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SEMI-ANNUAL FINANCIAL REPORT AS OF JUNE 30, 2017

A *société anonyme à conseil d'administration* (public limited company with a board of directors) with share capital of €7,785,000.60

Registered office: 218 avenue Marie Curie - Forum 2 Archamps Technopole,

74166 Saint-Julien-en-Genevois Cedex, France

Thonon-les-Bains Trade and Companies Register (RCS) 439 489 022

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GENERAL OBSERVATIONS

Definitions

In this Semi-annual Financial report, and unless otherwise specified:

- The terms “the Company” or “Genkyotex” denote Genkyotex SA whose registered office is located at 218, Avenue Marie Curie – Forum 2 Archamps Technopole, 74166 Saint-Julien-en-Genevois Cedex, France, registered in the Thonon-les-Bains Trade and Companies Register (RCS) under number 439 489 022;
- The term “the Group” refers to Genkyotex SA and its subsidiaries Genkyotex Suisse SA (Switzerland) and Genkyotex Innovation SAS (France);
- “Financial report” denotes this semi-annual financial report as of June 30, 2017;
- “Registration Document” means the registration document filed with the French Financial Markets Authority (AMF) on June 29, 2017 under number R.17-048;

About Genkyotex

Genkyotex is a biopharmaceutical company and the leader in NOX therapies, and is listed on Euronext Paris and Brussels. Genkyotex operates in France and, through its subsidiary Genkyotex Suisse SA, in Switzerland. The leader in NOX therapies, its unique therapeutic approach is based on the selective inhibition of NOX enzymes which amplify many pathological processes, such as fibroses, inflammation, the perception of pain, the development of cancer, and neurodegeneration.

Genkyotex has a platform for identifying small molecules suitable for oral administration and capable of selectively inhibiting specific NOX enzymes. Genkyotex is developing a portfolio of drug candidates representing a new therapeutic class targeting one or more NOX enzymes. Its most advanced drug candidate, GKT831, an inhibitor of NOX1 and 4, entered a Phase II clinical trial in primary biliary cholangitis (PBC, an orphan fibrotic disease) in Q2 2017. This candidate may also be active in other fibrotic indications. Its second candidate product, GKT771, is a NOX1 inhibitor targeting a number of pathways in angiogenesis, the perception of pain, and inflammation, and is expected to enter clinical trials at the end of 2017.

Genkyotex also has a polyvalent platform, Vaxiclase, which is especially suited to the development of immunotherapies. A partnership for the use of Vaxiclase as an antigen alone (GTL003) was entered into with the Serum Institute of India (Serum Institute), the largest producer of vaccine doses in the world. This partnership covers all territories other than the United States and Europe and could generate up to $57 million in revenue for Genkyotex, before royalties on sales. It will allow the Serum Institute to develop multivalent combination vaccines to protect against a number of infectious diseases, including whooping cough. The final stage of preclinical development envisaged in the agreement was reached in November 2016, paving the way for the regulatory preclinical tests prior to potential clinical development and marketing.

1. DECLARATION BY THE PERSON RESPONSIBLE FOR THE SEMI-ANNUAL FINANCIAL REPORT

1.1 Person responsible for the semi-annual financial report

Mr. Ilias (Elias) Papatheodorou, Chief Executive Officer

1.2 Declaration of the person responsible for this document

(Art. 222-3 – 4° of the General Regulations of the AMF)

"I hereby certify that, to the best of my knowledge, the condensed financial statements for the previous half-year have been prepared in accordance with applicable accounting standards and give a true and fair view of the Company's assets and liabilities, its financial situation and that of all the companies included in the scope of consolidation, and that the interim management report attached presents an accurate picture of the significant events occurring during the first six months of the year, their impact on the interim financial statements, the main transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the year."

Saint-Julien-en-Genevois, September 21, 2017.

Mr. Ilias (Elias) Papatheodorou, Chief Executive Officer

2. REPORT OF ACTIVITY AS OF JUNE 30, 2017

2.1 Highlights of H1 2017

February 2017:

- The Company's shareholders approve resolutions giving effect to the combination with Genkyotex Suisse SA in accordance with the contribution agreement signed on December 22, 2016 and the change of name from "Genticel" to "Genkyotex".

  The General Meeting approved:

  (i) the transfer to the Company, by all shareholders of Genkyotex Suisse SA, of the 5,262,133 ordinary shares they hold in the latter, representing 100% of its capital and voting rights;

  (ii) the issue by the Company of 62,279,951 new shares for shareholders of Genkyotex Suisse SA in consideration for this contribution. They thereby received 11.8355 Company shares for each Genkyotex Suisse SA share contributed. This exchange ratio was agreed between the Company and the shareholders of Genkyotex Suisse SA on the basis of a real value for Genkyotex Suisse SA of €120 million and for the Company of €30 million.

  As a result of the completion of the contribution, the former shareholders of Genkyotex Suisse SA hold 80% of the share capital and voting rights in the Company.

  The combination results in a new listed Franco-Swiss Group named "Genkyotex", whose primary business is developing a portfolio of a new therapeutic class of NOX inhibitors in fibrosis and inflammatory pain.

May 2017:

- The Company receives FDA approval for initiation of a Phase II clinical trial of GKT831 in patients with primary biliary cholangitis (PBC).

June 2017:

- The Company begins recruiting patients for its Phase II clinical trial of GKT831 in primary biliary cholangitis.

- The Company announces the launch of a 48-week Phase 2 clinical trial of GKT831 in patients with type 1 diabetes and kidney disease.

2.2 Group activity and results

As indicated in section 2.1, Genkyotex SA (formerly Genticel SA) combined with the Genkyotex Suisse group on February 28, 2017. In the context of this combination, Genkyotex Suisse SA was considered the buyer from an accounting standpoint in light of IFRS and the financial statements of the new group thus formed were prepared in keeping with the IFRS consolidated financial statements of Genkyotex Suisse SA. As such, the comparatives and changes compared with H1 2016 set forth and discussed below were prepared on the basis of the consolidated financial statements for Genkyotex Suisse group as of June 30, 2016.

2.2.1 Activity

Clinical developments

- On May 2, 2017, the Company announced that the US Food & Drug Administration (FDA) had accepted its IND (Investigational New Drug) application authorizing Genkyotex to assess GKT831, its NOX1 and NOX4 inhibitor, in a Phase 2 clinical trial in primary biliary cholangitis (PBC).
- On June 27, 2017, the Company announced that it had started to recruit patients for its clinical trial in a first research center in the United States. In total, more than 50 centers are expected to take part in the trial in the United States, Canada, Belgium, Germany, Greece, Italy, Spain, the United Kingdom, and Israel. The first preliminary results of this trial should be available in the first half of 2018, and the company expects to announce the definitive findings during the second half of 2018.
- On June 28, 2017, Genkyotex announced that two world-renowned experts in diabetes, Prof. Mark Cooper, Director of the Diabetes Division of Monash University, and Prof. Jonathan Shaw, Deputy Director (Clinical and Public Health) at the Baker Heart and Diabetes Institute, institutions both located in Melbourne, Australia, will direct a Phase 2 clinical trial, at the initiative of researchers, to assess the efficacy and safety of the company's flagship drug candidate, GKT831, in patients with diabetic nephropathy. This trial will be financed by the Australian Juvenile Diabetes Research Foundation (JDRF Australia), which receives designated funding from the Australian Research Council for the Special Research Initiative for Type 1 Juvenile Diabetes, with additional financial support from the Baker Institute. Genkyotex will supply the GKT831 compound compliant with Good Manufacturing Practice (GMP) for the trial. Recruitment of patients is expected to begin during the second half of 2017.

Research activities

Genkyotex continues to explore the therapeutic potential of NOX inhibition in oncology, hearing loss, and Parkinson's disease. The Company is also exploring opportunities for non-dilutive financing to support the preclinical evaluation of drug candidates in these therapeutic areas.

2.2.2 Governance

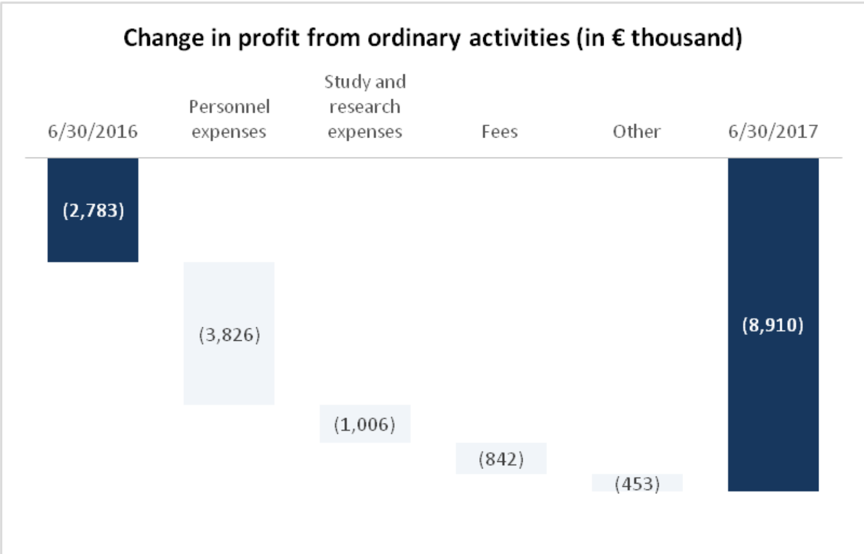
On February 28, 2017, the shareholders of Genticel approved the resolutions giving effect to the strategic combination of Genticel and Genkyotex in accordance with the contribution agreement signed on December 22, 2016 between Genticel and the shareholders of Genkyotex, and the change of name from “Genticel” to “Genkyotex” as from February 28, 2017. Shareholders also approved the appointment of:

- Claudio Nessi, Ilias (Elias) Papatheodorou, Eclosion 2 & Cie SCPC, Edmond de Rothschild Investment Partners, Catherine Moukheibir, and Mary Tanner as directors; and
- Stéphane Verdood and Joseph McCracken, as advisors.

On the same day, the Board of Directors of the Company appointed Claudio Nessi as Chairman of the Board of Directors and Elias Papatheodorou as CEO of Genkyotex.

2.2.3 Current operating expenses

The Group’s profit from ordinary activities was -€8,910 thousand as of June 30, 2017 compared with -€2,783 thousand as of June 30, 2016.



This is explained primarily by:

- An increase in staff expenses (including share-based payments and charges related to pension liabilities) of €3,826 thousand, broken down as follows:

(Amounts in € thousand)	6/30/2017	6/30/2016	Chg.
Personnel expenses	1,075	1,294	(219)
Share-based payments	3,963	30	3,933
Pension expenses	74	(38)	112
TOTAL	**5,112**	**1,286**	**3,826**

The share-based payment expense recognized for the first half of 2017 was primarily linked to non-voting shares awarded to employees of Genkyotex Suisse SA on January 16, 2017 (please refer to Note 8 of the notes to the condensed consolidated financial statements for more information).

- An increase of €1,006 thousand in study and research costs compared with the first half of 2016 due to the start of the Phase 2 trial for the GKT831 product for the PBC indication and preclinical work in progress on the GKT771 compound.

- A rise of €842 thousand in fee expenditure compared with the first half of 2016. The new group formed following the combination of Genkyotex SA (formerly Genticel SA) with the Genkyotex Suisse group is subject to the obligations of a group listed on a financial market. These obligations led to additional legal, accounting, audit and communications costs compared to the first half of 2016. In fact, during the first half of 2016, the Genkyotex Suisse group was not listed.

2.2.4 Non-current operating expenses

The Group recorded non-current operating expenses of €11,408 thousand as of June 30, 2017. These comprise:

- A listing cost for the Genkyotex Suisse group of €10,898 thousand corresponding to the difference between the acquisition cost of €33,476 thousand for the shares of Genkyotex SA (formerly Genticel SA) and the fair value of €22,577 thousand of the assets and liabilities assumed as of February 28, 2017 (please refer to Note 14.1 of the notes to the condensed consolidated financial statements for more information).

- Restructuring costs for Genkyotex SA (formerly Genticel SA) of €510 thousand.

2.2.5 Financial income

Financial income stood at -€26 thousand as of June 30, 2017, an improvement of €48 thousand compared with the first half of 2016, primarily as a result of a favorable change in the euro/Swiss franc exchange rate.

2.2.6 Cash and liquid investments

As of June 30, 2017, the Group had cash (€14.9 million) and liquid investments (€3.2 million) totaling €18 million, versus €2 million as of June 30, 2016. This is explained primarily by:

- Capital increases of around €14 million at Genkyotex Suisse group level;
- Cash and investments of around €11 million contributed by Genkyotex SA (formerly Genticel SA) on February 28, 2017;

- Cash consumption between June 30, 2016 and June 30, 2017 of approximately €9 million, mainly driven by the Group's research efforts and the costs of capital increases and combination with Genkyotex SA (formerly Genticel SA).

2.3 Development and outlook

Genkyotex's aim is to develop a new approach in the treatment of various illnesses, the needs of which are not currently met at all or are only partly met. The main elements of its strategy are as follows:

- **Confirm the efficacy of GKT831 for fibrosis in a hepatic disorder.** The Company's main objective is to confirm the efficacy of its most advanced product candidate, GKT831, for the treatment of hepatic fibrosis with a study in PBC. To achieve this objective, the Company has launched a Phase II clinical trial in late June 2017 in Europe and North America. If this trial targeting fibrosis of the liver is successful, it will open represent a gateway for other fibrotic disorders.
- **Confirm the efficacy of GKT831 in kidney fibrosis.** The Company concluded an agreement for a Phase 2 clinical trial to evaluate the efficacy and safety of GKT831 for a period of 48 weeks with the Baker Heart and Diabetes Institute in patients with type 1 diabetes and kidney disease. This study will be carried out at the Baker Institute as well as at multiple study sites across Australia, and it is financially supported by the Juvenile Diabetes Research Foundation (JDRF), the recipient of the Australian Research Council Special Research Initiative in Type 1 Juvenile Diabetes funding. Enrollment of patients will begin during the second half of 2017.
- **Conduct the Phase 1 clinical trial to confirm the positive safety profile and demonstrate the pharmacological activity of GKT771.** The second most advanced product candidate, GKT771, is a selective inhibitor of NOX1 with anti-inflammatory, anti-angiogenic, and analgesic effects, which are three major components in many rheumatic and cutaneous inflammatory disorders and in various types of inflammatory pain. Genkyotex is currently conducting preclinical studies to define high-priority clinical indications. It plans to be ready to initiate the Phase 1 clinical program with GKT771 at the end of 2017 and aims to focus its efforts on obtaining a favorable response in Europe to its clinical trial application (DEC or CTA).
- **Promote the Company's NOX platform by conducting further exploratory preclinical research programs.** Genkyotex also plans to conduct NOX exploratory preclinical research programs in connection with hearing loss, disorders of the central nervous system and oncology.
- **Continue the partnership with the Serum Institute for Vaxiclase and promote the rights held by the Company under this license agreement.** The Company plans to continue its partnership with the Serum Institute and to promote Vaxiclase to third parties in the regions (Europe, United States) excluded from the license agreement with the Serum Institute.

2.4 Events occurring since the end of the half-year

August 2017:

The Company announced that GKT831, its NOX1 and NOX4 inhibitor, had demonstrated its ability to effectively target cancer-associated fibroblasts (CAF) and delay tumor growth, as part of a study including several preclinical models.

2.5 Risk factors and transactions between related parties

2.5.1 Risk factors

The risk factors are similar to those described in Chapter 4, "Risk factors" of the Registration Document.

The Company does not anticipate any change in these risks during the second half of 2017.

2.5.2 Related-party transactions

The related-party transactions are similar to those described in Chapter 19, "Related-party transactions" of the Registration Document.

3. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS STANDARDS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	Notes	30/06/2017 € thousand	31/12/2016 € thousand
ASSETS			
Intangible assets	3.1	10,507	-
Property, plant and equipment	3.2	70	93
Non-current financial assets	4	72	15
Deferred tax assets		-	4
Total non-current assets		**10,649**	**112**
Other receivables	5	4,801	795
Current financial assets	4	3,235	-
Cash and cash equivalents	6	14,853	13,937
Total current assets		**22,889**	**14,733**
Total assets		**33,538**	**14,844**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity			
Capital	7	7,785	4,242
Non-voting shares		-	274
Additional paid-in capital		162,015	44,998
Currency translation reserve		(1,942)	(1,754)
Other comprehensive income		(388)	(450)
Accumulated deficit – portion attributable to shareholders of the parent company		(117,786)	(28,385)
Net profit – portion attributable to shareholders of the parent company		(20,368)	(6,699)
Equity – portion attributable to shareholders of the parent company		**29,315**	**12,217**
Minority interests		-	-
Total shareholders' equity		**29,315**	**12,217**
Non-current liabilities			
Employee benefit obligations	10	862	874
Non-current financial debts	9	228	-
Total non-current liabilities		**1,090**	**874**
Current liabilities			
Current financial debt	9	226	-
Trade payables		1,803	1,203
Other current liabilities	12	1,104	550
Total current liabilities		**3,133**	**1,753**
Total liabilities and shareholders' equity		**33,538**	**14,844**

Consolidated Income Statement

Consolidated income statement	Notes	30/06/2017 6 months € thousand	30/06/2016 6 months € thousand
Revenue		-	-
Cost of sales		-	-
Gross margin		**-**	**-**
Net research and development expenses			
Research and development expenses	13.1	(5,665)	(2,552)
Subsidies	13.1	395	304
General and administrative expenses	13.2	(3,640)	(535)
Profit from ordinary activities		**(8,910)**	**(2,783)**
Other operating income	14	-	-
Other operating expenses	14	(11,408)	-
Operating profit/(loss)		**(20,318)**	**(2,783)**
Financial expenses	15	(116)	(76)
Financial income	15	90	2
Profit/(loss) before tax		**(20,345)**	**(2,857)**
Income tax		(23)	(65)
Net profit/(loss) for the period		**(20,368)**	**(2,922)**
Portion attributable to shareholders of the parent company		(20,368)	*(3,356)*
Minority interests (1)		-	*434*

		30/06/2017	30/06/2016
Basic earnings per share (€/share)	17	**(0.38)**	**(1.77)**
Diluted earnings per share (€/share)	17	**(0.38)**	**(1.77)**

(1) Minority interests as of June 30, 2016 were related to the percentage stake of Genkyotex Suisse SA in Genkyotex Innovation SAS (see Note 2.2).

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income	30.06.2017 6 months € thousand	30.06.2016 6 months € thousand
Net profit/(loss) for the period	(20'368)	**(2'922)**
Actuarial gains and losses	57	(60)
Tax impact	5	(9)
Other comprehensive profit/(loss) not to be reclassified subsequently to profit or loss	62	**(69)**
Translation differences	(188)	33
Other comprehensive profit/(loss) to be reclassified subsequently to profit or loss	(188)	**33**
Comprehensive profit/(loss)	(20'494)	**(2'958)**
Portion attributable to shareholders of the parent company	*(20'494)*	*(3'420)*
Minority interests (1)	-	462

(1) Minority interests as of June 30, 2016 were related to the percentage stake of Genkyotex Suisse SA in Genkyotex Innovation SAS (see Note 2.2).

Consolidated Changes in Net Equity

Consolidated changes in net equity	Note	*Capital Genkyotex Suisse SA*	*Non-voting shares Genkyotex Suisse SA*	*Capital Genkyotex SA (formerly Genticel SA)*	Capital Ordinary and preference shares	Participation capital	Additional paid-in capital	Accumulated deficit and income – portion attributable to shareholders of the parent company	Treasury shares	Currency translation reserve	Other comprehensive income	Equity – portion attributable to shareholders of the parent company	Minority interests (1)	Total shareholders' equity
		Number of shares		*Number of shares*	€ thousand									
At December 31, 2015		*1,694,837*	*307,110*		**1,384**	**274**	**34,542**	**(58,550)**	**(2)**	**(1,514)**	**(527)**	**(24,394)**	**28,121**	**3,727**
Net profit at June 30, 2016					-	-	-	(3,356)	-	-	-	(3,356)	434	(2,922)
Other comprehensive income					-	-	-	-	-	33	(97)	(64)	28	(36)
Comprehensive profit/(loss)					**-**	**-**	**-**	**(3,356)**	**-**	**33**	**(97)**	**(3,420)**	**462**	**(2,958)**
Treasury shares					-	-	-	-	(7)	-	-	(7)	-	(7)
Costs of capital increase					-	-	(5)	-	-	-	-	(5)	-	(5)
Share-based payments					-	-	-	30	-	-	-	30	-	30
At June 30, 2016		*1,694,837*	*307,110*		**1,384**	**274**	**34,537**	**(61,875)**	**(9)**	**(1,481)**	**(625)**	**(27,795)**	**28,584**	**788**
At December 31, 2016		*4,785,169*	*307,110*		**4,242**	**274**	**44,998**	**(35,083)**	**(9)**	**(1,754)**	**(450)**	**12,217**	**-**	**12,217**
Net profit as of June 30, 2017					-	-	-	(20,368)	-			(20,368)	-	(20,368)
Other comprehensive income					-	-	-	-	-	(188)	62	(127)	-	(127)
Comprehensive profit/(loss)					**-**	**-**	**-**	**(20,368)**	**-**	**(188)**	**62**	**(20,494)**	**-**	**(20,494)**
Capital increase		*169,854*			-	159	-	-	-	-	-	159	-	159
Costs of capital increase					-	-	(8)	-	-	-	-	(8)	-	(8)
Conversion of participation capital into ordinary shares		*307,110*	*(307,110)*		433	(433)	-	-	-	-	-	-	-	-
Changes in the scope of consolidation	14.1				-	-	-	33,476	-	-	-	33,476	-	33,476
Reconstitution of Genkyotex SA capital, issue premiums and contributions (reverse acquisition)		*(5,262,133)*	-	*77,850,006*	3,110	-	117,025	(120,017)	(119)	-	-	-	-	-
Treasury shares					-	-	-	-	3	-	-	3	-	3
Share-based payments	8.5				-	-	-	3,963	-	-	-	3,963	-	3,963
At June 30, 2017		-	-	*77,850,006*	**7,785**	**-**	**162,015**	**(138,029)**	**(126)**	**(1,942)**	**(388)**	**29,315**	**-**	**29,315**

(1) Minority interests as of June 30, 2016 were related to the percentage stake of Genkyotex Suisse SA in Genkyotex Innovation SAS (see Note 2.2).

The term "change in scope" shown in the various tables in the condensed consolidated interim financial statements as of June 30, 2017 corresponds to the effect of the acquisition of Genkyotex SA (formerly Genticel SA), which for accounting purposes (see Note 2.2) is an entity acquired by Genkyotex Suisse SA.

Consolidated Cash Flow Statement

Consolidated cash flow statement	Notes	30/06/2017 6 months € thousand	30/06/2016 6 months € thousand
Cash flows from operating activities			
Net profit/(loss) for the period		**(20,368)**	**(2,922)**
(-) Elimination of depreciation of intangible assets	3.1	(190)	-
(-) Elimination of depreciation of property, plant and equipment	3.2	(24)	(42)
(-) Provisions for pension commitments	10	34	38
(-) Provisions for risks and contingencies	11	30	-
(-) Costs related to share-based payments	8.5	(3,963)	(30)
(-) Change in deferred tax assets and liabilities		(4)	1
(-) Interest received on term deposits		6	-
(-) Interest capitalized under the capitalization agreement		4	-
(-) Cost of listing	14	(10,898)	-
(-) Accretion of repayable advances	9	(6)	-
Self-financing capacity before cost of net financial debt and taxes		**(5,358)**	**(2,889)**
(-) Change in working capital requirement (net of impairment of accounts receivable and write-downs of inventory)		845	(64)
Taxes paid		**(81)**	**(39)**
Cash flows from operating activities		**(6,283)**	**(2,864)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	3.2	(2)	-
Winding down of investments classified as current financial assets		4,000	-
Interest received on term deposits		6	-
Changes in the scope of consolidation (1)		3,587	-
Cash flows from investing activities		**7,591**	**-**
Cash flows from financing activities			
Issuance of non-voting shares of Genkyotex Suisse SA	8.4	159	-
Costs of capital increase in Genkyotex SA (formerly Genticel)		(32)	-
Repayment of advances	9	(326)	-
Purchase/sale of non-voting shares of Genkyotex Suisse SA to employees	8.4	9	(6)
Cash flows from financing activities		**(191)**	**(6)**
Impact of fluctuations in exchange rates		(200)	41
Increase/(decrease) in cash & cash equivalents		**916**	**(2,830)**
Cash & cash equivalents – start of the period	6	13,937	4,664
Cash & cash equivalents – end of the period	6	14,853	1,834
Increase/(decrease) in cash & cash equivalents		**916**	**(2,830)**

(1) The change in scope corresponds to the cash and cash equivalents of Genkyotex SA (formerly Genticel SA) as of February 28, 2017.

Breakdown of change in working capital requirements (WCR)

Breakdown of change in working capital requirement (WCR) (amounts in € thousand)	30/06/2017	30/06/2016
Other receivables	591	(1,057)
Trade payables	43	720
Social security debts	130	333
Tax debts	105	(61)
Other current liabilities	(24)	-
Total change	**845**	**(64)**

Notes to the Consolidated Financial Statements

(Unless otherwise stated, the amounts referred to in this appendix are in thousands of euros, except for the data relating to shares. Some amounts may be rounded up or down to calculate the financial information contained in the condensed consolidated interim financial statements. Consequently, the totals in some tables may not correspond exactly to the sum of the preceding figures.)

Note 1: Activity and significant events

The information below forms the notes to the condensed consolidated interim financial statements prepared in accordance with IFRS as of June 30, 2017.

The condensed consolidated interim financial statements for Genkyotex SA (formerly Genticel SA) were adopted by the Board of Directors on September 21, 2017 and authorized for publication.

1.1 The Company and its activity

Founded in October 2001, Genkyotex SA (formerly Genticel SA) is a French limited liability company (*société anonyme*) with the following corporate purpose in France and internationally: research, study, development, manufacturing and distribution of medicines and drug and health products in the field of human and animal health.

Genkyotex SA (formerly Genticel SA) has been listed on the Euronext market in Paris and Brussels since April 8, 2014.
Registered office: 218 avenue Marie Curie – Forum 2 Archamps Technopole,
74166 Saint-Julien-en-Genevois Cedex, France
Trade and Companies Register no.: 439 489 022 Thonon-les-Bains Trade and Companies Register (RCS).

Genkyotex SA (formerly Genticel SA) is hereinafter referred to as the "Company". The group formed by Genkyotex SA, Genkyotex Suisse SA, and Genkyotex Innovation SAS is hereinafter referred to as the "Group".

1.2 Significant events during the year

January 2017:

Genkyotex Suisse SA allocates 180,000 non-voting shares at a subscription price of CHF 1 (approximately €0.93): 169,854 were issued on that date and 10,146 were held in treasury by Genkyotex Suisse SA.

February 2017:

- The Company's shareholders approve resolutions giving effect to the combination with Genkyotex Suisse SA in accordance with the contribution agreement signed on December 22, 2016 and the change of name from "Genticel" to "Genkyotex".

  The General Meeting approved:

(i) the transfer to the Company, by all shareholders of Genkyotex Suisse SA, of the 5,262,133 ordinary shares they hold in the latter, representing 100% of its capital and voting rights;

(ii) the issue by the Company of 62,279,951 new shares for shareholders of Genkyotex Suisse SA in consideration for this contribution. They thereby received 11.8355 Company shares for each Genkyotex Suisse SA share contributed. This exchange ratio was agreed between the Company and the shareholders of Genkyotex Suisse SA on the basis of a real value for Genkyotex Suisse SA of €120 million and for the Company of €30 million.

As a result of the completion of the contribution, the former shareholders of Genkyotex Suisse SA hold 80% of the share capital and voting rights in the Company.

The combination results in a new listed Franco-Swiss Group named "Genkyotex", whose primary business is developing a portfolio of a new therapeutic class of NOX inhibitors in fibrosis and inflammatory pain.

May 2017:

- The Company receives FDA approval for initiation of a Phase II clinical trial of GKT831 in patients with primary biliary cholangitis (PBC).

June 2017:

- The Company begins recruiting patients for its Phase 2 clinical trial with GKT831 in primary biliary cholangitis.

- The Company announces the launch of a 48-week Phase 2 clinical trial of GKT831 in patients with type 1 diabetes and kidney disease.

Note 2: Accounting principles, rules, and methods

2.1 Principles used in preparing the financial statements

Statement of compliance

The Company has prepared its condensed consolidated interim financial statements in accordance with IFRS (International Financial Reporting Standards) as published by the International Accounting Standards Board (IASB) and adopted by the European Union as of the date of preparation of the financial statements.

The condensed consolidated interim financial statements of the Company have been prepared in accordance with the international accounting standard IAS 34 "Interim financial reporting".

As condensed financial statements, they do not include the full information that would be required by the IFRS for the preparation of the annual financial statements. These notes must be read in conjunction with the consolidated financial statements of Genkyotex Suisse SA for the year ended December 31, 2016.

Changes in the presentation of the financial statements

Presentation of the consolidated income statement

The presentation of the consolidated income statement has changed from that used by Genkyotex Suisse SA for the year ended December 31, 2016.

The changes involve the creation of a subtotal for “profit from ordinary activities” and “other operating income” and “other operating expenses” line items. They are intended to increase the clarity of the Group’s performance and the consolidated income statement. In accordance with recommendation ANC 2013-03, profit from ordinary activities includes all income and expenses from the companies’ operating activities, less significant items that cannot be considered as inherent to the Group’s activity due to their nature and non-habitual character (see Note 14).

In accordance with IAS 1, the Company reclassified comparative information, it being understood that the Group did not identify any non-current operating income or expenses as of June 30, 2016 as defined in Note 14.

Presentation of the Notes to the Consolidated Financial Statements

The presentation of the notes to the consolidated financial statements prepared according to IFRS standards has changed in relation to that used in years ending prior to financial year-end December 31, 2016.

The modifications concern primarily the structure and order of the notes to the financial statements by reference topic. They are intended to increase readability and relevance of financial statements prepared according to IFRS standards and to facilitate their assimilation, in accordance with AMF recommendations and with work carried out by the international accounting standards setter.

Most of the accounting principles now appear with each reference note, so that readers can easily understand the financial data being presented. The principles for preparing the statements, changes of method and the use of judgment and estimates can still be found in Note 2.

Principle used in preparing the financial statements

The Company’s condensed consolidated financial statements have been prepared in accordance with the historical cost principle, except with respect to the financial instruments which are measured at fair value.

Going concern

The Company is a company which focuses on invention and the development of new treatments. The loss-making position over the reference periods is not unusual for a company at this stage of development.

The Company has been able to finance its activities to date and has raised funding that will enable it to cover its expenses in the short term. The Company will need additional funds to continue its development plan and this may also depend on attaining development milestones, achieving favorable clinical outcomes and/or achieving commercial success. Given that none of these factors can be guaranteed, there is substantial uncertainty regarding the Company's ability to continue its activities in the future.

Given the cash position as of June 30, 2017, the Board of Directors deems that the Company will be able to cover its needs for at least the next 12 months. As such, the financial statements were prepared on a going concern basis.

To cover its future needs, the Company will continue to seek additional funds. This could include raising additional funding from current investors, new investors and/or the conclusion of licensing agreements or collaboration contracts.

Accounting methods

The Company has adopted all the standards applicable for 2017 interim financial statements, it being specified that no new standards, amendments to standards or interpretations were adopted by the European Union for mandatory application as of the financial year starting January 1, 2017.

Standards, amendments and interpretations not yet adopted by the Group

Standards, amendments to standards and interpretations adopted by the European Union but not yet mandatory for 2017 interim financial statements

- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from ordinary course of business as part of contracts with customers

Standards and interpretations adopted by IASB but not yet adopted by the European Union as of June 30, 2017

- IFRS 14 - Regulatory Deferral Accounts
- IFRS 16 - Leases
- IFRS 17 - Insurance Contracts
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets
- Amendments to IAS 7 - Disclosure Initiative: Transfer of financial assets
- Amendments to IFRS 2 - Classification and measurement of share-based payment transactions

- Amendments to IFRS 4 - Applying IFRS 9 with IFRS 4
- Amendments to IAS 40 - Transfers of investment property
- Clarifications to IFRS 15
- IFRIC 22 - Foreign currency transactions and advance consideration
- IFRIC 23 - Uncertainty over Income Tax Treatments
- IFRS Improvement (2014-2016 cycle)

The Group is currently evaluating the impacts following the first application of these new regulations and does not expect a significant impact on its financial statements, with the exception of IFRS 16.

IFRS 16 must be applied from January 1, 2019 or adopted early as of January 1, 2018, with IFRS 15. The Group does not intend to adopt IFRS 16 early. IFRS 16 removes the distinction between operating and finance leases and provides for reporting of all leases in the lessee's balance sheet, with recognition of an asset (representing the right to use the leased asset during the term of the contract) and a liability (in respect of the obligation to pay the lease). The standard will also affect the presentation of the income statement (operating profit and financial expenses) and the cash flow statement (flows from operating activities and flows from financing activities).

Real estate rental contracts will thus be restated in applying IFRS 16 (see Note 20.1).

2.2 Scope and consolidation methods

Scope

According to IFRS 10, subsidiaries are all the entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiaries are consolidated by the full consolidation method beginning on the date on which the Group acquires control. They are deconsolidated as of the date on which control ceases to be exercised.

In connection with the combination of Genkyotex SA (formerly Genticel SA) and Genkyotex Suisse SA on February 28, 2017 (see Note 1.2), Genkyotex Suisse SA was considered the buyer from an accounting standpoint in light of IFRS 10. These interim financial statements have thus been prepared in keeping with the IFRS consolidated financial statements of Genkyotex Suisse SA.

Genkyotex SA (formerly Genticel SA), the entity acquired from an accounting standpoint, is not a business within the meaning of IFRS 3.3. As such, the transaction performed may therefore not be treated as a business combination (IFRS 3.B19). IFRS standards do not have any provisions recognizing this type of transaction from an accounting standpoint. Consequently, proper accounting treatment was determined with regard to IAS 8, paragraphs 10-12. Although IFRS 3 is not applicable, the transaction was treated in substance as a reverse acquisition.

Against this backdrop and with regard to the substance of operation described above, from an accounting standpoint, the difference between the acquisition cost of Genkyotex SA (formerly Genticel SA) shares and the various acquired elements can be analyzed as listing costs to be reported as expenses (IFRS 2.13A), it being understood that:

- The acquisition cost of shares of Genkyotex SA (formerly Genticel SA) (€33,476 thousand) was determined from the number of outstanding shares and the closing market price on February 28, 2017.
- The assets acquired and liabilities assumed from Genkyotex SA (formerly Genticel SA) were provisionally revalued at the estimated fair value as of February 28, 2017, leading to the net assets transferred being valued at €22,577 thousand.

Please see Notes 3 and 14.1 for more information on the assumptions used.

The scope of consolidation is as follows:

	Country	30/06/2017		31/12/2016		30/06/2016	
		Percentage of interest	Percentage of control	Percentage of interest	Percentage of control	Percentage of interest	Percentage of control
GENKYOTEX SUISSE SA	SWITZERLAND			Parent company			
GENKYOTEX SA	FRANCE	100.00%	100.00%	N/A	N/A	N/A	N/A
GENKYOTEX INNOVATION SAS	FRANCE	100.00%	100.00%	100.00%	100.00%	0.19%	66.70%

2.3 Reporting currency

Given the scope of consolidation as explained above and to give the financial information for the new group greater visibility, the Company presents its consolidated financial statements in euros (EUR) from January 1, 2017, although Genkyotex Suisse SA (the parent company from an accounting standpoint) prepared its consolidated financial statements in Swiss francs (CHF) up to this date. The comparative consolidated financial statements are presented in euros (EUR).

The consolidation currency translation adjustments were reset to zero as of January 1, 2011, the date that Genkyotex Suisse SA (the parent company from an accounting standpoint) switched to IFRS. The cumulative consolidation currency translation adjustments are disclosed as if the Group had used the euro (EUR) as the reporting currency for its consolidated financial statements since this date.

The effects of the change of reporting currency on the comparative consolidated financial statements are as follows:

- The various assets and liabilities items in euros (EUR) correspond to the amounts published in Swiss francs (CHF), translated at the closing rate for the period;

- Recalculation of the consolidation currency translation adjustments has an impact on the breakdown of total equity between the translation reserve and the other components of equity, as well as on the amount of other comprehensive income, involving the following:

December 31, 2016	**Historical consolidated financial statements in CHF thousand**	Consolidated financial statements translated into € thousand (1)	Restatements (2)	**Consolidated financial statements published in € thousand**
Capital	**4,785**	4,456	(214)	**4,242**
Non-voting shares	**307**	286	(12)	**274**
Additional paid-in capital	**53,613**	49,923	(4,925)	**44,998**
Currency translation reserve	**(3,669)**	(3,416)	1,662	**(1,754)**
Other comprehensive income	**(515)**	(480)	30	**(450)**
Accumulated deficit – portion attributable to shareholders of the parent con	**(41,401)**	(38,552)	3,469	**(35,083)**
Equity – portion attributable to shareholders of the parent company	**13,120**	**12,217**	**-**	**12,217**
Minority interests	**-**	-	-	**-**
Total shareholders' equity	**13,120**	**12,217**	**-**	**12,217**

(1) Translated at the closing rate, i.e. CHF 1.0739 = €1
(2) Difference between historical exchange rates and the closing rate of CHF 1.0739 = €1

- The amounts shown in the income statement and the consolidated cash flow statement in euros (EUR) correspond to the amounts published in Swiss francs (CHF), translated at the average rate for the period.

2.4 Conversion method

2.4.1 Recognition of foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates as of the date this transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currency are converted into functional currency at the closing exchange rate.

Differences resulting from the settlement or conversion of monetary items are recognized as income.

2.4.2 Conversion of financial statements of companies whose functional currency is not the euro

The financial statements of companies whose functional currency is not the euro are translated as follows:

- Statement of financial position items are translated using the closing rate for the year;
- Income items are translated at the average exchange rate for the period.

The exchange differences arising on translation for consolidation are recognized in the "currency translation reserve".

The exchange rates used for the preparation of the consolidated financial statements are as follows:

EXCHANGE RATE (for 1 EUR)	30/06/2017		31/12/2016	
	Average rate	Closing rate	Average rate	Closing rate
CHF	1.0764	1.0930	1.0902	1.0739

2.5 Use of judgments and estimates

To prepare the financial statements in accordance with IFRS, the Group has made judgments and estimates that could affect the amounts presented under assets and liabilities as of the reporting date, and the amounts disclosed under income and expenses for the period.

Such estimates are made by the Group's management based on the assumption of business continuity and on the information available at the time. These estimates are ongoing and are based on past experience as well as various other factors judged to be reasonable and form the basis for assessment of the carrying amount of assets and liabilities. The estimates may be revised if the circumstances on which they are based change or as a result of new information. Actual results may differ significantly from such estimates if assumptions or conditions change.

The key significant estimates or judgements made by the Group relate to the following in particular:

- Valuation of stock options and non-voting shares allocated to employees, executives and external service providers:
    - The fair value measurement of share-based payments is based on the Black & Scholes option valuation model which makes assumptions about complex and subjective variables. These variables notably include the value of shares, the expected volatility of the value of the stock over the lifetime of the instrument, and the present and future behavior of the holders of those instruments. There is a high, inherent risk of subjectivity when using an option valuation model to measure the fair value of share-based payments in accordance with IFRS 2.
    - The valuation assumptions adopted are disclosed in Note 8.

- Defined benefit plans:
    - Defined benefit schemes are recognized in the statement of financial position based on an actuarial valuation of the obligations at period-end, minus the fair value of the scheme assets. This valuation is determined using the projected unit credit method, taking into account staff turnover, mortality probability and actuarial assumptions based on management estimates.
    - The valuation assumptions adopted are disclosed in Note 10.

- Valuation of charges directly related to capital increases
    - The Group exercised its judgment to determine the marginal costs directly attributable to the issuance of new shares. These charges were posted to equity (see Note 7).

- Non-recognition of deferred tax assets net of deferred tax liabilities:
  - The measurement of identifiable deferred tax assets requires Management to make estimates about the time period over which the deferred losses will be used up and about the level of future taxable income, based on the tax strategies adopted.
  - The accounting principles applied by the Group for the recognition of deferred tax assets are set out in Note 16.

- Valuation of the license agreement signed with SIIL (for use of the Vaxiclase platform) and extensions to this contract:
  - The fair value of the SIIL contract and extensions was determined using the discounted cash flow (DCF) method, adjusted for the likelihood of some impact on the 2017-2035 business plan. In doing so, the Company's management used estimates to determine:
    - future flows for the period 2017-2035, corresponding to the life of the patent underlying the license sold to SIIL;
    - the probability of success of the various stages of clinical development;
    - the discount rate.
  - The valuation assumptions adopted are disclosed in Note 3.1.

- Cost of listing:
  - The cost of combining Genkyotex SA (formerly Genticel SA) and the Genkyotex Suisse group was determined as the difference between the purchase price of Genkyotex SA (formerly Genticel SA) and the fair value of the assets and liabilities assumed on the date of the combination.
  - The assumptions used to determine the purchase price and the fair value of assets and liabilities assumed are disclosed in Note 14.1.

3.1 Intangible assets

Accounting principles

Research and development expenses

Research and development costs are recognized as expenses when they incurred. Costs incurred on development projects are recognized as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Regarding the expenses incurred for developing a medicinal product and due to the risks and uncertainties inherent in the R&D process and in obtaining regulatory authorizations, the six criteria for capitalizing expenses are only deemed to be met if the medicinal product has received marketing authorization.

Consequently, internal development expenses are recorded as R&D costs at the time they are incurred.

SIIL contract (for use of the Vaxiclase platform) and extensions to this contract

As part of the valuation of the assets and liabilities assumed from Genkyotex SA (formerly Genticel SA), the Company carried out a provisional valuation of the SIIL contract and extensions to this contract as of February 28, 2017.

The estimated fair value of the SIIL contract and the extensions was calculated on the basis of the discounted cash flow (DCF) method, adjusted for the likelihood of some impact. The main valuation assumptions are as follows:

- The business plan for the period 2017-2035, corresponding to the life of the patent underlying the license sold to SIIL (disregarding a terminal value)

- The probability of success of the various stages of clinical development (based on a study conducted by Biomedtracker in 2016 who undertook a retrospective analysis of the probability of success of the various stages of clinical development in 9,985 trials between 2006 and 2015):

	Probability of success of each phase	**Overall probability of success**
POC (1)	100%	100%
Phase 1	70%	70%
Phase 2	43%	30%
Phase 3	73%	22%
Commercial success	89%	19%

(1): Proof of concept already achieved

- The discount rate of 16% based particularly on a risk premium for the French securities market, an average beta originating from a sample of French biotechnology companies listed on Euronext and a risk premium specific to the Company.

Software

Software license acquisition costs are posted to assets based on the costs incurred to acquire and make the software concerned operational.

Other intangible assets

In application of the IAS 38 criteria, intangible assets acquired are recognized under assets at their acquisition cost.

Amortization charge and duration

When the useful duration of an asset is finite, amortization is calculated using the straight-line method to spread the cost over the estimated useful life, specifically:

Items	**Amortization period**
Software	1 year – straight-line basis
SIIL contract and extensions	19 years – straight-line basis (2017-2035 business plan corresponding to the life of the patent underlying the license sold to SIIL)

The depreciation expense for intangible assets is recognized in the income statement as:

- "General and administrative expenses" for the depreciation expense relating to accounting software;
- "Research and development expenses" for the depreciation expense relating to the SIIL contract and extensions and software used by the laboratory.

INTANGIBLE ASSETS (Amounts in € thousand)	Software	SIIL contract and extensions	Total
GROSS VALUE			
Balance sheet as of December 31, 2016	**19**	**-**	**19**
Acquisition	-	-	-
Disposal	-	-	-
Transfer	-	-	-
Foreign exchange effects	-	-	-
Changes in the scope of consolidation	-	10,697	10,697
Balance sheet as of June 30, 2017	**19**	**10,697**	**10,716**
CUMULATIVE DEPRECIATION			
Balance sheet as of December 31, 2016	**19**	**-**	**19**
Increase	-	190	190
Decrease	-	-	-
Foreign exchange effects	-	-	-
Changes in the scope of consolidation	-	-	-
Balance sheet as of June 30, 2017	**19**	**190**	**209**
NET CARRYING AMOUNT			
At December 31, 2016	**-**	**-**	**-**
At June 30, 2017	**(0)**	**10,507**	**10,507**

3.2 Property, plant and equipment

Accounting principles

Property, plant and equipment are valued at their acquisition cost. Asset items are depreciated on the basis of the actual useful life of the asset.

The following depreciation periods and methods are used:

Items	Amortization period
Furniture and computer equipment	3 to 5 years – straight-line basis
Laboratory equipment	5 to 8 years – straight-line basis
General fixtures and fittings	8 to 10 years – straight-line basis

The depreciation expense for property, plant and equipment is recognized in the income statement as:

- “General and administrative expenses” for depreciation of general facilities, fixtures and fittings, computer and office equipment;
- “Research and development expenses” for laboratory equipment and other tangible assets at the laboratory.

PROPERTY, PLANT AND EQUIPMENT (Amounts in € thousand)	Equipment and tooling	Office equipment, computer equipment, furniture	Total
GROSS VALUE			
Balance sheet as of December 31, 2016	**637**	**102**	**739**
Acquisition	2	0	2
Disposal	-	-	-
Transfer	-	-	-
Foreign exchange effects	(9)	(2)	(10)
Changes in the scope of consolidation	-	-	-
Balance sheet as of June 30, 2017	**630**	**101**	**731**
CUMULATIVE DEPRECIATION			
Balance sheet as of December 31, 2016	**548**	**99**	**646**
Increase	22	2	24
Decrease	-	-	-
Foreign exchange effects	(8)	(2)	(9)
Changes in the scope of consolidation	-	-	-
Balance sheet as of June 30, 2017	**562**	**99**	**661**
NET CARRYING AMOUNT			
At December 31, 2016	**89**	**4**	**93**
At June 30, 2017	**68**	**2**	**70**

3.3 Impairment in value of intangible assets and property, plant and equipment

Accounting principles

Capital assets with an indefinite useful life or which have not yet been depreciated are subject to an annual impairment test.

Capital assets in the process of being depreciated are themselves subject to an impairment test if there is any internal or external indication that they might be impaired.

Impairment is recognized when the net carrying amount of an asset exceeds its recoverable value. The recoverable value of an asset is its fair value less selling costs, or its utility value, whichever is higher.

During the reference periods, the Company has only had depreciable assets. As of June 30, 2017, there was no internal or external indication that they were impaired.

The Company has also updated the model for evaluating the license agreement signed with SIIL (for use of the Vaxiclase platform) and extensions to this contract as of June 30, 2017. The sensitivity of the assumptions used in the valuation model is as follows:

- An increase of 1 point in the discount rate would generate an impairment of around €0.2 million;

- A fall of 5 points in the probabilities of success of the various phases would generate an impairment of around €2.4 million;
- Downgrading the business plan by 10% would generate an impairment of around €0.1 million.

It is noted that there is no evidence of impairment in the valuation assumptions as of June 30, 2017.

Note 4: Financial assets

Accounting principles

The Group's financial assets consist of:

- loans and receivables initially reported at fair value and subsequently evaluated at amortized cost, using the effective interest rate method. Collateral deposits are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.
- Financial assets at fair value through income or loss. These represent assets held for trading purposes. They are measured at their fair value and changes in fair value are reported through profit and loss. Some assets can also voluntarily be classified in this category. This category includes the capitalization agreement and term deposits. These assets fall under category 1, defined by IAS 7.

Financial assets having a term of maturity of over one year are classified under "Non-current financial assets".

FINANCIAL ASSETS (Amounts in € thousand)	30/06/2017	31/12/2016
Liquidity contract	57	-
Guarantees	15	15
Total non-current financial assets	**72**	**15**
Capitalization contract	3,235	-
TOTAL CURRENT FINANCIAL ASSETS	**3,307**	**-**

The characteristics of the capitalization agreement are as follows:

- "eurofund" investment (diversified, mostly bonds) with a continuous capital guarantee based on a "ratchet effect", i.e., guaranteed interest payment,
- guaranteed minimum yield of 2.25% net of expenses, only for the current period subscribed until December 31, 2015,
- full discretionary use of funds via total or partial redemption at any time, subject to contractual redemption penalties in the first three years: 2% of the amount redeemed in the first 12 months; 1.5% of the amount redeemed between months 13 and 24; 1% of the amount redeemed between months 25 and 36; 0% thereafter (August 2017).
- no legal or contractual lock-in provisions (no preventive detention period).

Redemption of the capitalization agreement is expected during the second half of 2017.

Note 5: Other receivables

Accounting principles

Research tax credit

Research tax credits are granted to the French companies in the group by the French State as an incentive for technical and scientific research. Companies with expenses that meet the eligibility criteria receive a tax credit that can be used to pay the corporate income tax due in the year in which it is granted, as well as in the following three financial years or, as the case may be, any surplus tax paid can be reimbursed.
In the absence of taxable income and in view of the beneficiary companies' community SME status, the CIR receivable from the State is paid in the year following the year for which it is granted.
The research tax credit is recorded in assets for the year it was granted that corresponds to the year during which eligible expenses giving rise to a tax credit were incurred.
The research tax credit is presented in the income statement under subsidies under "research and development expenses".

Competitiveness and Employment Tax Credit (CICE)

The tax credit for competitiveness and employment (*Crédit d'Impôt pour la Compétitivité et l'Emploi* or "CICE") is a French tax scheme for which the French companies in the group are eligible. The Group uses this tax credit through its research and development efforts.
In view of the beneficiary companies' community SME status, the CICE may be reimbursed in the year following that in which it was granted.
The CICE tax credit is reported as a reduction of personnel costs in the income statement.

Subsidies

Subsidies received are reported as soon as the corresponding receivable become certain, taking into consideration the conditions specified when the subsidy was granted.

OTHER RECEIVABLES (Amounts in € thousand)	**30/06/2017**	**31/12/2016**
Research tax credit (1)	3,224	526
Value Added Tax	278	102
Credits receivable and other trade receivables	276	17
Pre-paid expenses(2)	772	142
Subsidies receivable	169	-
Other	81	8
Total other receivables	**4,801**	**795**

(1) Research tax credit

The research tax credit declared by the Group for 2016 was €2,958 thousand (€2,432 thousand for Genkyotex SA (formerly Genticel SA) and €526 thousand for Genkyotex Innovation SAS). The estimated research tax credit for the Group for the first half of 2017 is €266 thousand.

(2) Prepaid expenses are related to the day-to-day activity of the Group and mainly concern study and research costs.

Note 6: Cash and cash equivalents

Accounting principles

Cash and short-term deposits reported in the statement of financial position include cash at bank, cash on hand, and short-term deposits with an initial maturity of less than three months.

Cash equivalents are held for trading purposes, are easily convertible into a known amount of cash and exposed to negligible risk that they will change in value.They are measured at their fair value and any changes in value are recorded as financial income. These assets fall under category 1, defined by IFRS 7.

For the purposes of cash flow reporting, net cash consists of cash and cash equivalents as defined above.

CASH AND CASH EQUIVALENTS (Amounts in € thousand)	**30/06/2017**	**31/12/2016**
Bank accounts	14,852	5,007
Escrow accounts (1)	-	8,930
Money market funds (SICAV)	1	-
Total cash and cash equivalents	**14,853**	**13,937**

(1) The funds recognized in escrow accounts as of December 31, 2016 relate to funding raised as part of a capital increase in Genkyotex Suisse SA that took place in December 2016 and was registered in the Trade and Companies Register in January 2017.

Accounting principles

Ancillary costs directly attributable to the issuance of shares or stock options are reported, net of tax, as a deduction from equity.

Liquidity contract
The portion of the contract invested in the Company's treasury shares is reported as a deduction from Company equity at acquisition cost.
The income from the sale of these treasury shares is also reported directly in equity.
The cash reserve for the liquidity contract is shown under "Non-current financial assets".

	30/06/2017
Share capital (in € thousand)	7,785
Number of shares	77,850,006
including ordinary shares	77,850,006
Par value of shares (in euro)	0.10 €

This number of shares excludes share subscription warrants ("BSA") and founders' warrants ("BSPCE") granted to certain investors and to certain physical persons, whether or not they are employees of the Group, that have not yet been exercised.

As of December 31, 2016, the share capital of Genkyotex SA (formerly Genticel SA) was €1,557 thousand.

On February 28, 2017, the Company's shareholders approved the contribution in kind of shares of Genkyotex Suisse SA to Genkyotex SA (formerly Genticel SA). In consideration for this contribution, Genkyotex SA (formerly Genticel SA) issued of 62,279,951 new shares at a subscription price of €1.9268 for shareholders of Genkyotex Suisse SA. This transaction generated a capital increase of €6,228 thousand and a premium of €113,771 thousand.

As a result, share capital of Genkyotex SA (formerly Genticel SA) was €7,785 thousand as of June 30, 2017 and was divided into 77,850,006 ordinary shares, fully subscribed and paid up, with a par value of €0.10.

Management of capital

The Group's policy is to maintain a solid capital base in order to preserve the confidence of investors and creditors and to support the future growth of the business.

Following the Company's IPO on the Euronext regulated market in Paris and Brussels, on April 18, 2014, a liquidity contract was signed with Banque Oddo et Cie with a view to limiting intra-day volatility in the

Company's share price. For this purpose, the Company entrusted €200 thousand to this establishment, so that it could carry out purchase and sale transactions on the Company's shares.
As of June 30, 2017, under this contract, 60,794 ordinary shares were removed from equity and €57 thousand in cash was entered as non-current financial assets.

Share capital increase costs

Genkyotex SA (formerly Genticel SA) incurred fees as part of the operation to combine it with the Genkyotex Suisse group. Direct costs related to the combination are recorded as expenses for the period in which the costs are incurred or services are rendered, excluding issuance costs of equity share capital instruments issued in compensation for the contribution (€159 thousand in 2016 and €105 thousand in 2017), which are deducted from share capital in accordance with IAS 32.

Dividends

The Company has paid no dividends for the financial years disclosed.

Note 8: Share-based payments

Accounting principles

In accordance with IFRS 2, the cost of transactions settled in equity instruments is recognized under expenses in the period in which the rights to benefit from the equity instruments are acquired, as a counterpart to the capital increase.
The Group has applied IFRS 2 to all the equity instruments granted to employees, Board members and external service providers such as consultants.
The fair value of the warrants granted to employees is measured via the Black-Scholes option valuation model. The same applies to the options granted to other physical persons supplying similar services, as their market value is not determinable.
All methods used in measuring the fair value of such options plans are disclosed below:

- The share price used is equal to the stock market price or the investor subscription price or by reference to internal valuations;
- The risk-free rate is based on the average lifetime of the instruments;
- Volatility is calculated with reference to a sample of listed companies in the biotechnology sector, as of the date the instruments are subscribed and over a period equal to the lifetime of the option.

8.1 Share subscription warrants issued to financial investors in Genkyotex SA (formerly Genticel SA)

Genkyotex SA (formerly Genticel SA) issued 133,334 share subscription warrants to investors in July 2008 (term of exercise: 10 years). They are treated as equity instruments.

		Number of warrants outstanding				
Type	**Allocation date**	**12/31/2016**	**Forfeited**	**2/28/2017**	**Forfeited**	**6/30/2017**
BSA other investors	07/2008	133,334	-	133,334	-	133,334
TOTAL		**133,334**	**-**	**133,334**	**-**	**133,334**

8.2 Share subscription warrants ("BSA") of Genkyotex SA (formerly Genticel SA)

The following table summarizes the option plans issued and the assumptions adopted for IFRS 2 valuation:

			Plan features			Assumptions		
Company	**Type**	**Allocation date**	**Number of warrants allocated**	**Exercise period**	**Exercise price**	**Volatility**	**Risk-free rate**	**Initial total IFRS2 valuation (€ thousand) (Black-Scholes)**
Genkyotex SA	**BSA $_{10/2008}$**	10/24/2008	**30,800**	10 years	3.00 €	63.51%	7.03%	**60**
Genkyotex SA	**BSA $_{02/2010}$**	02/14/2010	**155,200**	10 years	3.00 €	55.14%	3.58%	**258**
Genkyotex SA	**BSA $_{12/2013}$**	12/20/2013	**116,000**	10 years	4.00 €	54.27%	2.09%	**221**
Genkyotex SA	**BSA $_{09/2014}$**	09/12/2014	**35,000**	10 years	5.79 €	50.03%	0.50%	**72**

Type	**Allocation date**	**31/12/2016**	**Forfeited**	**28/02/2017**	**Forfeited**	**30/06/2017**
BSA $_{10/2008}$	10/24/2008	30,800	-	30,800	-	**30,800**
BSA $_{02/2010}$	02/14/2010	155,200	-	155,200	-	**155,200**
BSA $_{12/2013}$	12/20/2013	116,000	-	116,000	-	**116,000**
BSA $_{09/2014}$	09/12/2014	35,000	-	35,000	-	**35,000**
TOTAL		**337,000**	**-**	**337,000**	**-**	**337,000**

8.3 Start-up stock options ("BSPCE") in Genkyotex SA (formerly Genticel SA)

The following table summarizes the option plans issued and the assumptions adopted for IFRS 2 valuation:

			Plan features			Assumptions		
Company	**Type**	**Allocation date**	**Number of warrants allocated**	**Exercise period**	**Exercise price**	**Volatility**	**Risk-free rate**	**Initial total IFRS2 valuation (€ thousand) (Black-Scholes)**
Genkyotex SA	**BSPCE $_{02/2007}$**		**28,000**	10 years	2.90 €	48.70%	4.27%	**45**
Genkyotex SA	**BSPCE $_{04/2009}$**	04/09/2009	**88,460**	10 years	3.00 €	58.70%	5.22%	**159**
Genkyotex SA	**BSPCE $_{12/2010}$**	12/17/2010	**217,400**	10 years	3.00 €	55.10%	3.73%	**343**
Genkyotex SA	**BSPCE $_{06/2012}$**	26/06/2012	**13,000**	10 years	3.00 €	59.30%	2.34%	**22**
Genkyotex SA	**BSPCE $_{12/2012}$**	12/11/2012	**11,750**	10 years	3.00 €	59.30%	1.42%	**19**
Genkyotex SA	**BSPCE $_{02/2013}$**	02/15/2013	**19,320**	10 years	3.00 €	54.30%	1.68%	**31**
Genkyotex SA	**BSPCE $_{12/2013}$**	12/20/2013	**121,314**	10 years	4.00 €	54.30%	2.09%	**252**
Genkyotex SA	**BSPCE $_{05/2014}$**	05/14/2014	**481,491**	10 years	6.77 €	54.92%	0.81%	**1,593**
Genkyotex SA	**BSPCE $_{07/2015}$**	07/03/2015	**45,000**	10 years	7.74 €	48.96%	0.40%	**146**

Type	**Allocation date**	**31/12/2016**	**Forfeited**	**28/02/2017**	**Forfeited**	**30/06/2017**
BSPCE $_{02/2007}$		28,000	- 28,000	-	-	-
BSPCE $_{04/2009}$	04/09/2009	17,620	- 12,320	5,300	-	**5,300**
BSPCE $_{12/2010}$	12/17/2010	48,600	- 3,100	45,500	- 3,000	**42,500**
BSPCE $_{06/2012}$	26/06/2012	13,000	-	13,000	-	**13,000**
BSPCE $_{12/2012}$	12/11/2012	8,294	-	8,294	-	**8,294**
BSPCE $_{02/2013}$	02/15/2013	1,500	-	1,500	- 1,500	-
BSPCE $_{12/2013}$	12/20/2013	74,693	- 1,919	72,774	- 8,774	**64,000**
BSPCE $_{05/2014}$	05/14/2014	347,359	- 8,669	338,690	- 108,690	**230,000**
BSPCE $_{07/2015}$	07/03/2015	45,000	-	45,000	- 45,000	-
TOTAL		**584,066**	**- 54,008**	**530,058**	**- 166,964**	**363,094**

8.4 Non-voting shares of Genkyotex Suisse SA

Type	**Allocation date**	**31/12/2016**	**Issued**	**Allocation of non-voting treasury shares**	**Converted**	**30/06/2017**
Non-voting shares	10/09/2012	126,102	-	-	126,102	-
Non-voting shares $_{10/2013}$	11/10/2013	15,496	-	-	15,496	-
Non-voting shares $_{03/2015}$	27/03/2015	112,516	-	-	112,516	-
Non-voting shares $_{12/2015}$	15/12/2015	42,850	-	-	42,850	-
Non-voting shares $_{01/2017}$	16/01/2017	-	169,854	10,146	180,000	-
TOTAL		**296,964**	**169,854**	**10,146**	**476,964**	-

On January 16, 2017, Genkyotex Suisse SA allocated 180,000 non-voting shares, 169,854 of which were issued on that date and 10,146 were held in treasury by Genkyotex Suisse SA. The fair value of non-voting shares is equal to the difference between the share value as determined in connection with the merger (€22.80) and the par value paid by their beneficiaries (1 CHF, approximately €0.93).

On the same date, Genkyotex Suisse SA converted all non-voting shares outstanding to ordinary shares. This operation ended the restriction period to which the non-voting shares were subject.

8.5 Breakdown of charges recognized in accordance with IFRS 2 during the reference periods

Type	Allocation date	Cost H1 2017	Cost H1 2016
Non-voting shares $_{10/2013}$	11/10/2013	-	1
Non-voting shares $_{03/2015}$	27/03/2015	21	14
Non-voting shares $_{12/2015}$	15/12/2015	25	15
Non-voting shares $_{01/2017}$	16/01/2017	3,917	-
TOTAL		**3,963**	**30**

Note 9: Interest-bearing loans and borrowings

Accounting principles

Unless otherwise indicated, loans and borrowings are reported at amortized cost, calculated using the Effective Interest Rate (EIR) method, in accordance with IAS 39.
The portion of financial debts due within one year is presented as "Current financial debt".

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amounts in € thousand)	30/06/2017	31/12/2016
Repayable advances	228	-
Non-current financial debts	**228**	**-**
Short-term borrowings	0	-
Repayable advances	226	-
Current financial debt	**226**	**-**
Total financial expenses	**454**	**-**

<u>Reconciliation between repayment value and value in the balance sheet</u>

RECONCILIATION BETWEEN REPAYMENT VALUE AND VALUE IN THE BALANCE SHEET (Amounts in € thousand)	Repayment value 06/30/2017	Amortized cost	Fair value	Balance sheet value	
				30/06/2017	31/12/2016
Repayable advances	468	(14)	-	454	-
Short-term borrowings	0	-	-	0	-
Total financial expenses	**468**	**(14)**	**-**	**454**	**-**

Breakdown of financial debt by maturity, in repayment value

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amounts in € thousand)	30/06/2017			
	Gross amount	Share < 1 year	From 1 to 5 yrs	> 5 years
Repayable advances	468	229	238	-
Total financial expenses	**468**	**229**	**238**	**-**
Current financial debt	*229*			
Non-current financial debts	*238*			

9.1 Repayable advances

Accounting principles

The Group benefits from a certain amount of public aid, in the form of conditional subsidies and advances. They are reported in accordance with IAS 20. These advances are granted at below market interest and measured at amortized cost, in accordance with IAS 39:

- The interest rate advantage is measured by using a discount rate corresponding to a market rate on the date the aid is granted. The amount resulting from the interest rate advantage obtained when the repayable interest-free advance is granted is considered to be a subsidy recorded under income in the statement of comprehensive income.
- The financial cost of the repayable advances, calculated at the market interest rate, is then recorded under financial expenses.

In the event of failure of the project, the abandonment of the receivable is recorded under subsidies.

CHANGE IN REPAYABLE ADVANCES AND SUBSIDIES (Amounts in € thousand)	OSEO 2 - HPV	OSEO 3 - ProCervix (GTL001)	Total
At December 31, 2016	**-**	**-**	**-**
Changes in the scope of consolidation	248	526	774
Payment received	-	-	-
Repayment	(250)	(76)	(326)
Subsidies	-	-	-
Financial expenses	2	4	6
At June 30, 2017	**-**	**454**	**454**

Breakdown of repayable advances by maturity, in repayment value

BREAKDOWN OF REPAYABLE ADVANCES BY DUE DATES, IN TERMS OF REPAYMENT VALUE (Amounts in € thousand)	OSEO 2 - HPV	OSEO 3 - ProCervix (GTL001)	Total
At June 30, 2017	**-**	**468**	**468**
Share < 1 year	-	229	229
Share 1 ≥ 5 years	-	238	238
Share > 5 years	-	-	-

OSEO Innovation repayable advance – OSEO 2

On March 9, 2011, Genkyotex SA (formerly Genticel SA) obtained from OSEO an interest-free repayable advance of €1,500 thousand for the "development and clinical trials of a therapeutic vaccine to combat cancer and precancerous lesions of the cervix caused by the human papillomavirus (HPV)".

Following the success of the project, this advance was repaid as follows:

- €50 thousand per quarter from September 30, 2013 to June 30, 2014, on the last day of the quarter;
- €75 thousand per quarter from September 30, 2014 to June 30, 2015, on the last day of the quarter;
- €125 thousand per quarter from September 30, 2015 to June 30, 2017, on the last day of the quarter.

OSEO Innovation repayable advance – OSEO 3

On January 11, 2013, Genkyotex SA (formerly Genticel SA) obtained an interest-free repayable advance from OSEO of a total of €849 thousand "to extend the Phase I clinical trials of the ProCervix (GTL001) project".

Following confirmation of completion of the program and after obtaining the statement of expenditure incurred on the project financed by OSEO, the repayable advance was reduced to take into account the fact that actual expenditure was less than projected. The aid was thus reduced to €812 thousand and an amendment was signed on September 5, 2014 to change the repayment dates.

This repayable advance is repaid according to the following schedule:

- Quarterly from September 30, 2014 to June 30, 2015: €19 thousand
- Quarterly from September 30, 2015 to June 30, 2016: €29 thousand
- Quarterly from September 30, 2016 to June 30, 2017: €38 thousand
- Quarterly from September 30, 2017 to June 30, 2018: €57 thousand
- Quarterly from September 30, 2018 to March 31, 2019: €60 thousand
- The balance on June 30, 2019: €60 thousand

Furthermore, the agreement provides for an annual repayment equal to 40% of the ex-tax proceeds from the sale or assignment of licenses, patents or know-how relating to all or part of the results of the aided program, received for the previous year and 40% of the ex-tax proceeds generated by the marketing or use by the beneficiary for its own purposes, of prototypes, pre-series or models produced as part of the aided program.
The amounts owed to OSEO under this arrangement are to take priority and must be completed at the last due date, according to the above repayment plan. This arrangement will not cause the Company to pay to OSEO an amount greater than the aid received.

Note 10: Employee benefit obligations

Accounting principles

The Group provides retirement, death and disability benefits to its employees in line with local customs and requirements through pension payments by Social Security bodies, which are funded by Group and employee contributions (defined contribution scheme) in Switzerland and France, the countries where the Group operates.

The Group also provides retirement, death and disability benefits to its Swiss and French employees through the following defined benefit schemes:

- For Swiss employees, Genkyotex Suisse SA's compulsory company-wide defined benefit scheme through a plan which is funded through employer (50%) and employee (50%) contributions. This company-wide plan has been in place since Genkyotex Suisse SA was founded and all Swiss employees of this company are eligible for its benefits. On retirement, the plan participant will receive his/her accumulated savings, which consist of all contributions paid in by the employer and the employee (net of any withdrawals) and the interest granted on those savings, which are fixed, according to the law for the compulsory part and at the discretion of the Council of the Foundation for the optional part. At the age of retirement, the plan participant has the right to choose between a lump-sum payment or an annuity, or a combination thereof.
- Employees of the Group's French companies are entitled to a retirement lump sum payment at the time of retirement.

Pension plans, similar compensation and other employee benefits qualifying as defined benefit schemes (in which the Group guarantees an amount or defined level of benefits) are recognized in the statement of financial position based on an actuarial valuation of the obligations at period-end, minus the fair value of the scheme assets.

This valuation is determined using the projected unit credit method, taking into account staff turnover and mortality probability. All actuarial differences are recognized in equity under "Other comprehensive income".

Payments by the Group to defined contribution schemes are recognized as expenses in the income statement during the period to which they relate. Pension expense (current service cost and interest expense) is shown in operating profit.

EMPLOYEE BENEFIT OBLIGATIONS (Amounts in € thousand)	**30/06/2017**	**31/12/2016**
Swiss employees	851	863
French employees	11	11
Employee benefit obligations	**862**	**874**

10.1 Swiss employees

The defined benefit obligation related to the 2nd pillar Swiss pension scheme is assessed using the following assumptions:

ACTUARIAL ASSUMPTIONS	30/06/2017	31/12/2016
Age at retirement	Voluntary retirement 64 years for women/65 years for men	
Discount rate	0.70%	0.70%
Mortality table	LPP 2015 generation	LPP 2015 generation
Salary revaluation rate	1.00%	1.00%
Rate of increase in retirement pensions	0.50%	0.50%
Deposit rate on savings accounts	0.70%	0.70%
Rotation rate	10.00%	10.00%

Changes in the defined benefit obligation and fair value of the plan assets are as follows:

Amounts in € thousand	Obligation under the defined benefit plan	Fair value of plan assets	**Employee benefit obligation**
At December 31, 2016	**1,825**	**(962)**	**863**
Current service cost	171	-	171
Interest expenses	6	(3)	3
Employee contributions	-	(58)	(58)
Sub-total included in the income statement	**177**	**(61)**	**116**
Amounts paid/received	**(107)**	**107**	(0)
Return on plan assets (excluding interest expenses)	-	(1)	(1)
Other (gains)/actuarial losses	(54)	-	(54)
Sub-total included in other comprehensive income	**(54)**	**(1)**	**(55)**
Employer contributions	-	**(58)**	**(58)**
Foreign exchange effects	(32)	17	**(15)**
At June 30, 2017	**1,809**	**(958)**	**851**

10.2 French employees

The main actuarial assumptions used to measure retirement packages are as follows:

ACTUARIAL ASSUMPTIONS	**30/06/2017**	**31/12/2016**
Age at retirement	Voluntary retirement between age 65	
Collective agreement	Pharmaceutical industry	
Discount rate (IBOXX Corporates AA)	1.67%	1.31%
Mortality table	INSEE 2015	INSEE 2015
Salary revaluation rate	2.00%	2.00%
Rotation rate	High	High
Rate of social security charges		
Executive	43%	43%
Non-executive	42%	44%

The following shows the change in retirement provisions:

Amounts in € thousand	**Defined benefit obligation**
At December 31, 2016	**11**
Current service cost (1)	(93)
Interest expenses	1
Actuarial gains and losses	(2)
Changes in the scope of consolidation	94
At June 30, 2017	**11**

(1) In accordance with IAS 19, the impact of the plan curtailment affecting Genkyotex SA (formerly Genticel SA) was recognized as a reduction in the past services cost (all employees having left the workforce or working their notice period as of June 30, 2017).

Note 11: Provisions

Accounting principles

Provisions correspond to commitments resulting from litigation and various risks, the outcome and value of which are uncertain, that the Company may face as part of its activities.

A provision is reported when the Company has an obligation to a third party, resulting from a past event that is likely to cause an outflow of resources to the benefit of that third party without a counterpart at least equivalent to it, and future outflows of cash can be reliably estimated. The amount reported in provisions is the estimated expense necessary to extinguish the obligation, discounted if necessary at the end of the period.

PROVISIONS (Amounts in € thousand)	30/06/2017					
	At start of period	Changes in the scope of consolidation	Allocation to provisions	Write-back of provision	Unallocated write-back	At end of period
Provisions for layoffs	-	30	-	(30)	-	-
Provisions	**-**	**30**	**-**	**(30)**	**-**	**-**

The provisions for redundancy correspond to the estimated residual severance pay that would be payable in the collective layoff in progress as of February 28, 2017 at Genkyotex SA (formerly Genticel SA). This provision was used over the period.

Note 12: Other current liabilities

Accounting principles

The fair value of current liabilities is equivalent to their carrying amount in the balance sheet, taking into account the extremely short deadlines for payment.

OTHER CURRENT LIABILITIES (amounts in € thousand)	30/06/2017	31/12/2016
Bonuses (including social security charges)	148	-
Severance pay (1)	204	-
Payroll & related accounts	219	141
Social security & other welfare programs	355	147
Income tax	55	117
Other taxes and similar	98	145
Other liabilities	24	-
Other current liabilities	**1,104**	**550**

(1) The layoff allowances correspond to the compensation to be paid further to the signature of severance protocols with employees of Genkyotex SA (formerly Genticel SA) in connection with the restructuring of this company.

Note 13: Breakdown of expenses and income per function

Accounting principles

The Group presents its income and expenses by function in the income statement, with two category headings:

- Research and development;
- General and administrative expenses

Expenses are broken down on the basis of cost accounting.

The research tax credit and operating grants are presented in subsidies and are deducted for the research and development costs.

Operating grants are recorded, taking into account the rate of corresponding expenses so as to adhere to the principle of matching revenues and expenses, as the case may be.

13.1 Research and Development

RESEARCH AND DEVELOPMENT (Amounts in € thousand)	30/06/2017	30/06/2016
Raw materials and consumables	(103)	(72)
Studies and research	(2,112)	(1,106)
Personnel expenses	(709)	(1,041)
Pension expenses	(48)	28
Lease expenses	(161)	(124)
Licenses and intellectual property costs	(225)	(115)
Depreciation and amortization	(209)	(35)
Share-based payments	(2,060)	(20)
Other	(39)	(66)
Research and development expenses	**(5,665)**	**(2,552)**
Research tax credit	226	304
Subsidies	169	-
Subsidies	**395**	**304**
Net research and development expenses	**(5,270)**	**(2,248)**

Study and research costs for the first half of 2017 correspond to the costs incurred in connection with the Phase 2 trial of its GKT831 product in PBC and the pre-clinical work in progress on the GKT771 compound.

The share-based payment expense recognized for the first half of 2017 is mainly linked to non-voting shares allocated to employees of Genkyotex Suisse SA on January 16, 2017 (see Note 8.4).

Subsidies

In January 2011, Genkyotex Innovation SAS signed a consortium agreement with 13 members relating to a five-year research program entitled “NEURINOX – NOX Enzymes as mediators of inflammation-triggered neurodegeneration: modulating NOX enzymes as novel therapies” (the Neurinox project).

Under this agreement, the Group has recognized income of €169 thousand relating to the balance of the Neurinox grant receivable. This amount was received by the Group in July 2017.

13.2 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (amounts in € thousand)	30/06/2017	30/06/2016
Travel and incidental expenses	(122)	(86)
Lease expenses	(27)	(19)
Fees	(910)	(68)
Sales and marketing expenses	(66)	(31)
Taxes and duties	(28)	0
Personnel expenses	(366)	(253)
Pension expenses	(26)	10
Amortization	(5)	(7)
Transaction costs	(104)	(51)
Share-based payments	(1,903)	(10)
Other	(83)	(21)
General and administrative expenses	**(3,640)**	**(535)**

The fees incurred over the first half of 2017 relate primarily to the inherent legal, accounting, audit and communications costs for a listed company.

The share-based payment expense recognized for the first half of 2017 is mainly linked to non-voting shares allocated to employees of Genkyotex Suisse SA on January 16, 2017 (see Note 8.4).

Note 14: Other operating income and expenses

Accounting principles

Other operating income and expenses includes significant items that cannot be considered as inherent to the Group's day-to-day activity due to their nature and non-habitual character.

They may include in particular:

- costs related to the merger/acquisition of companies;
- certain restructuring costs;
- other operating income and expenses such as a provision relating to a highly material dispute;
- a capital gain or loss on sale or substantial and unusual depreciation of non-current assets.

OTHER OPERATING EXPENSES (Amounts in € thousand)	30/06/2017	30/06/2016
Cost of listing	(10,898)	-
Restructuring expenses for Genkyotex SA (formerly Genticel)	(510)	-
Other operating expenses	**(11,408)**	**-**

14.1 Cost of listing

As indicated in Note 2.2, the difference between the acquisition cost of shares of Genkyotex SA (formerly Genticel SA) and the various acquired elements can be analyzed as a cost.

(Amounts in € thousand)	Cost of listing
Acquisition price	33,476
Net assets transferred	(22,577)
Total	**10,898**

Acquisition price

The acquisition price was determined from the number of Genkyotex SA (formerly Genticel SA) shares outstanding and the share price quoted at closing on February 28, 2017.

- Number of Genkyotex SA (formerly Genticel SA) shares as of February 28, 2017: 15,570,055 shares
- Closing share prices on February 28, 2017: €2.15.

Assets and liabilities assumed

The assets acquired and liabilities assumed by Genkyotex SA (formerly Genticel SA) were subject to the following provisional revaluations at fair value as of February 28, 2017:

(Amounts in € thousand)	IFRS data	Preliminary revaluation	Assets and liabilities assumed after revaluation
Assets acquired	**14,292**	**10,697**	**24,988**
intangible assets (1)	-	*10,697*	*10,697*
non-current financial assets	*63*	-	*63*
trade and related receivables	*28*	-	*28*
other receivables	*3,383*	-	*3,383*
current financial assets	*7,231*	-	*7,231*
cash and cash equivalents	*3,587*	-	*3,587*
Liabilities assumed	**2,411**	**-**	**2,411**
o/w Employee benefit obligations	*94*	-	*94*
o/w Current and non-current financial liabilities (2)	*775*	-	*775*
o/w Provisions	*30*	-	*30*
o/w Trade payables and related accounts	*667*	-	*667*
o/w other current liabilities	*845*	-	*845*
Net assets transferred	**11,881**	**10,697**	**22,577**

(1) The assets acquired were provisionally revalued at €10,697 thousand, corresponding to the estimated fair value of the SIIL contract (for use of the Vaxiclase platform) and extensions to this contract (see Note 3.1 Intangible assets).

(2) It is noted that the carrying amount of repayable advances is essentially the same as their fair value as of February 28, 2017. Consequently, in the interest of simplicity, they have not been revalued.

Furthermore, the Group may adjust the fair value of the assets and liabilities assumed from Genkyotex SA (formerly Genticel SA) for 12 months after the date of acquisition.

14.2 Restructuring costs

The Group incurred a net expense of €510 thousand in connection with the restructuring of Genkyotex SA (formerly Genticel SA), between March 1, 2017 and June 30, 2017:

- Cost of layoffs including severance pay and social security costs of €608 thousand;
- Impact of plan curtailment on provision for retirement packages of -€98 thousand (see Note 10.2).

Note 15: Financial income (expenses), net

Accounting principles

Net financial income includes:

- Expenses related to the financing of the Company: Interest paid and unwinding of repayable advances and financial liabilities (see Notes 12.1 and 12.2).
- Interest income from term deposits and the capitalization agreement.

Gains and losses on translation are reported under financial profit and loss.

FINANCIAL INCOME (EXPENSES), NET (Amounts in € thousand)	**30/06/2017**	**30/06/2016**
Other financial expenses	(28)	-
Other financial income	8	2
Foreign exchange gains/(losses)	(6)	(76)
Financial income (expenses), net	**(26)**	**(74)**

Gains and losses on translation as of June 30, 2016 primarily represent the impact of fluctuations in the EUR/CHF exchange rate on the intercompany accounts of Genkyotex Suisse SA with Genkyotex Innovation SAS.

Note 16: Income tax

Accounting principles

Taxable assets and liabilities for this and previous financial years are valued at the amount expected to be recovered or paid by the tax authorities.
The tax rates and tax regulations used to calculate these amounts are those which were adopted or partially adopted at the end of the period.

Deferred taxes are reported using the variable deferral method for all temporary differences existing at the end of the reporting period between the tax base of assets and liabilities and their carrying amount on the balance sheet, as well as on deferrable losses.

The main temporary differences relate to deferrable tax losses.
Deferred tax assets are reported as deferrable tax losses, when it is probable that the Company will have future taxable profits to which those unused tax losses could be applied. The measurement of identifiable deferred tax assets requires Management to make estimates about the time period over which the deferred losses will be used up and about the level of future taxable income, based on the tax strategies adopted.

Income tax rates and losses carried forward

Genkyotex Suisse SA had tax loss carryforwards of around €45,037 thousand (CHF 49,226 thousand) as of December 31, 2016, broken down as follows:

- €11,765 thousand (CHF 12,860 thousand) originating in 2015 and expiring in 2023;
- €14,186 thousand (CHF 15,505 thousand) originating in 2014 and expiring in 2022;
- €12,329 thousand (CHF 13,476 thousand) originating in 2013 and expiring in 2021;
- €6,757 thousand (CHF 7,385 thousand) originating in 2012 and expiring in 2020.

The tax rate on earnings applicable to Genkyotex Suisse SA is the rate currently applicable in the Canton of Geneva, i.e. 24%.

Genkyotex SA (formerly Genticel SA), meanwhile, had tax losses subject to indefinite carryforward in France of €74,202 thousand as of December 31, 2016.

The tax rate on earnings applicable to Genkyotex SA (formerly Genticel SA) and Genkyotex Innovation SAS is the rate currently in force in France, i.e. 33.33%.

Under the principles described above, as of June 30, 2017, no deferred tax assets are reported in the Group's consolidated financial statements that exceed deferred tax liabilities.

Note 17: Earnings per share

Accounting principles

Basic earnings per share (EPS) are calculated by dividing net income or loss attributable to holders of Company shares by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by adjusting the net income attributable to the holders of ordinary shares and the weighted average number of the ordinary shares in circulation by the effects of all the dilutive potential ordinary shares.

If, when calculating diluted earnings per share, taking into account instruments giving deferred access to capital (BSA and BSPCE) creates an anti-dilutive effect, those instruments are not taken into account. In this way, diluted earnings per share are identical to basic earnings per share.

EARNINGS PER SHARE	30/06/2017	30/06/2016			
	Ordinary shares	Ordinary shares and non-voting shares	Preferred shares A	Preferred shares B	Preferred shares D
Weighted average number of shares outstanding	54,169,507	307,941	292,533	830,686	463,618
Net profit for the period – portion attributable to shareholders of the parent (in € thousand)	(20,368)	(545)	(518)	(1,471)	(821)
Basic earnings per share (€/share)	**(0.38)**	**(1.77)**	**(1.77)**	**(1.77)**	**(1.77)**
Diluted earnings per share (€/share)	**(0.38)**	**(1.77)**	**(1.77)**	**(1.77)**	**(1.77)**

Given that Genkyotex Suisse SA was considered the buyer from an accounting standpoint in light of IFRS 10 (see Note 2.2), earnings per share as of June 30, 2017 take account of the weighted average number of shares of Genkyotex Suisse SA for the period from January 1 to February 28, 2017 and the weighted average number of shares of Genkyotex SA (formerly Genticel SA) for the period from March 1 to June 30, 2017.

Earnings per share as of June 30, 2016 take account of the weighted average number of shares of Genkyotex Suisse SA outstanding (ordinary shares, non-voting shares, preference shares in classes A, B and D), it being understood that all the various classes of shares were converted into ordinary shares in January 2017.

Note 18: Segment information

Accounting principles

The Group operates in only one business segment, the research and development of pharmaceutical products.

Assets, operational losses and research and development costs are limited to France and Switzerland.

Note 19: Related parties

19.1 Compensation payable to corporate officers

Following the Combined General Meeting of February 28, 2017 approving the combination of Genkyotex SA (formerly Genticel SA) and the Genkyotex Suisse group, the way in which Genkyotex SA (formerly Genticel SA) is administered was changed. Previously a company with an executive board and a supervisory board, the Company became a public limited company with a Board of Directors.

The table below shows compensation:

- For the first half of 2017:
    - For executives of Genkyotex Suisse SA from January 1 to February 28, 2017;
    - For the Chief Executive Officer, the Chief Operating Officer and members of the Board of Directors of Genkyotex SA (formerly Genticel SA) from March 1 to June 30, 2017;
- For executives of Genkyotex Suisse SA for the first half of 2016.

EXECUTIVE COMPENSATION (Amounts in € thousand)	**30/06/2017**	**30/06/2016**
Fixed compensation due	206	296
Variable compensation due	74	104
In kind benefits	11	14
Employer contributions to the pension plan	16	27
Share-based payments	3,747	8
Attendance fees	34	10
TOTAL	**4,089**	**459**

No post-employment benefits were granted to members of the Board or executives, with the exception of the mandatory defined benefit scheme applicable for Swiss employees under the 2nd pillar of the Swiss social security system.

The variable components of compensation were allocated on the basis of performance criteria.
The methods used to calculate the fair value of share-based payments are explained in Note 8.

Note 20: Off-balance sheet commitments

20.1 Commercial leases

Leases on premises

In the context of its business, the Group has signed a number of lease contracts:

- For its premises in Plan-Les-Ouates in Switzerland;
- For its premises for clinical development in Saint-Julien-en-Genevois in France.

The addresses of these premises are, respectively: 16 Chemin des Aulx, 1228 Plan-Les-Ouates, Genève, Switzerland and 218 Avenue Marie-Curie – Forum 2 Archamps Technopole, 74166 Saint-Julien-en-Genevois, France.

Expenses and commitments

The rent payments recognized during the first half of 2017 and the commitments up to the next potential rent breaks were as follows:

Place	Lease on premises	Effective date of the lease	End date of lease	Lease expenses H1 2017 (in € thousand)	Commitment until the next termination period or the next three-year review period (French leases) – in € thousand		
					< 1 year	From 1 to 5 yrs	> 5 years
Saint-Julien-en-Genevois, France	Locaux Forum 2 Archamps Technopole	01/08/2011	01/08/2020	15	30	63	-
Plan-Les-Ouates, Switzerland	Premises in Plan-les-Ouates	01/02/2011	31/01/2021	44	86	223	-
Plan-Les-Ouates, Switzerland	Car parking – space 1	01/02/2011	31/01/2021	6	11	28	-
Plan-Les-Ouates, Switzerland	Car parking – space 2	01/10/2007	30/09/2018	4	8	2	-
Plan-Les-Ouates, Switzerland	Car parking – space 3	01/10/2013	30/09/2018	1	2	1	-

20.2 Guarantee

A bank guarantee for €22 thousand (CHF 24 thousand) was provided to the landlord of the Plan-Les-Ouates premises.

20.3 Contractual obligations

On February 22, 2006, Genkyotex SA (formerly Genticel SA) signed a licensing agreement with the Pasteur Institute. This agreement mainly provides for:

- Royalties on the net receipts by the Company, related to HPV in the two predefined geographic regions (absence of revenue by the Company in this area to date).

- A share in the cost of maintaining the patents.
  The Pasteur Institute is responsible with obtaining the issuance and assuring the continuing validity of patents. However, the Company will reimburse the Pasteur Institute 25% or 50% (depending on the type of patent) of the direct external expenses incurred by the Pasteur Institute to maintain and extend the patents.

- A guaranteed annual minimum.
  Since 2009, Genkyotex SA (formerly Genticel SA) has had to pay the Pasteur Institute a minimum annual royalty of €50,000, for the human and veterinary vaccines used.

- A counterpart in terms of veterinary vaccines.
  Genkyotex SA (formerly Genticel SA) will have to pay the Pasteur Institute €100,000 when requesting authorization for clinical trials on animals and €150,000 upon the first marketing authorization of the product. Additionally, Genkyotex SA (formerly Genticel SA) will pay the Pasteur Institute an annual royalty of 3.5% of net receipts.

- A royalty in the case of sub-licensing (to date, the Company has not signed this type of agreement).

- A counterpart in terms of human vaccines.
  At each stage of development, Genkyotex SA (formerly Genticel SA) will pay the Institut Pasteur the following amounts:
  - The product enters Phase I: €50 thousand
  - The product exits Phase I: €130 thousand
  - The product enters Phase II: €160 thousand
  - The product exits Phase III: €310 thousand
  - The product receives its first marketing authorization: €610 thousand

The GTL001 product (ProCervix, Genticel SA's first drug candidate) completed Phase I in May 2014. The first Clinical Study Report was published on January 20, 2015. In December 2016, due to the disappointing results of the Phase 2 clinical trial in terms of the therapeutic efficacy obtained with GTL001, the Company has decided to terminate its development program of treatments for the Human Papilloma Virus (HPV) infection. No payment will thus be made for Phase II completion by the product.

Note 21: Subsequent events

August 2017:

The Company announced that GKT831, its NOX1 and NOX4 inhibitor, had demonstrated its ability to effectively target cancer-associated fibroblasts (CAF) and delay tumor growth, as part of a study including several preclinical models.

4. REPORT OF LIMITED AUDIT BY THE STATUTORY AUDITOR OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED IN THE EUROPEAN UNION

"*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*."

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

Genkyotex

Period from January 1, 2017 to June 30, 2017

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Genkyotex, for the period from January 1, 2017 to June 30, 2017,
- the verification of the information presented in the half-yearly management report.

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

1 Opinion on the consolidated financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2 Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine and Toulouse, September 21, 2017

The Statutory Auditors

French original signed by

GRANT THORNTON
French Member of Grant Thornton International

Samuel Clochard

SYGNATURES

Laure Mulin