consumables used	Contracted research & development activities conducted by third parties	Employee expenses	Other expenses (maintenance, fees, travel, taxes...)	Depreciation, amortization & impairment charges	Gain / (loss) on disposal of property, plant & equipment
Research & development expenses	(12 323)	(970)	(6 226)	(3 566)	(1 310)	(251)	0
General & administrative expenses	(4 166)	(45)	(0)	(2 202)	(1 842)	(77)	0
Other operating income	0	0	0	0	0	0	0
Other operating expenses	(1)	0	0	0	(1)	0	0
TOTAL	**(16 489)**	**(1 015)**	**(6 226)**	**(5 768)**	**(3 152)**	**(328)**	**0**

6.19.1. Research and development expenses

Research and development expenses include the costs of personnel dedicated to research, share-based payments for this personnel and scientific consultants, raw material and consumables used and operational outsourcing (notably clinical and pharmaceutical), and costs linked to intellectual property.

6.19.2. General and administrative expenses

In 2015, general and administrative expenses included the costs of personnel not dedicated to research, share-based payments for this personnel, administrative and commercial costs.
In 2016, general and administrative expenses included the costs of personnel not dedicated to research, and administrative and commercial costs.

6.19.3. Employee expenses

Employee expenses	Half-year ended	
(in € thousands)	2015/06/30	2016/06/30
Wages and salaries	(2 336)	(4 188)
Social security costs	(1 116)	(1 548)
Pension costs	(106)	(33)
Share-based compensation	(1 787)	0
TOTAL	**(5 346)**	**(5 768)**

Number of employees at June 30, 2016

Number of employees at year-end	Half-year ended	
	2015/06/30	2016/06/30
Research & development	71	83
Administration & management	19	25
TOTAL	**90**	**108**

Average number of employees

The average number of employees for the first half 2016«Année_N» was 103 compared with 88 in the first half 2015.

6.20. SHARE-BASED COMPENSATION

Share-based compensation is granted by GENFIT to employees, executive officers and consultants who are not considered employees.

Share-based compensation granted to employees in 2014 and 2015 correspond to share warrants ("Bons de Souscriptions d'Actions" or "BSA") or redeemable share warrants "Bons de Souscriptions et/ou d'Acquisition d'Actions" or "BSAAR").
Share-based compensation granted to consultants in 2014 and 2015 correspond to share warrants ("Bons de Souscriptions d'Actions" or "BSA").
No BSA or BSAAR were granted in the first half 2016.

Under these programs, holders of vested options are entitled to subscribe to shares of GENFIT at a pre-determined exercise price. All of the plans are equity settled.

The following table presents the share-based compensation for each program:

Share-based compensation - Annual expense	Half-year ended		Total expense
	2015/06/30	2016/06/30	calculated
BSA 2014-A	**337**	**0**	**0**
Of which : expense related to executive officers (1)	61	0	0
Of which : expense related to consultants	276	0	0
BSA 2014-B	**603**	**0**	**0**
Of which : expense related to executive officers (1)	144	0	0
Of which : expense related to consultants	459	0	0
BSA 2015-A	**335**	**0**	**0**
Of which : expense related to executive officers (1)	178	0	0
Of which : expense related to consultants	157	0	0
BSA 2015-B	**166**	**0**	**0**
Of which : expense related to executive officers (1)	89	0	0
Of which : expense related to consultants	77	0	0
BSAAR 2014-A	**34**	**0**	**0**
Of which : expense related to members of the Management Board	13	0	0
Of which : expense related to employees	21	0	0
BSAAR 2014-B	**164**	**0**	**0**
Of which : expense related to members of the Management Board	85	0	0
Of which : expense related to employees	79	0	0
BSAAR 2014-C	**149**	**0**	**0**
Of which : expense related to members of the Management Board	83	0	0
Of which : expense related to employees	66	0	0
TOTAL	**1 787**	**0**	**0**

The key terms and conditions related to each program are detailed in the following tables:

Share-based compensation Share warrants (BSA)	BSA 2014-A		BSA 2014-B	
	Executive officers (1)	Consultants	Executive officers (1)	Consultants
Date of the Shareholder's meeting Date of the Executive board meeting	04/02/2014 07/24/2014			
Nombre total de BSA - subscribed	0	0	0	0
Share entitlement per option	1 warrant / 1 share			
Issue price Exercise price (2)	0,01 € 23,50 €			
Subscription period	From 08/01/2014 To 09/15/2014		From 01/02/2015 To 02/15/2015	
Exercise period	From 11/01/2014 To 09/30/2018		From 03/01/2015 To 02/28/2019	
Methods of exercise	Exercisable per tranches of a minimum number of BSA equal to 2 000 or a multiple of 2 000, except outstanding balance			
Valuation method used	Black & Scholes			
Expected dividends Expected volatility Risk-free interest rate Expected life	0% 74,9% 0,40% 4 ans			
Estimated fair value - valued by expert opinion (3)	13,02 €			
Estimation of fair value as of December 31, 2014				
Period used for the estimation of the underlying share	As of 08/01/2014	From 08/01/2014 To 11/01/2014	As of 08/01/2014	From 08/01/2014 To 12/31/2014
Estimated fair value - according to IFRS 2	15,61 €	24,84 €	15,61 €	24,85 €
Estimation of fair value as of December 31, 2015				
Period used for the estimation of the underlying share	-	-	As of 08/01/2014	From 01/01/2015 To 03/01/2015
Estimated fair value - according to IFRS 2	-	-	15,61 €	40,09 €

(1) : Independant members of the Supervisory board.
(2) : Exercise price of the BSA 2014 is equal to the average, weighted by the volumes, of the closing prices of the share over five consecutive trading days from July 07, 2014 to July 11, 2014, decreased by a discount of 5.00 %.
(3) : Valuation of the financial instrument by independant expert opinion at the time of allocation.

Share-based compensation Share warrants (BSA)	BSA 2015-A		BSA 2015-B	
	Executive officers (1)	Consultants	Executive officers (1)	Consultants
Date of the Shareholder's meeting Date of the Executive board meeting	04/02/2014 01/09/2015			
Total number of BSA - granted	0	0	0	0
Share entitlement per option	1 warrant / 1 share			
Issue price Exercise price (2)	0,01 € 35,95 €			
Subscription period	From 01/20/2015 To 02/25/2015		From 07/01/2015 To 09/15/2015	
Exercise period	From 06/01/2015 To 05/31/2019		From 12/01/2015 To 11/30/2019	
Methods of exercise	Exercisable per tranches of a minimum number of BSA equal to 2 000 or a multiple of 2 000, except outstanding balance			
Valuation method used	Black & Scholes			
Expected dividends Expected volatility Risk-free interest rate Expected life	0% 74,9% 0,40% 4 ans			
Estimated fair value - valued by expert opinion (3)	14,64 €			
Estimation of fair value as of June 30, 2015				
Period used for the estimation of the underlying share	As of 01/09/2015	From 01/09/2015 To 06/01/2015	As of 01/09/2015	From 01/09/2015 To 06/30/2015
Estimated fair value - according to IFRS 2	25,33 €	26,89 €	25,33 €	26,31 €
Estimation of fair value as of December 31, 2015				
Period used for the estimation of the underlying share	-	-	As of 01/09/2015	From 07/01/2015 To 12/01/2015
Estimated fair value - according to IFRS 2	-	-	25,33 €	20,80 €

(1) : Independant members of the Supervisory board.
(2) : Exercise price of the BSA 2015 is equal to the average, weighted by the volumes, of the closing prices of the share over five consecutive trading days from December 03, 2014 to December 09, 2014, decreased by a discount of 4.98 %.
(3) : Valuation of the financial instrument by independant expert opinion at the time of allocation.

Share-based compensation Redeemable share subscription warrants (BSAAR)	BSAAR 2014-A		BSAAR 2014-B		BSAAR 2014-C	
	Members of the Executive Board	Employees	Members of the Executive Board	Employees	Members of the Executive Board	Employees
Date of the Shareholder's meeting Date of the Executive board meeting	04/02/2014 09/15/2014					
Nombre total de BSAAR - subscribed	0	0	0	0	0	0
Share entitlement per option	1 warrant / 1 share					
Issue price Exercise price (1)	5,61 € 23,50 €					
Subscription period	From 09/19/2014 To 10/15/2014		From 05/07/2015 To 05/29/2015		From 07/06/2015 To 07/31/2015	
Exercise period	From 09/15/2015 To 09/15/2018		From 09/15/2015 To 05/04/2019		From 09/15/2015 To 07/01/2019	
Methods of exercise	Exercisable by fraction of a number of BSAAR equal to 1/3 of the total number of warrants held by each beneficiary					
Valuation method used	Black & Scholes					
Expected dividends Expected volatility Risk-free interest rate Expected life	0% 74,9% 0,40% 4 ans					
Estimated fair value - valued by expert opinion (2)	5,61 €					
Estimation of fair value as of December 31, 2014						
Period used for the estimation of the underlying share	From 10/10/2014 To 10/14/2014	From 10/10/2014 To 10/14/2014	As of 09/15/2014	As of 09/19/2014	As of 09/15/2014	As of 09/19/2014
Estimated fair value - according to IFRS 2	8,44 €	8,44 €	11,29 €	10,61 €	11,29 €	10,61 €
Estimation of fair value as of December 31, 2015						
Period used for the estimation of the underlying share	From 10/10/2014 To 10/14/2014	From 10/10/2014 To 10/14/2014	As of 09/15/2014	As of 09/19/2014	As of 09/15/2014	As of 09/19/2014
Estimated fair value - according to IFRS 2	8,44 €	8,44 €	11,29 €	10,61 €	11,29 €	10,61 €

(1) : Exercise price of the BSAAR 2014 is equal to the average, weighted by the volumes, of the closing prices of the share over five consecutive trading days from August 13, 2014 to August 19, 2014, decreased by a discount of 13.60 %.
(2) : Valuation of the financial instrument by independant expert opinion at the time of allocation.

The services performed by the consultants are mainly:

- to evaluate product development plans and propose, if necessary, changes to strategic or technical approaches;
- to advise the Company's management and the Scientific Board in identifying strategies and selecting drug candidates, based, in particular, on the scientific results obtained by GENFIT (new therapeutic targets, new compounds); and
- to assist and advise GENFIT in its alliance strategies, such as external growth-supporting synergies (acquisition of new competencies and the purchase of operating rights, drug candidates and innovative technologies, etc.).

6.21. FINANCIAL REVENUE AND EXPENSES

Financial revenue and expenses (in € thousands)	Half-year ended 2015/06/30	2016/06/30
Financial revenue		
Interest income	238	189
Foreign exchange gain	7	9
Other financial revenues	84	79
TOTAL - Financial revenue	**329**	**278**
Financial expenses		
Interest expenses	(40)	(71)
Foreign exchange losses	(35)	(19)
Other financial expenses	6	(7)
TOTAL - Financial expenses	**(69)**	**(97)**
FINANCIAL GAIN (LOSS)	**260**	**181**

6.22. INCOME TAX

6.22.1. Losses available for offsetting against future taxable income

As of June 30, 2016, the tax loss carryforwards for GENFIT S.A., a French entity, amounted to € 131 371k (€ 114 048k as of December 31, 2015).

Such carryforwards 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.

6.22.2. Deferred tax assets and liabilities

No deferred tax asset is recognized in 2016 and 2015 as it is not probable that taxable profit will be available against which the deductible temporary differences and tax losses carryforwards can be utilized.

The Group's main sources of deferred tax assets and liabilities as of December 31, 2015 relate to:

- Tax losses carryforwards: € 131 371k (compared to € 114 048k as of December 31, 2015);
- Deductible temporary differences related to post employment benefit: € 261k (compared to € 248k as of December 31, 2015).

6.23. EARNINGS PER SHARE

Earnings per share	Half-year ended	
	2015/06/30	2016/06/30
Profit for the period - attributable to owners of the Company (in € thousands)	**(8 871)**	**(12 662)**
Weighted average number of ordinary shares for the period	23 957 671	25 604 433
Profit for the period - attributable to owners of the Company per share (in €)	**(0.37)**	**(0.49)**
Weighted average number of ordinary shares used in the above calculation	23 957 671	25 604 433
Weighted average number of ordinary shares adjusted for the effect of dilution	23 957 671	25 604 433
Diluted profit for the period - attributable to owners of the Company per share (in €)	**(0.37)**	**(0.49)**

6.24. LITIGATION AND CONTINGENT LIABILITIES

Dispute over research tax credit calculation

On October 17, 2014, GENFIT received a tax audit notice from the Public Finances General Directorate (DGFiP) in respect of fiscal years 2011, 2012 and 2013, as well as the research tax credit for 2010.

On December 18, 2014, GENFIT received a notification of tax adjustment of € 1,141k pertaining to the 2010 research tax credit.

In February 2015, GENFIT challenged the tax adjustment.

On December 18, 2015, GENFIT received a notification of tax adjustment pertaining to the 2011 and 2012 research tax credit, as well as a penalty related to a defect of reverse charge of VAT. The tax authorities proposed the recall of research tax credit amounting to € 876k for fiscal year 2011 and € 458k for fiscal year 2012. The penalty related to the defect of reverse charge in 2012 and 2013 amounted to € 5k.

GENFIT contested this proposed tax adjustment in February 2016. The tax authorities' adjustments mainly pertain to joint research agreements with pharmaceutical companies. The tax authorities contend that, in these agreements, the Company is acting a sub-contractor, which would result in reducing the basis on which the research tax credit is computed to the amounts billed by the Company to the other party. The Company maintains that these joint research agreements include reciprocal provisions relating to intellectual property, the shared governance of the research programs, risk-sharing, termination of the agreements and financial compensation, which demonstrate that they are not sub-contracting agreements.

At the end of May 2016, the tax administration responded to the two letters of contest maintaining that the bulk of the adjustments contained in the two notices. GENFIT used the remedies available to it to contest this position. After an initial unsuccessful attempt, GENFIT requested, in a letter dated July 20, 2016, the second stage remedy available to it.

Since discussions with the tax authorities as to the rules for calculation of the research tax credit began on February 16th, 2015, GENFIT has used the same calculation method for the 2014 research tax credit as in previous fiscal years, and has expressly mentioned this in its declaration 2069-A-SD.
These same rules were applied for the 2015 research tax credit, given the termination, dated January 16, 2015, of the Company's research organization status.

In September 2015, the tax authorities have agreed to the Company's request for the immediate payment of research tax credit for 2014, less, as a provisional measure, the proposed tax adjustment. The payment received by GENFIT amounts to € 3,833k.

GENFIT, although confident in its position, has provisionally calculated the amount of the potential tax liability pertaining to the 2010 to 2015 research tax credit as if the tax authorities' interpretation were to prevail.
On the basis of analyses conducted by third party experts, the Company believes that this potential tax liability could amount to € 2018k. The mention of this potential tax liability does not constitute in any form an acknowledgement of tax authorities' arguments in this matter. The Company has however recognized a provision for this litigation amounting to €

62k for contracts, not including joint research agreements, which could be considered as sub-contracting for third parties that are themselves eligible for the research tax credit.

6.25. RELATED PARTIES

Biotech Avenir SAS is a related party within the meaning of IAS 24.9.

As of December 31, 2015, Biotech Avenir SAS held 6.72 % of GENFIT's share capital.

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

In addition to the cash provided by GENFIT S.A. to the liquidity contract set up with the company CM-CIC Securities, Biotech Avenir provided GENFIT shares. This contract is in place as of December 31, 2015.

The registered office of Biotech Avenir SAS is situated at the same address as GENFIT S.A., this domiciliation being granted without charge.

Group companies did not carry out any transactions with the related party in 2015 or 2016.

6.26. COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

Under the terms of his employment contract, Jean-François Mouney is entitled to six months' notice in the event of dismissal (other than in the case of gross negligence or willful misconduct) or resignation, as well as contractual severance pay of six months' salary in the event of dismissal (other than in the case of gross negligence or willful misconduct), calculated on the basis of the last 12 months and increased by additional compensation of one month's salary per year of service at GENFIT. The total commitment (gross amount + employers' contributions) as of June 30, 2016 would amount to € 1 323k.

The following table provides details of the compensation paid to the members of the Management Board and the financial years in which the relevant amounts were recognized in the statement of operations.

Compensation paid to key management personnel (employers' contributions included)	Half-year ended	
(in € thousands)	2015/06/30	2016/06/30
Short-term employee benefits	986	1 562
Post-employment pension & medical benefits	221	333
Attendance fees	0	0
Share-based payment transactions	0	0
Director fees Genfit Corp (net)	12	21
TOTAL	**1 218**	**1 895**

The amount of post-employment benefits consists of provision for pension liabilities. Fluctuations relate to rates described in section 6.16. - "Employee benefits").

GENFIT PHARMACEUTICALS SAS' executives do not receive any compensation since the company does not currently have any business activities.

6.27. COMMITMENTS

Deposits and guarantees

Deposits & guarantees (in € thousands)	As of 2016/06/30
Deposits & guarantees - granted by the Company	463
Deposits & guarantees - granted to the Company	24
Total	**487**

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

GENFIT fully owns all the patents and patent applications concerning the candidate drugs and biomarkers being developed by the Company.

In the case of co-research alliances, GENFIT's partners own all intellectual property rights to the drug candidates identified during such collaborations. This does not apply to GFT505, for which all patent rights are held by GENFIT.

The co-research alliance agreements also stipulate that the drug candidates developed within such collaborations are the property of the industrial partner, while the necessary technologies developed are the property of GENFIT, who grants a free usage licence to the partner.

If the partner decides to terminate the development of drug candidates issued from the collaboration, and if GENFIT chooses to continue the development alone, any resulting milestones and royalties would be paid by GENFIT (which is not currently the case.)

To date, two drug candidates issued from these collaborations, that therefore have this intellectual property status, continue to be developed. The first is developed by Laboratoires Servier and the second by Sanofi. The development of compounds issued from the other industrial collaborations was terminated.

In the case of academic collaborations, when they relate to a drug candidate or a biomarker candidate issued from GENFIT's proprietary product portfolio, the agreements stipulate that the research results are systematically the property of GENFIT. This is the case notably for the work carried out within the research consortia ITDIAB and OLNORME, in which GENFIT is associated with academic laboratories and other biotechnology companies.

6.28. EVENTS AFTER THE REPORTING PERIOD

With effect from July 1, 2016, GENFIT S.A. decided to finance the creation by Pinnacle Clinical Research a registry of NAFLD/NASH patients. This donation, for a maximum amount of USD 1,582,000 will be paid over the course of the creation of the registry on the basis of three reporting periods at December 31, 2016, June 30, 2017 and December 31, 2017. An initial pre-funding of USD 510,000 was made on July 20, 2016 for start-up of the program.

On June 9, 2016, GENFIT received notice of an URSSAF audit relating to the 2013, 2014, and 2015 fiscal years. The audit will commence in September.

STATUTORY AUDITOR'S LIMITED REVIEW REPORT ON 2016 HALF-YEAR 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 January 1 to June 30, 2016

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

GRANT THORNTON
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S.A. au capital de € 2.297.184

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

Genfit

Period from January 1 June 30, 2016

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 meetings 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 half-yearly consolidated financial statements of Genfit, for the period from January 1 to June 30, 2016, and
- the verification of the information presented in the half-yearly management report.

These half-yearly consolidated financial statements are the responsibility of the executive board. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the group as at June 30, 2016 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the European Union.

II. Specific verification

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

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

Paris and Paris-La Défense, September 23, 2016

The statutory auditors
French original signed by

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

HALF-YEAR FINANCIAL REPORT AS OF JUNE 30, 2015