SEMI-ANNUAL FINANCIAL REPORT AS OF JUNE 30, 2020

A French limited company (société anonyme) organized with a Board of Directors
and with share capital of €11,548,562
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

CONTENTS

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 "Group" refers to Genkyotex SA and its subsidiary, Genkyotex Suisse SA (Switzerland);
- "Financial Report" denotes this semi-annual financial report as of June 30, 2020;
- "Universal Registration Document" denotes the universal registration document registered with the French Financial Markets Authority (AMF) on April 30, 2020 under number D.20-0434.

About Genkyotex

Genkyotex is the leading biopharmaceutical company in NOX therapies, listed on the Euronext Paris and Euronext Brussels markets. Its unique platform enables the identification of orally available small-molecules which selectively inhibit specific NOX enzymes that amplify multiple disease processes such as fibrosis, inflammation, pain processing, cancer development, and neurodegeneration. Genkyotex is developing a pipeline of first-in-class product candidates targeting one or multiple NOX enzymes. The lead product candidate, setanaxib (GKT831), a NOX1 and NOX4 inhibitor, has shown evidence of anti-fibrotic activity in a Phase 2 clinical trial in primary biliary cholangitis (PBC, a fibrotic orphan disease). Based on its positive Phase 2 results, a Phase 3 trial with setanaxib in PBC is being planned. Setanaxib has also been evaluated in a clinical trial initiated by researchers investigating type 1 diabetes and diabetic kidney disease (DKD). A grant from the United States National Institutes of Health (NIH) of $8.9 million was awarded to Professor Victor Thannickal at the University of Alabama at Birmingham (UAB) to fund a multi-year research program evaluating the role of NOX enzymes in idiopathic pulmonary fibrosis (IPF), a chronic lung disease that results in fibrosis of the lungs. The core component of this program is a Phase 2 trial with setanaxib in patients suffering from IPF for which the enrollment of a first patient was announced in September. In the event of positive results, the evaluation of setanaxib in this indication could continue with a Phase 3 clinical program. This product candidate may also be active in other fibrotic indications.

Genkyotex also has a polyvalent platform, Vaxiclase, which is especially suited to the development of immunotherapies. A partnership covering the use of Vaxiclase as an antigen per se (GTL003) has been established with Serum Institute of India Private Ltd (Serum Institute), the world's largest producer of vaccine doses, for the development by Serum Institute of cellular multivalent combination vaccines against a variety of infectious diseases.

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

1.1 Person responsible for the semi-annual financial report

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, the financial situation and results of the Company 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 financial year."

Saint-Julien-en-Genevois, September 15, 2020.

Ilias (Elias) Papatheodorou, Chief Executive Officer

2. REPORT OF ACTIVITY AS OF JUNE 30, 2020

2.1 Significant events during the first half of 2020

January 2020:

- On January 14 and 15, 2020, the Yorkville fund (YA II PN Ltd) converted the remaining 80 2019 convertible bonds (OCAs) still outstanding as of December 31, 2020 into shares. Following these conversions, 417,816 new shares were issued. As of the interim financial statement reporting date, the Company no longer has any bonds.

February 2020:

- In January 2020, the Company launched a capital increase of up to €6.13 million, with shareholders' pre-emptive rights (DPS) maintained. The subscription parity was 1 new share for every 3 existing shares, with a subscription price of €2.02, i.e., a 7.13% face value discount.
- The Company raised €4.9 million in connection with this capital increase, resulting in the creation of 2,447,297 new shares at a subscription price of €2.02.

March 2020:

- The COVID-19 epidemic, which emerged in January 2020 in China and which now affects several other regions of the world, has led governments in a number of countries in which Genkyotex operates directly (France and Switzerland) or in which clinical trials are being launched, are ongoing or upcoming, to adopt measures to contain and restrict the movement of persons and transport of goods. On March 11, 2020, the World Health Organization officially declared the outbreak a pandemic. See Section 2.3 below on the impacts of the health crisis on the Company's financial statements and the measures put in place by the Company to deal with them.

May 2020:

- The ANSM (French agency for the safety of drugs and healthcare products) has approved the launch of a Phase 1 clinical trial with high-dose setanaxib.

2.2 Group activity and results

2.2.1 Activity

During the first half of 2020, the clinical activities of Genkyotex were focused primarily on:

- **End-of-Phase 2 discussions with regulators for setanaxib in PBC**: Genkyotex is currently discussing the registration strategy for setanaxib in PBC with the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA). The End-Of-Phase 2 (EOP2) meeting with the FDA was not delayed by the COVID-19 pandemic and took place at the end of April 2020, as planned. Genkyotex requested and obtained, at the end of June 2020, scientific advice from the EMA's Scientific Advice Working Party (SAWP) that provides a path for the late stage development and registration of setanaxib in PBC. Initial feedback was also received from the FDA following the End-Of-Phase 2

meeting held in April. Genkyotex will communicate on its late stage development plan once final approval of a common registration strategy has been obtained from the FDA and the EMA.

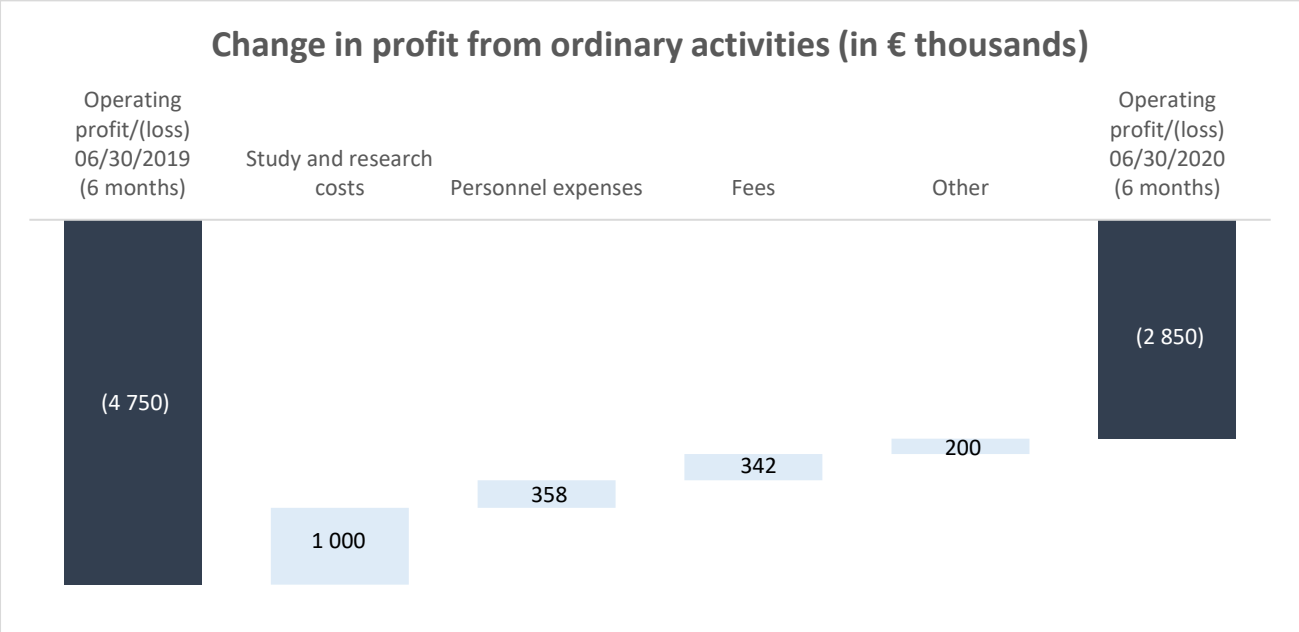
- **IPF Phase 2 study**: the launch of the study, which is already approved by the FDA and the relevant Institutional Review Board (IRB), will take place in September 2020 despite the situation surrounding the COVID-19 pandemic. This investigator-initiated trial is fully funded by an $8.9 million grant awarded by the US National Institutes of Health (NIH). The study is being led by Professor Victor Thannickal at the University of Alabama at Birmingham and includes a consortium of five investigational centers of excellence in the United States. The study, for which the Company announced its first patient enrollment on September 14, 2020, will evaluate the safety and efficacy of setanaxib over a 24-week period in 60 patients with IPF receiving standard treatment (pirfenidone or nintanib). Efficacy endpoints include changes in plasma o,o'-dityrosine, a biomarker based on the mechanism of action of setanaxib, as well as standard clinical outcomes that include the 6-minute walk test and forced vital capacity (FVC). Plasma levels of collagen fragments and the safety and tolerability of setanaxib will also be evaluated. The study size, protocol, and endpoints are adequate to support the initiation of a Phase 3 program should there be a positive outcome from the Phase 2 study.

- **DKD Phase 2 study**: following the positive efficacy and safety results of the Company's Phase 2 study of setanaxib in PBC, the DKD study protocol was amended to increase the dose to 400 mg BID. To date, 28 patients have already completed the full 48-week treatment and no safety signals have been identified. The DKD investigator-initiated trial is being conducted primarily in Australia, with work ongoing to activate centers in New Zealand, Denmark and Germany.

- **Phase 1 study with setanaxib at high doses**: the Company received, in May 2020, approval from the French Medicines Agency (ANSM) to initiate a Phase 1 clinical study in 54 healthy subjects to investigate the pharmacokinetics, potential for drug interactions and safety profile of setanaxib at doses up to 1,600 mg. The first subjects were dosed at the end of June and the study enrollment process is ongoing.

2.2.2 Operating profit/(loss)

The Group's profit from ordinary activities was -€2,850 thousand as of June 30, 2020 compared with -€4,750 thousand as of June 30, 2019.



This change is mainly due to the €1,544 thousand decrease of study and research costs in connection with the end of Phase 2 with setanaxib, as well as the €359 thousand decrease in the research tax credit ("CIR"), i.e., a net drop in costs of €1,186 thousand between the two periods.

2.2.3 Financial income

Financial income stood at +€175 thousand as of June 30, 2020, compared with +€124 thousand as of June 30, 2019, an increase of +€50 thousand, primarily as a result of a favorable change in the euro/Swiss franc exchange rate over the period.

2.2.4 Cash and liquid investments

The Group had cash and liquid investments of €5.1 million as of June 30, 2020, compared with €2.4 million as of December 31, 2019. This change is mainly due to the capital increase realized in the first half of 2020.

2.2.5 Other items

Genkyotex SA is currently subject to a tax audit relating to the financial years 2016 to 2018.

2.3 Impacts of the health crisis on the financial statements as of June 30, 2020

In the context of the COVID-19 pandemic, the Company continues to closely monitor changes to the official guidelines and recommendations in order to protect its employees and subcontractors. The Company has also implemented strategies to mitigate the impact of the global crisis on its business and operations.

Accordingly, the Company has asked its employees in France and Switzerland to work from home and organize meetings and events remotely as much as possible.

To date, the Company is only anticipating a limited impact from the COVID-19 pandemic on its operations, including the planned discussions with regulatory authorities, the conducting of clinical trials as well as interactions with the scientific community and other stakeholders. The Company will continue to closely monitor the possible impact of COVID-19 on the conducting of clinical trials and discussions with health authorities and, depending on the evolution of the pandemic and of its potential material impact on such trials and discussions, will report to the markets on any such material impact.

Nevertheless, the Company has used assumptions to estimate the level of its activity in 2020 and the following financial years in the context of the SIIL contract impairment tests (see Note 3.1) and the cash projections determined for the assumption adopted by the Board of Directors that the Company will continue as a going concern (see Note 2.1).

Despite the economic situation surrounding the COVID-19 pandemic, the Company still expects its current resources to support anticipated operations until the end of February 2021, taking into account the facts and assumptions detailed in Note 2.1 “Going concern” of the condensed consolidated interim financial statements prepared in accordance with IFRS for the six-month period ended June 30, 2020.

2.4 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 clinical development of setanaxib in various indications is structured as follows:

End-Of-Phase 2 discussions with regulators for setanaxib in primary biliary cholangitis (PBC): Genkyotex is currently discussing the registration strategy for setanaxib in PBC with the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA). The End-Of-Phase 2 (EOP2) meeting with the FDA was not delayed by the COVID-19 pandemic and took place at the end of April 2020, as planned. Genkyotex requested and obtained, at the end of June 2020, scientific advice from the EMA's Scientific Advice Working Party (SAWP) that provides a path for the late stage development and registration of setanaxib in PBC. Initial feedback was also received from the FDA following the End-Of-Phase 2 meeting held in April. Genkyotex will communicate on its late stage development plan once final approval of a common registration strategy has been obtained from the FDA and the EMA.

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Phase 2 study in diabetic kidney disease (DKD): following the positive efficacy and safety results of the Company's Phase 2 trial of setanaxib in PBC, the DKD study protocol was amended to increase the dose to 400 mg BID. To date, 28 patients have already completed the full 48-week treatment and no safety signals have been identified. The DKD investigator-initiated trial is being conducted primarily in Australia, with work ongoing to activate centers in New Zealand, Denmark and Germany.

Phase 1 study with setanaxib at high doses: the Company received, in May 2020, approval from the French Medicines Agency (ANSM) to initiate a Phase 1 clinical study in 54 healthy subjects to investigate the pharmacokinetics, potential for drug interactions and safety profile of setanaxib at doses up to 1,600 mg. The first subjects were dosed at the end of June and the study enrollment process is ongoing.

2.5 Events since the half year end

August 2020

- The Company announced the signing of an agreement with the company Calliditas Therapeutics for the acquisition of a controlling interest in Genkyotex SA from its largest shareholders and its management team (representing 62.7% of the share capital and voting rights of Genkyotex) for a cash consideration at closing of €2.80 per ordinary share, to which additional cash payments are added subject to setanaxib obtaining regulatory approvals or marketing authorizations no later than ten years after the end of the public tender offer to be launched by Calliditas following its purchase. The acquisition remains subject to customary conditions precedent, including clearance from the French Ministry of Economy and Finance regarding foreign investments in France. For more information on this transaction, see Note 21 below: “Post-balance sheet events” for the Company’s interim financial statements as of June 30, 2020.

September 2020

- Genkyotex announced the enrollment of the first patient in the Phase 2 study of setanaxib in idiopathic pulmonary fibrosis (IPF). This investigator-initiated study, funded by the National Institutes of Health (NIH), aims to evaluate the safety and efficacy of setanaxib in 60 patients. In the event of positive results, the evaluation of setanaxib in this indication could continue with a Phase 3 clinical program.

2.6 Risk factors and transactions between related parties

2.6.1 Risk factors

The risk factors and uncertainties with which the Company may be confronted in the second half of the year are similar to those described in Section 3 “Risk Factors” of the 2019 Universal Registration Document, which was registered with the AMF on April 30, 2020 under number D.20-0434 and is available on the AMF website www.amf-france.org and on the company website (https://www.genkyotex.com/en/).

Section 3 describes the Company's main risks (risks related to the development and future marketing and sale of the Company's product candidates, risks related to the Company's financial position and capital requirements, risks related to the Company's organization, risks associated with the Company's reliance on third parties, and risks related to intellectual property) and, in particular, the risks related to the COVID-19 epidemic. To the Company's knowledge, no event occurring since the date on which the Universal Registration Document was filed significantly alters the description of the main risks and uncertainties as set out in this Document. The Company does not anticipate any change in these risks during the second half of 2020.

2.6.2 Related-party transactions

Related-party transactions are similar to those described in Section 17 “Related-party transactions” of the Universal Registration Document.

3. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position (in € thousands)	Notes	06/30/2020	12/31/2019
ASSETS			
Intangible assets	3.1	8,803	9,086
Property, plant and equipment	3.2	85	154
Non-current financial assets	4	22	29
Total non-current assets		**8,911**	**9,270**
Other receivables	5	916	1,500
Cash and cash equivalents	6	5,097	2,417
Total current assets		**6,013**	**3,917**
Total assets		**14,924**	**13,186**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Capital	7	11,549	8,683
Additional paid-in capital		4,747	126,118
Currency translation reserve		(2,958)	(2,732)
Other comprehensive income		(684)	(697)
Accumulated deficit attributable to shareholders of the parent		2,560	(114,332)
Net income attributable to shareholders of the parent		(2,675)	(7,203)
Equity attributable to shareholders of the parent		**12,539**	**9,836**
Non-controlling interests		-	-
Total equity		**12,539**	**9,836**
Employee benefit obligations	10	934	1,348
Non-current financial liabilities	9	5	17
Total non-current liabilities		**938**	**1,364**
Current financial liabilities	9	69	848
Derivative liabilities	9	-	64
Trade payables		732	562
Other current liabilities	11	646	512
Total current liabilities		**1,447**	**1,986**
Total liabilities and shareholders' equity		**14,924**	**13,186**

Consolidated income statement

Consolidated income statement (in € thousands)	Notes	06/30/2020 6 months	06/30/2019 6 months
Revenue		-	-
Cost of sales		-	-
Gross margin		**-**	**-**
Revenue from contracts with customers	13	-	-
Net research and development expenses			
Research and development expenses	14.1	(2,285)	(3,830)
Subsidies	14.1	268	627
General and administrative expenses	14.2	(868)	(1,546)
Other income	13	37	-
Operating profit/(loss)		**(2,850)**	**(4,750)**
Financial expenses	15	(96)	(18)
Financial income	15	271	142
Profit/(loss) before tax		**(2,675)**	**(4,625)**
Income taxes	16	-	-
Net profit/(loss) for the period		**(2,675)**	**(4,625)**
Portion attributable to shareholders of the parent		(2,675)	(4,625)
Non-controlling interests		-	-

		06/30/2020	06/30/2019
Basic earnings per share (€/share) for the financial periods presented	17	**(0.24)**	**(0.58)**
Diluted earnings per share (€/share) for the financial periods presented	17	**(0.24)**	**(0.58)**

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income (in € thousands)	06/30/2020 6 months	06/30/2019 6 months
Net profit/(loss) for the period	**(2,675)**	**(4,625)**
Actuarial gains and losses	14	(135)
Tax effect	-	-
Other items of comprehensive income that will not be reclassified subsequently to profit or loss	**14**	**(135)**
Translation differences	(226)	(154)
Other items of comprehensive income that will be reclassified subsequently to profit or loss	**(226)**	**(154)**
Comprehensive income	**(2,888)**	**(4,914)**
Portion attributable to shareholders of the parent	*(2,888)*	*(4,914)*
Non-controlling interests	-	-

Change in consolidated equity

Change in consolidated equity		Genkyotex SA capital	Capital – ordinary shares	Additional paid-in capital	Accumulated deficit and income (loss) attributable to shareholders of the parent	Treasury shares	Currency translation reserve	Other comprehensive income	Equity attributable to shareholders of the parent	Non-controlling interests	Total equity
		Number of shares	In € thousands								
As of December 31, 2018		**79,347,621**	**7,935**	**124,183**	**(114,649)**	**(152)**	**(2,361)**	**(514)**	**14,442**	**-**	**14,442**
Net income as of June 30, 2019			-	-	(4,625)	-	-	-	(4,625)	-	(4,625)
Other comprehensive income			-	-	-	-	(154)	(135)	(289)	-	(289)
Comprehensive income			-	-	(4,625)	-	(154)	(135)	(4,914)	-	(4,914)
Conversion of convertible bonds		207,777	208	1,142	-	-	-	-	1,350	-	1,350
Effect of the 10-for-1 reverse stock split		(71,412,859)	-	-	-	-	-	-	-	-	-
Treasury shares			-	-	-	(9)	-	-	(9)	-	(9)
Share-based payments	8.3		-	-	224	-	-	-	224	-	224
As of June 30, 2019		**8,142,539**	**8,143**	**125,325**	**(119,050)**	**(160)**	**(2,516)**	**(649)**	**11,093**	**-**	**11,093**
As of December 31, 2019		8,683,449	8,683	126,118	(121,369)	(167)	(2,732)	(697)	9,836	-	9,836
Net income as of June 30, 2020			-	-	(2,675)	-	-	-	(2,675)	-	(2,675)
Other comprehensive income			-	-	-	-	(226)	14	(213)	-	(213)
Comprehensive income			-	-	(2,675)	-	(226)	14	(2,888)	-	(2,888)
Conversion of convertible bonds		417,816	418	382	-	-	-	-	800	-	800
Capital increase		2,447,297	2,447	2,496	-	-	-	-	4,944	-	4,944
Capital increase expenses			-	(323)	-	-	-	-	(323)	-	(323)
Allocation of accumulated losses on issue premiums			-	(123,926)	123,926	-	-	-	-	-	-
Treasury shares			-	-	-	(7)	-	-	(7)	-	(7)
Share-based payments	8.3		-	-	177	-	-	-	177	-	177
As of June 30, 2020		**11,548,562**	**11,549**	**4,747**	**59**	**(174)**	**(2,958)**	**(684)**	**12,539**	**-**	**12,539**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement Amounts in € thousands	Notes	06/30/2020 6 months	06/30/2019 6 months
Cash flows from operating activities			
Net profit/(loss) for the period		**(2,675)**	**(4,625)**
(-) Elimination of depreciation of intangible assets	3.1	(283)	(281)
(-) Elimination of depreciation of property, plant and equipment	3.2	(73)	(74)
(-) Unrealized foreign exchange gains or losses		201	
(-) Provisions for retirement commitments	10	426	(61)
(-) Costs related to share-based payments	8.3	(177)	(224)
(-) Change in fair value of derivatives		64	-
(-) Fair value of bond loans		(75)	-
(-) Interest expenses		(2)	(3)
(-) Accretion of repayable advances	9.1	-	(1)
Self-financing capacity before cost of net financial debt and taxes		**(2,757)**	**(3,981)**
(-) Change in working capital requirement		(888)	1,589
Cash flows from operating activities		**(1,869)**	**(5,570)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	3.2	(2)	-
Winding down of investments classified as current and non-current financial assets	4	-	-
Cash flows from investing activities		**(2)**	**-**
Cash flows from financing activities			
Capital increase		4,944	-
Reduction in the financial debt relating to lease payment obligations (IFRS 16)	9.3	(68)	(55)
Gross financial interest paid		(2)	(3)
Capital increase expenses		(323)	-
Repayment of advances	9.1	-	(60)
Cash flows from financing activities		**4,550**	**(117)**
Impact of fluctuations in exchange rates		1	(145)
Increase/(decrease) in cash & cash equivalents		**2,681**	**(5,833)**
Cash & cash equivalents – start of the period	6	2,416	10,297
Cash & cash equivalents – end of the period	6	5,097	4,464
Increase/(decrease) in cash & cash equivalents		**2,681**	**(5,833)**

Cash and cash equivalents (including short-term borrowings)	**Notes**	**06/30/2020**	**06/30/2019**
Cash and cash equivalents	6	5,097	4,464
Short-term borrowings		(0)	(0)
Cash & cash equivalents – end of the period (including short-term borrowings)		**5,097**	**4,464**

Breakdown of change in working capital requirement (WCR)

Breakdown of change in working capital requirement (WCR) (amounts in € thousands)	**06/30/2020**	**06/30/2019**
Trade and related receivables	-	-
Other receivables	(584)	442
Trade payables	(170)	872
Social security payables	(261)	164
Tax payables	107	81
Other current liabilities	20	30
Total change	**(888)**	**1,589**

Notes to the Consolidated Financial Statements

(Unless otherwise stated, the amounts referred to in these notes are in thousands of euro, 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, 2020.

The condensed consolidated interim financial statements for Genkyotex SA were adopted by the Board of Directors on September 15, 2020 and authorized for publication.

1.1 The Company and its business

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

Genkyotex 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: 439 489 022 RCS Thonon-les-Bains.

Genkyotex SA is hereinafter referred to as the "Company." The group formed by Genkyotex SA and Genkyotex Suisse SA is hereinafter referred to as the "Group."

1.2 Significant events during the first half of 2020

<u>January 2020:</u>

- On January 14 and 15, 2020, the Yorkville fund (YA II PN Ltd) converted the remaining 80 2019 convertible bonds (OCAs) still outstanding as of December 31, 2020 into shares. Following these conversions, 417,816 new shares were issued. As of the interim financial statement reporting date, the Company no longer has any bonds.

  The Company launched a capital increase of up to €6.13 million, with shareholders' pre-emptive rights (DPS) maintained. The subscription parity was 1 new share for every 3 existing shares, with a subscription price of €2.02, i.e., a 7.13% face value discount.

February 2020:

- The Company raised €4.9 million in connection with its capital increase with shareholders' pre-emptive rights (DPS) maintained, resulting in the creation of 2,447,297 new shares at a subscription price of €2.02.

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- The COVID-19 epidemic, which emerged in January 2020 in China and which now affects several other regions of the world, has led governments in a number of countries in which Genkyotex operates directly (France and Switzerland) or in which clinical trials are being launched, are ongoing or upcoming, to adopt measures to contain and restrict the movement of persons and transport of goods. On March 11, 2020, the World Health Organization officially declared the outbreak a pandemic. See Section 2.3 above on the impacts of the health crisis on the Company's financial statements and the measures put in place by the Company to deal with the COVID-19 pandemic.

May 2020:

- The ANSM (French agency for the safety of drugs and healthcare products) approved the launch of a Phase I clinical trial with high-dose setanaxib.

Note 2: Accounting principles, rules and methods

2.1 Principles used when preparing the financial statements

Statement of compliance

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 SA for the year ended December 31, 2019.

Principles used in the preparation of 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 focuses on inventing and developing new treatments. The loss-making position over the reference periods is not unusual for a company at this stage of development.

The Company has managed to finance its operations to date primarily through successive capital fund-raising or convertible bonds.

As of the reporting date, the Board of Directors considers that the Company will be able to meet its financing needs for anticipated operations until February 2021 on the basis of the following:

- the level of net consolidated cash and cash equivalents (including current bank overdrafts) as of June 30, 2020, which amounted to €5,097 thousand;
- forecasts of the cash required by the Company's operations in the second half of 2020 and early 2021.

In addition, on August 13, 2020, the Company announced the signing of an agreement with the company Calliditas Therapeutics for the acquisition of a controlling interest in Genkyotex SA from its largest shareholders and its management team, representing 62.7% of the share capital and voting rights of Genkyotex (see Note 21 below). The acquisition remains subject to customary conditions precedent, including clearance from the French Ministry of Economy and Finance regarding foreign investments in France.

The going-concern principle was adopted by the Board of Directors for the approval of these financial statements, with the Group having, in view of the above data and assumptions, the necessary means to finance its activities up to the end of February 2021, by which time Calliditas Therapeutics should have finalized the acquisition of the Company and be able to provide it with financing. Should this acquisition not be completed, beyond its liquidity horizon of February 2021, the Company will need additional funds, or it may not be able to realize its assets and settle its debts in the normal course of its business.

Accounting methods

The accounting principles used are identical to those used to prepare the IFRS consolidated financial statements for the year ended December 31, 2019, with the exception that the following new standards, amended standards and interpretations adopted by the European Union have been applied, as the Group is obliged to do with effect from January 1, 2020:

- Amendments to references in the IFRS Conceptual Framework, published on December 6, 2019;
- Amendments to IAS 1 and IAS 8 – Amendment to the definition of the term “material”, published on December 10, 2019;
- Amendments to IFRS 9, IAS 39 and IFRS 7 in connection with the interest rate benchmark reform, published on January 16, 2020;
- Amendments to IFRS 3 – Business Combinations, published on April 22, 2020;
- Amendment to IFRS 16 regarding COVID-19-related rent concessions.

These new provisions adopted by the European Union do not have a significant impact on the Group's financial statements.

2.2 Scope and methods of consolidation

Subsidiaries

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 as of 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 merger of Genkyotex SA and Genkyotex Suisse SA which took place on February 28, 2017, Genkyotex Suisse SA was considered the buyer from an accounting standpoint in light of IFRS 10. These financial statements have thus been prepared in keeping with the IFRS consolidated financial statements of Genkyotex Suisse SA.

The scope of consolidation is as follows:

	06/30/2020		12/31/2019	
	Percent interest	Percent control	Percent interest	Percent control
GENKYOTEX SA	Parent company (from a legal standpoint)			
GENKYOTEX SUISSE SA	100.00%	100.00%	100.00%	100.00%

Conversion of foreign companies' financial statements

The Group prepares its consolidated financial statements in euro (€).
The exchange rates used to prepare the consolidated financial statements are as follows:

EXCHANGE RATE (for €1)	06/30/2020		12/31/2019		06/30/2019	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
Swiss franc (CHF)	1.0642	1.0651	1.1124	1.0854	1.1295	1.1105

2.3 Use of judgments and estimates

In the course of preparing the 2020 consolidated interim financial statements, the main judgments made by management and the main assumptions applied are the same as those applied in preparing the financial statements for the financial year ended December 31, 2019, namely:

- Valuation of stock options and non-voting shares granted to employees, executives and external service providers (see Note 8);
- Defined benefit plans (see Note 10);
- Non-recognition of deferred tax assets net of deferred tax liabilities (see Note 15);
- Valuation of the license agreement signed with SIIL (for use of the Vaxiclase platform) and extensions to this agreement (see Note 3.1).

These estimates are based on an assumption of viability as a going concern and have been drawn up on the basis of the information available at the time they were prepared. They are ongoing and are based on past experience as well as various other factors deemed to be reasonable that form the basis for assessment of the carrying amount of assets and liabilities. The estimates may be revised if the circumstances on which they were based change or as a result of new information. Actual results may differ significantly from these estimates, if they are based on different assumptions or conditions.

Note 3: Intangible assets and property, plant and equipment

3.1 Intangible assets

INTANGIBLE ASSETS (Amounts in € thousands)	Software	SIIL contract and extensions	Total
GROSS VALUE			
Statement of financial position at December 31, 2019	**17**	**10,697**	**10,714**
Acquisition	-	-	-
Disposal	-	-	-
Transfer	1	-	1
Currency translation effects	0	-	0
Balance sheet as of June 30, 2020	**18**	**10,697**	**10,715**
CUMULATIVE AMORTIZATION			
Statement of financial position at December 31, 2019	**17**	**1,611**	**1,628**
Increase	1	283	284
Decrease	-	-	-
Currency translation effects	0	-	0
Balance sheet as of June 30, 2020	**18**	**1,894**	**1,912**
NET BOOK VALUE			
As of December 31, 2019	**-**	**9,086**	**9,086**
As of June 30, 2020	**-**	**8,803**	**8,803**

For the purposes of the impairment test, the Company has updated the model for evaluating the license agreement signed with SIIL (for use of the Vaxiclase platform) and expansions to this agreement as of June 30, 2020. This impairment test did not highlight any loss of value as of June 30, 2020.

The sensitivity of the assumptions used in the valuation model is as follows:

- A 1-point increase in the discount rate would not generate an impairment;
- A 2.5-point decrease in the probability of success of different phases would not generate an impairment;
- A 20% deterioration in the business plan would not generate an impairment;
- A one-year delay in the development phases of a project would not generate an impairment.

Note that there is no evidence of impairment in the valuation assumptions as of June 30, 2020.

3.2 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT (Amounts in € thousands)	Equipment and tooling	Office equipment, computer equipment, furniture	Buildings (right of use)	Total	Of which right of use
GROSS VALUE					
Statement of financial position at December 31, 2019	**553**	**102**	**272**	**927**	**272**
Acquisition	-	2	-	2	-
Disposal	(46)	(10)	-	(56)	-
Transfer	-	(1)	-	(1)	-
Currency translation effects	8	2	4	14	4
Balance sheet as of June 30, 2020	**515**	**95**	**276**	**885**	**276**
CUMULATIVE AMORTIZATION					
Statement of financial position at December 31, 2019	**538**	**101**	**134**	**772**	**134**
Increase	5	0	68	73	68
Decrease	(46)	(11)	-	(57)	-
Currency translation effects	8	2	2	12	2
Balance sheet as of June 30, 2020	**504**	**92**	**203**	**800**	**203**
NET BOOK VALUE					
As of December 31, 2019	**15**	**1**	**138**	**154**	**138**
As of June 30, 2020	**10**	**3**	**73**	**85**	**73**

Note 4: Financial assets

Accounting principles

The Group's financial assets are made up 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 profit 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 or loss. Some assets can also voluntarily be classified in this category. These assets fall under category 1, defined by IFRS 7.

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

NON-CURRENT FINANCIAL ASSETS (Amounts in € thousands)	**06/30/2020**	**12/31/2019**
Liquidity contract	7	14
Guarantees	15	15
Total non-current financial assets	**22**	**29**

Note 5: Other receivables

OTHER RECEIVABLES (Amounts in € thousands)	**06/30/2020**	**12/31/2019**
Research tax credit (1)	268	899
Value Added Tax	215	229
Social security receivables	164	16
Outstanding receivables, advances and installments (2)	18	75
Prepaid expenses (3)	218	151
Other	34	131
Total other receivables	**916**	**1,500**

(1) Research tax credit ("CIR")

- Estimated CIR as of June 30, 2020: €268 thousand
- 2019 CIR: €899 thousand, the repayment of which took place in the first half of 2020.

(2) Amounts receivable, advances and installments paid primarily involve installments paid to the Contract Research Organization (CRO) responsible for studies.

(3) Prepaid expenses relate to the day-to-day activity of the Group

Note 6: Cash and cash equivalents

Accounting principles

Cash and cash equivalents recognized in the balance sheet include cash at banks, cash at 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 a negligible risk that they will change in value. They are measured at fair value and any changes in value are recorded as financial income. These assets fall under category 1, defined by IFRS 7.

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

CASH AND CASH EQUIVALENTS (Amounts in € thousands)	**06/30/2020**	**12/31/2019**
Bank accounts	5,097	2,417
Total cash and cash equivalents	**5,097**	**2,417**

Note 7: Capital

SHARE CAPITAL	**06/30/2020**	**12/31/2019**
Share capital (in € thousands)	11,549	8,683
Number of shares	11,548,562	8,683,449
o/w ordinary shares	11,548,562	8,683,449
Par value of shares (in euro)	€1.00	€1.00

This number of shares excludes share subscription warrants (“BSAs”) and options granted to certain investors and to certain natural persons—whether or not they are employees of the Group—that have not yet been exercised.

During the first quarter of the 2020 financial year, 80 bonds were converted for a total of 417,816 new shares with a unit value of €1.00, creating a €418 thousand capital increase plus an issue premium of €382 thousand.

In addition, the Company achieved a capital increase with pre-emptive rights maintained, at the end of which 2,447,297 new shares were created, i.e., a capital increase of €2,447 thousand, plus €2,496 thousand in issue premiums.

As of June 30, 2020, Genkyotex SA's share capital amounted to €11,549 thousand, made up of 11,548,562 fully subscribed and paid-up ordinary shares, each with a par value of €1.00.

Capital management

The Group's policy is to maintain a sound capital base in order to preserve the confidence of investors and creditors and to support the Company's future growth.
Following the Company's IPO on the regulated Euronext market in Paris and Brussels, the Company signed a liquidity contract on April 18, 2014, with a view to limiting intra-day volatility in the Company's share price. For this purpose, the Company had initially entrusted €200 thousand to Oddo Corporate Finance so that it could carry out purchase and sale transactions on the Company's shares. This contract was transferred to Kepler Cheuvreux on May 7, 2018.

As of June 30, 2020, under this contract, 11,465 ordinary shares were removed from equity and €7 thousand in cash was entered as non-current financial assets.

Dividends

The Company paid no dividends in the financial periods presented.

Note 8: Share-based payments

8.1 Share subscription warrants (BSAs)

The Company awarded BSAs with a vesting period of one third per year over three years to some corporate officers and members of its Scientific Committee.

The following table summarizes the data relevant to the plans issued and the assumptions used to value them in accordance with IFRS 2:

Type	Allocation date	Plan features			Assumptions		
		Number of warrants granted (1)	Maturity date	Adjusted exercise price (2)	Volatility	Risk-free rate	Total initial IFRS 2 valuation (€ thousands) (Black & Scholes)
BSA 02/2010	02/04/2010	155,200	10 years	€30.00	55.14%	3.58%	258
BSA 12/2013	12/20/2013	116,000	10 years	€40.00	54.27%	2.09%	221
BSA 09/2014	09/12/2014	35,000	10 years	€57.90	50.03%	0.50%	72

(1) After the reverse stock split at the beginning of 2019, the parity was ten BSAs issued before March 29, 2019 for one new share.

(2) The exercise price was adjusted to take the reverse split into account.

Changes in the number of outstanding warrants

Type	Allocation date	Number of options outstanding					Maximum number of shares available for subscription (3)
		12/31/2019	Issued	Exercised	Lapsed	06/30/2020	
BSA 02/2010	02/04/2010	155,200	-	-	(2,700)	152,500	15,295
BSA 12/2013	12/20/2013	116,000	-	-	-	116,000	11,631
BSA 09/2014	09/12/2014	35,000	-	-	-	35,000	3,509
TOTAL		306,200	-	-	(2,700)	303,500	30,435

(3) Following the capital increase at the beginning of 2020 with shareholders' pre-emptive rights (DPS) maintained (see Notes 2.1 and 7), the maximum number of shares available for subscription was adjusted to take into account the dilutive effect of maintaining DPS.

8.2 Share subscription options

The Company has awarded subscription options to its employees. The following table summarizes the data relevant to option plans issued during the first half of 2020 and the assumptions used to value them in accordance with IFRS 2:

Type	Allocation date	Plan features			Assumptions		
		Number of warrants granted (1)	Exercise period	Adjusted exercise price (2)	Volatility	Risk-free rate	Total initial IFRS 2 valuation (€ thousands) (Black & Scholes)
Stock option 01/2018	01/09/2018	1,159,934	10 years	€16.70	60.68%	0.00%	1,096
Stock option 10/2018	10/11/2018	20,000	10 years	€14.90	56.86%	0.11%	13
Stock option 03/2019	03/21/2019	1,336,380	10 years	€9.10	56.80%	-0.27%	604
Stock option 06/2020	06/04/2020	187,612	10 years	€2.30	59.33%	-0.49%	241

(1) After the reverse stock split at the beginning of 2019, the parity was ten stock options issued before March 29, 2019 for one new share.

(2) The exercise price was adjusted to take the reverse split into account.

The vesting period is one quarter per year over four years. Were certain events to occur, such as (i) a change of control of the Company within the meaning of Article L. 233-3 of the French Commercial Code, (ii) the disposal of its main assets or (iii) an IPO on a new market, the acquisition of all options would cease immediately, from the date of said events, subject to the condition that the beneficiary is an employee and/or corporate officer of a Group company.

Changes in the number of outstanding options

Type	Allocation date	Number of warrants outstanding					Maximum number of shares available for subscription (3)
		12/31/2019	Issued	Exercised	Lapsed	06/30/2020	
Stock option 01/2018	01/09/2018	1,130,153	-	-	(28,294)	1,101,859	110,513
Stock option 10/2018	10/11/2018	20,000	-	-	-	20,000	2,006
Stock option 03/2019	03/21/2019	1,336,380	-	-	(61,750)	1,274,630	127,882
Stock option 06/2020	06/04/2020	-	187,612	-	-	187,612	187,612
TOTAL		2,486,533	187,612	-	(90,044)	2,584,101	428,013

(3) Following the capital increase at the beginning of 2020 with shareholders' pre-emptive rights (DPS) maintained (see Notes 2.1 and 7), the maximum number of shares available for subscription has been adjusted to take into account the dilutive effect of maintaining DPS.

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

Type	First half of 2020				First half of 2019			
	Probable cost of plan on date	Cumulative expense at opening	Expense for period	Cumulative expense on date	Probable cost of plan on date	Cumulative expense at opening	Expense for period	Cumulative expense on date
Stock option 01/2018	1,041	761	77	838	1,068	511	125	636
Stock option 10/2018	13	7	2	9	13	1	3	5
Stock option 03/2019	577	228	90	317	604	-	96	96
Stock option 06/2020	241	-	8	8	-	-	-	-
TOTAL	**1,872**	**996**	**177**	**1,172**	**1,686**	**512**	**224**	**737**

Note 9: Interest-bearing loans and borrowings

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Amounts in € thousands)	06/30/2020	12/31/2019
Debt related to lease payment obligations (IFRS 16)	5	17
Non-current financial liabilities	**5**	**17**
Debt related to lease payment obligations (IFRS 16)	69	122
Bond debt	-	725
Derivative liabilities	-	64
Short-term borrowings	0	0
Current financial liabilities	**69**	**912**
Total financial debts	**74**	**928**

Reconciliation of redemption value to book value

RECONCILIATION OF REDEMPTION VALUE TO BOOK VALUE (Amounts in € thousands)	Repayment value 06/30/2020	Amortized cost	Fair value	Book value	
				06/30/2020	12/31/2019
Debt related to lease payment obligations (IFRS 16)	73	-	-	73	139
Bond debt	-	-	-	-	725
Derivative liabilities	-	-	-	-	64
Short-term borrowings	0	-	-	0	0
Total financial debts	**73**	**-**	**-**	**73**	**928**

Breakdown of financial debt by maturity, in repayment value

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES BY MATURITY, IN REPAYMENT VALUE (Amounts in € thousands)	06/30/2020			
	Gross amount	Share < 1 year	1 to 5 years	More than 5 years
Lease liabilities (IFRS 16)	73	68	5	-
Bond debt	-	-	-	-
Derivative liabilities	-	-	-	-
Short-term borrowings	0	0	-	-
Total financial debts	**73**	**68**	**5**	**-**
Current financial liabilities	*68*			
Non-current financial liabilities	*5*			

9.1 Bonds

Accounting principles

Financial instruments (BSAs and bond conversion options) undergo specific analysis.

When these financial instruments provide for exchanging a set number of shares versus a set amount of cash, they are considered as equity instruments according to IAS 32. Their fair value is determined using the Black & Scholes pricing model.

When the analysis conducted concludes that it is impossible to consider these instruments as equity, they are then considered derivative liabilities falling under the scope of IFRS 9. They are then recognized as derivative liabilities at fair value as of the issue date, with the fair value being determined by applying the Black & Scholes valuation model. Changes in this fair value are recorded in financial income and expenses. These liabilities fall under category 3, defined by IFRS 7.

CHANGE IN BONDS (Amounts in € thousands)	2019 YORKVILLE OCABSA
As of December 31, 2019	**725**
Cash inflow	-
Fair value as of date of issue	-
Repayment	-
Conversion	(725)
As of June 30, 2020	**-**

Breakdown of bonds by maturity, in repayment value

BREAKDOWN OF BONDS BY MATURITY, IN REPAYMENT VALUE (Amounts in € thousands)	2019 YORKVILLE OCABSA
As of June 30, 2020	**-**
Share < 1 year	-
Maturing in 1 to 5 years	-
Maturing in more than 5 years	-

Bonds convertible into shares ("2019 YORKVILLE OCAs") issued to YA II PN Ltd ("YORKVILLE") on August 19, 2019

The main features of the 2019 YORKVILLE OCAs issued August 19, 2019 are:

- The nominal unit value of the OCAs is equal to ten thousand euro (€10,000). Each OCA will be issued at a subscription price per OCA equal to 100% of its nominal unit value, a total nominal amount of one million six hundred thousand euro (€1,600,000).
- The OCAs (i) are freely assignable or transferable by the Investor to any of its affiliates and (ii) may not be assigned or transferred to any other third party without the prior written consent of the Company.
- The OCAs will not be listed or admitted to trading on the regulated markets of Euronext Paris or Euronext Brussels or on any other financial market. Each OCA expires twelve (12) months from its issue (the "Maturity date"). In the event that an OCA is not converted before the Maturity date, the Company is obliged to repay the outstanding amount in cash.
- The OCAs do not bear any interest. However, in the event of the occurrence of a Default (2), each OCA outstanding will bear interest at the rate of 15% per year from the date of the Default and up to (i) the date on which the Default is resolved, or (ii) the date on which the OCA has been fully converted and/or repaid, if the Default has not yet been resolved.
- The number of new shares issued by the Company for the benefit of each OCA holder when converting one or more OCAs corresponds to the amount of the conversion divided by the applicable Conversion Price. The "Conversion Price" is equal to 92% of the weighted average share price quoted on Euronext (as reported by Bloomberg) (the "Average Prices") on the five (5) consecutive stock exchange sessions up to the trading session immediately before the conversion date.

Valuation

Debt is assessed using the amortized cost method in accordance with IFRS 9. The Company incurred €103 thousand in charges directly attributable to the issuance of the debt.

The conversion option is recognized under derivative liabilities and is valued at fair value in a Monte-Carlo model, with recognition of changes in this fair value through profit or loss.

At the date of issue, the value of the derivative liability was €128 thousand or 8% of the total nominal amount of €1,600 thousand.

Conversions in financial year 2020

Conversion date	Number of bonds	Amounts (in €)	Conversion price	Number of shares issued	Issuance premium
01/14/2020	30	€300,000	€1.874	160,085	139,914
01/15/2020	50	€500,000	€1.940	257,731	242,267
Total converted in 2020	**80**	**€800,000**		**417,816**	**382,181**

As of June 30, 2020, there were no more OCAs outstanding. Only the 666,312 BSAs issued under the contract for OCABSA 2018 are still outstanding.

9.2 Debt related to lease payment obligations

CHANGES IN FINANCIAL DEBT – LEASE LIABILITIES (Amounts in € thousands)	Financial debt (lease liabilities)
As of December 31, 2019	**139**
(+) Leases concluded during the period	-
(-) Reduction in the financial debt relating to rights of use (IFRS 16)	(68)
(-) Advance payment	-
Exchange rate	2
As of June 30, 2020	**73**

Breakdown of financial debt by maturity, in repayment value

BREAKDOWN OF FINANCIAL DEBT BY MATURITY, IN REPAYMENT VALUE (Amounts in € thousands)	Financial debt (lease liabilities)
As of June 30, 2020	**73**
Share < 1 year	68
Maturing in 1 to 5 years	5
Maturing in more than 5 years	-

Note 10: Employee benefit obligations

EMPLOYEE BENEFIT OBLIGATIONS (Amounts in € thousands)	06/30/2020	12/31/2019
Swiss employees	858	1,335
French employees	75	13
Employee benefit obligations	**934**	**1,348**

10.1 Swiss employees

The defined benefit obligation related to Pillar 2 of the Swiss pension system is assessed using the following assumptions:

ACTUARIAL ASSUMPTIONS	**06/30/2020**	**12/31/2019**
Age at retirement	Voluntary retirement 64 years of age for women/65 years of age for men	
Discount rate	0.25%	0.20%
Mortality table	LPP 2015 generation	LPP 2015 generation
Salary revaluation rate	1.00%	1.00%
Retirement pension inflation rate	0.50%	0.50%
Deposit rate on savings accounts	1.00%	1.00%
Turnover rate	10.00%	10.00%

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

Amounts in € thousands	Defined benefit plan obligation	Fair value of plan assets	**Employee benefit obligations**
December 31, 2019	**2,833**	**(1,498)**	**1,335**
Service costs	142	-	142
Interest expense	2	(1)	1
Reduction	(1,118)	566	(552)
Employee contribution	-	(41)	(41)
Subtotal included in the income statement	**(973)**	**523**	**(450)**
Amounts paid/received	**(18)**	**18**	-
Return on assets (excluding interest expenses)	-	(5)	(5)
Actuarial gains and losses related to changes in demographic assumptions	-	-	-
Actuarial gains and losses related to changes in financial assumptions	(24)	-	(24)
Other actuarial gains (losses)	18	-	18
Experience effect	-	-	-
Subtotal included in other items of comprehensive income	**(6)**	**(5)**	**(11)**
Employer contributions	-	**(41)**	**(41)**
Currency translation effect	**55**	**(29)**	**26**
June 30, 2020	**1,891**	**(1,033)**	**858**

The retirement commitment to Swiss personnel as of June 30, 2020 decreased compared to December 31, 2019, due to the departure of one employee and the transfer of another employee to the company Genkyotex SA in France.

The transfer of an employee from Switzerland to France led to the Company recovering €325 thousand in expenses.

10.2 French employees

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

ACTUARIAL ASSUMPTIONS	06/30/2020	12/31/2019
Age at retirement	Voluntary retirement age between 65 and 67	
Collective bargaining agreement	Pharmaceutical industry	
Discount rate (IBOXX Corporates AA)	0.86%	0.77%
Mortality table	INSEE 2018	INSEE 2018
Salary revaluation rate	2.00%	2.00%
Turnover rate	High	High
Social security expense ratio		
Managers	43%	47%
Non-managers	42%	47%

The following shows the change in retirement provisions:

Amounts in € thousands	Retirement obligation
As of December 31, 2019	**13**
Service costs	65
Interest expense	0
Actuarial gains and losses	(2)
As of June 30, 2020	**75**

Note 11: Other current liabilities

OTHER CURRENT LIABILITIES (Amounts in € thousands)	06/30/2020	12/31/2019
Bonus (including social security contributions)	203	17
Payroll & related accounts	335	190
Social security & other welfare programs	64	134
Other taxes and similar	21	128
Other liabilities	23	43
Other current liabilities	**646**	**512**

Note 12: Financial assets and liabilities and effects on income

Accounting principles

The Company has established three categories of financial instruments depending on the consequences of their characteristics on their valuation methods and uses this classification to disclose some of the information required by IFRS 7:

- Level 1: financial instruments listed on an active market;
- Level 2: financial instruments whose valuation methods rely on observable inputs;
- Level 3: financial instruments whose valuation methods rely entirely or partly on unobservable inputs, an unobservable input being defined as one whose measurement relies on assumptions or correlations that are not based on the prices of observable market transactions for a given instrument on the valuation date, nor on observable market data on the valuation date.

The Company's assets and liabilities are measured as follows at the end of the periods presented:

HEADERS – STATEMENT OF FINANCIAL POSITION (amounts in € thousands)	12/31/2019		Value – Statement of Financial Position per IFRS 9			Financial instrument category
	Value – statement of financial position	Fair value	Fair value through income/(loss)	Fair value through other comprehensive income	Amortized cost	
Non-current financial assets	29	29	-	-	29	Level 1
Other receivables	1,500	1,500	-	-	1,500	Level 1
Cash and cash equivalents	2,417	2,417	2,417	-	-	Level 1
Total assets	**3,946**	**3,946**	**2,417**	**-**	**1,529**	
Non-current financial liabilities	17	17	-	-	17	Level 1 (debt related to lease payment obligations)
Current financial liabilities	912	912	725	-	186	Level 1 (debt related to lease payment obligations)/ Level 3 (bonds)
Trade payables	562	562	-	-	562	Level 1
Other current liabilities	512	512	-	-	512	Level 1
Total liabilities	**2,002**	**2,002**	**725**	**-**	**1,277**	

HEADERS – STATEMENT OF FINANCIAL POSITION (amounts in € thousands)	06/30/2020		Value – Statement of Financial Position per IFRS 9			Financial instrument category
	Value – statement of financial position	Fair value	Fair value through income/(loss)	Fair value through other comprehensive income	Amortized cost	
Non-current financial assets	22	22	-	-	22	Level 1
Other receivables	910	910	-	-	910	Level 1
Cash and cash equivalents	5,097	5,097	5,097	-	-	Level 1
Total assets	**6,029**	**6,029**	**5,097**	**-**	**932**	
Non-current financial liabilities	5	5	-	-	5	Level 1 (debt related to lease payment obligations)
Current financial liabilities	69	69	0	-	69	Level 1 (debt related to lease payment obligations)
Trade payables	732	732	-	-	732	Level 1
Other current liabilities	592	592	-	-	592	Level 1
Total liabilities	**1,397**	**1,397**	**0**	**-**	**1,397**	

IMPACTS – INCOME STATEMENT (Amounts in € thousands)	06/30/2020		06/30/2019	
	Interest	Change in fair value	Interest	Change in fair value
Liabilities				
Financial debt at amortized cost (repayable advances)	-		1	
Financial debt at amortized cost (right of use)	2		3	
Bonds at amortized cost		75		-
Derivative liability at fair value through profit or loss		(64)		-
Bonds at fair value through profit or loss		-		-

Note 13: Revenue

Accounting principles

Application of IFRS 15 has been mandatory since January 1, 2018. This standard overhauls the model used to recognize income, the fundamental principle of which is based on the transfer of control of goods and services to the customer.
The standard sets out a five-step general approach to revenue recognition:

- Step 1: Identify the contract;
- Step 2: Identify the "performance obligations" under the contract. The "performance obligations" serve as a unit of account for the revenue recognition;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to each "performance obligation";
- Step 5: Recognize the revenue when the "performance obligation" is satisfied, either on a given date or over time.

The standard specifies how to treat licenses and distinguishes two types:

- those which constitute a right to access intellectual property as it will change over the term of the license as a result of future action taken by the licensor. These licenses are known as "dynamic licenses" or "rights to access" and recognition of the associated income is spread over the term of the license; and
- those which constitute a right to use "fixed" intellectual property, as it exists as of the date on which the license is assigned. These licenses are called "static licenses" or "rights of use," and the income related to them is recognized on a given date at the time when control of the license is transferred, unless the royalty exception applies, regardless of the type of license.

Variable counterparties are recognized when they are highly probable.
IFRS 15 also provides that the revenue related to intellectual property licenses for which royalties are received should be recognized when the later of the following two events occurs:

- the license is sold or used by the customer (on which the calculation of royalties is based);
- the "performance obligation" to which these royalties have been allocated has been satisfied.

In accordance with IFRS 15, the Group has reviewed the license agreement with the Serum Institute of India Pvt. Ltd. (SIIL) for the Vaxiclase platform. The Group considers that the license covered by the agreement constitutes a right of use (static license).

The agreement provides for four types of variable compensation:

- Development milestone payments based on the progress of work undertaken by the customer;
- Commercial milestone payments based on levels of total sales achieved by the customer;
- Milestone payments in the event that the customer grants any sub-licenses;
- Royalties.

The development milestone payments set out in the contract will be recognized when they become highly probable. Given that the various phases of the project progress at uncertain rates, the revenue associated with these milestone payments is recognized as of the date the customer achieves these development phases.

The other two types of milestone payments are related to sales and are treated as royalties. They will therefore be recognized as income when the sale is made.

As of June 30, 2020, additional income of €37 thousand was recognized as part of the license agreement with SIIL. This is mainly the re-invoicing of fees for the maintenance of patents.

Note 14: Breakdown of expenses and income by function

14.1 Research and development

RESEARCH AND DEVELOPMENT (Amounts in € thousands)	06/30/2020	06/30/2019
Raw materials and consumables	(14)	(46)
Studies and research	(941)	(2,300)
Personnel expenses	(851)	(728)
Expenses related to retirement obligations	208	(41)
Licenses and intellectual property costs	(253)	(253)
Depreciation, amortization and impairment	(288)	(289)
Share-based payments	(80)	(120)
Other	(20)	(5)
Amortization of rights of use	(47)	(48)
Research and development expenses	**(2,285)**	**(3,830)**
Research tax credit	268	627
Subsidies	-	-
Subsidies	**268**	**627**
Net research and development expenses	**(2,018)**	**(3,203)**

Research and development expenses amounted to €2,285 thousand as of June 30, 2020, compared with €3,830 thousand as of June 30, 2019, i.e., a fall of €1,545 thousand. This decrease can be explained primarily by a reduction in the study and research costs associated with the end of the Phase 2 trial with setanaxib.

14.2 General and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (Amounts in € thousands)	06/30/2020	06/30/2019
Travel and incidental expenses	(42)	(161)
Fees	(416)	(759)
Insurance	(27)	(19)
Marketing and sales expenditure	(108)	(71)
Taxes and duties	(11)	(16)
Personnel expenses	(295)	(241)
Expenses related to retirement obligations	219	(20)
Attendance fees	(26)	(34)
Amortization and depreciation	(1)	(2)
Share-based payments	(97)	(105)
Other	(44)	(103)
Amortization of rights of use	(21)	(16)
General and administrative expenses	**(868)**	**(1,546)**

Overheads and administrative costs amounted to €868 thousand as of June 30, 2020 compared to €1,546 thousand as of June 30, 2019, i.e., a decrease of €678 thousand. This change can be explained primarily by the following:

- A fee decrease of €342 thousand in connection with the cost of significant one-off legal and audit fees during the first half of 2019;
- A positive expense associated with retirement commitments, due to the departure of certain employees during the first half of 2020.

Note 15: Net financial income (expenses)

NET FINANCIAL INCOME AND EXPENSES (Amounts in € thousands)	06/30/2020	06/30/2019
Costs of bonds issued	(75)	-
Derivative liabilities (fair value)	64	-
Other financial expenses	(2)	(4)
Other financial income	-	-
Currency gains and losses	188	129
Net financial income (expenses)	**175**	**124**

Note 16: Income taxes

According to the same rules as those of December 31, 2019, the Group did not recognize any deferred tax assets as of June 30, 2020.

Genkyotex SA is currently subject to a tax audit relating to the financial years 2016 to 2018.

Note 17: Earnings per share

Accounting principles

Basic earnings per share are calculated by dividing the net profit attributable to Company shareholders by the weighted average number of the 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 ordinary shares outstanding 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 (BSAs, BSPCEs and convertible bonds) creates an anti-dilutive effect, those instruments are not taken into account. As a result, diluted earnings per share are identical to basic earnings per share.

As of June 30, 2019, the Company had convertible bonds that may have a dilutive effect (see Note 9.1). Other instruments giving deferred access to capital were not in the money as of June 30, 2019 (see Note 8).

As of June 30, 2020, the Company no longer has convertible bonds that may have a dilutive effect. Other instruments giving deferred access to capital were not in the money as of June 30, 2020 (see Note 8).

EARNINGS PER SHARE	**06/30/2020**	**06/30/2019**
	Ordinary shares	Ordinary shares
Weighted average number of shares outstanding for the financial periods presented	10,963,692	7,996,362
Net profit/(loss) for the period attributable to shareholders of the parent company (in € thousands)	(2,675)	(4,625)
Basic earnings per share (€/share)	**(0.24)**	**(0.58)**
Diluted earnings per share (€/share)	**(0.24)**	**(0.58)**

Note 18: Segment information

Accounting principles

The Group operates in only one business segment, namely the research and development of pharmaceutical products.
Assets, operating losses and research and development fees are located in France and in Switzerland.

Note 19: Related parties

19.1 Compensation due to corporate officers

Executive compensation breaks down as follows:

EXECUTIVE COMPENSATION (Amounts in € thousands)	06/30/2020	06/30/2019
Fixed compensation due	118	109
Variable compensation due	75	71
Benefits in kind	7	10
Employer contributions to the retirement plan	11	14
Share-based payments	87	108
Compensation policy for corporate officers	26	34
TOTAL	**324**	**346**

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

The variable components of compensation are awarded according to 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 Licensing agreement with the Institut Pasteur

Genkyotex SA signed a license agreement with the Institut Pasteur that came into effect on January 1, 2018, replacing the first agreement signed on February 22, 2006.

The new agreement provides for:

- royalties on net proceeds by the Company, categorized by human use and by veterinary use (lack of revenue generated by the Company under the agreement);
- a share in the cost of maintaining the patents: the Institut Pasteur is responsible for obtaining the issuance and assuring the continuing validity of patents. However, the Company will reimburse the

Institut Pasteur for all of the direct external expenses incurred by the Institut Pasteur to maintain and extend the patents;

- a royalty in the case of sublicensing (to date, the Company has not signed this type of agreement).

20.2 License agreement with Serum Institute of India Pvt. Ltd. (SIIL)

As a result of signing the license agreement extension for the Vaxiclase platform with Serum Institute of India Pvt. Ltd. (SIIL) in June 2018, the agreement provides for:

- an initial payment of €750 thousand (recognized during the first half of 2018);
- milestone payments for emerging markets for up to USD 57 million;
- milestone payments for industrialized countries for up to €100 million.

The Company is also eligible to receive "single-digit percentage" royalties on sales.

20.3 Other commitments

The first-time application of IFRS 16 as of January 1, 2019 removes the distinction between finance leases and operating leases. The standard means that the Company's obligation to pay future lease payments must be recognized as a liability and a right of use as an asset.

As a result of the impact of IFRS 16, the current off-balance sheet commitments as of June 30, 2020 are deemed to be immaterial.

Note 21: Post-balance sheet events

August 2020

On August 13, 2020, the Company announced the signing of an agreement with the company Calliditas Therapeutics ("Calliditas"; Nasdaq OMX – CALTX; NASDAQ – CALT) for the acquisition of a controlling interest in Genkyotex.

Calliditas Therapeutics is a specialty pharmaceutical company based in Stockholm, Sweden, focused on identifying, developing and commercializing novel treatments in orphan indications, with an initial focus on renal and hepatic diseases with significant unmet medical needs.

Calliditas has agreed to acquire, through an off-market block trade, ordinary shares of Genkyotex representing 62.7% of the share capital and voting rights of Genkyotex from Genkyotex's largest shareholders and management team (the "Block Sellers") for a cash consideration at closing of €2.80 per ordinary share (subject to certain transaction expenses) representing a 32.3% maximum premium on Genkyotex's volume weighted average price (VWAP) over the preceding 10 trading days immediately prior to this announcement. In addition, the Block Sellers will receive non-transferable (subject to certain exceptions) contingent rights to additional cash payments on confirmation of regulatory approvals or marketing authorizations of setanaxib, as described below. The off-market block trade is expected to close in October 2020 and remains subject to customary conditions precedent, including clearance from the French Ministry of Economy and Finance regarding foreign investments in France. Calliditas will finance the block trade from its cash reserves.

Calliditas is seeking to acquire all outstanding Genkyotex shares and, as soon as reasonably practicable after and subject to completion of the off-market block trade, in compliance with French and Belgian securities law, Calliditas will file with the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) a mandatory simplified cash tender offer for the remaining Genkyotex shares on the same terms as the block trade (€2.80 per share in cash and contingent rights as further described below). Total acquisition cost would thus amount to a maximum of approximately €87.9 million including contingent rights subject to future regulatory approvals of setanaxib.

The Block Sellers and the Genkyotex shareholders who tender their shares in the centralized tender offer will be eligible for additional cash payments (expressed in relation to 100% of the Genkyotex shares on a fully diluted basis on the day preceding the settlement and delivery of the tender offer) on confirmation of obtaining the following regulatory approvals or marketing authorization of setanaxib, no later than within ten years of the closing of the tender offer:

- €30 million on approval of setanaxib for a first indication by the US Food and Drug Administration (FDA);
- €15 million on approval of setanaxib for a first indication by the European Commission (EC); and
- €10 million on approval of setanaxib by the FDA or the EC for either idiopathic pulmonary fibrosis (IPF) or type 1 diabetes (unless such milestone has already been paid out for such indication by the FDA or the EC as per above).

4. STATUTORY AUDITORS' REPORT ON THE SEMI-ANNUAL FINANCIAL STATEMENTS

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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.

Genkyotex S.A.

Registered office: 218 avenue Marie Curie – Forum 2 Archamps Technopole
74166 Saint-Julien-en-Genevois
Share capital: €11,548,562

Statutory Auditors' Report on the 2020 semi-annual financial statements

Period from January 1, 2020 to June 30, 2020

To the Shareholders,

In compliance with the assignment entrusted to us by your general meetings and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (Code monétaire et financier), we hereby report to you on:

- The review of the accompanying condensed half-yearly consolidated financial statements of Genkyotex, for the period from January 1 to June 30, 2020;
- The verification of the information presented in the half-yearly management report.

These condensed half-yearly financial statements are the responsibility of the board of directors on September 15th 2020 based on the evidence available to date in a changing context of the Covid-19 crisis and challenges in understanding its impacts and future prospects. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

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

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

Without modifying our conclusion thereon, we draw attention to the material uncertainty resulting from events or conditions that may cast significant doubt on the Company's ability to continue as a going concern described in the section "going concern" of Note 2.1 to the condensed half-yearly consolidated financial statements

II – Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements, established on September 15th 2020, subject to our review.

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

Lyon, September 17, 2020	Toulouse, September 17, 2020
KPMG Audit	Sygnatures S.A.S.
Département de KPMG S.A.	
Stéphane DEVIN	Arnaud BROCHARD