INVENTIVA S.A.

A limited company (*société anonyme*) with a capital of 222,572.77 euros
Registered office: 50, rue de Dijon, 21121 Daix, France
Dijon Trade and Companies Register 537 530 255

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED

JUNE 30, 2018

Table of contents

Definitions

In this half-yearly report (the "**Interim Financial Report**"), and unless otherwise specified, the terms "**Inventiva**" or the "**Company**" are taken to mean the company Inventiva S.A. with its registered office at 50, rue de Dijon, 21121 Daix, France, and which is listed with the Dijon Trade and Companies Register under number 537 530 255.

A glossary defining certain terms used in this Interim Financial Report is given in the 2017 Registration Document, registered on April 13, 2018 under number R.18-013 (the "**2017 Registration Document**").

Forward-looking information

This Interim Financial Report contains information about the Company's objectives and development priorities. This information is sometimes identified by the usage of the future, the conditional or terms such as "consider", "anticipate", "think", "aim", "expect", "understand", "should", "seek", "estimate", "believe", "wish", "can" or, where applicable, the negative form of these same terms, or any other variants or similar terminology. The reader's attention is drawn to the fact that these objectives and development priorities are dependent on circumstances or facts that cannot be certain to occur or materialize. These objectives and development priorities are not historical data and should not be interpreted as a guarantee that the facts or data will occur, that the assumptions will be proven correct or that the objectives will be achieved. By their very nature, these objectives might not be achieved and any representations or information given in this Interim Financial Report may prove to be incorrect. The Company has no obligation whatsoever to update this information, subject to the applicable regulations and, in particular, the General Regulation of the French Financial Markets Authority (*Autorité des marchés financiers* – AMF).

Market and competitive position

This Interim Financial Report also contains information about the Company's activities and the markets on which it operates. This information comes from studies or surveys carried out internally or externally. Other information contained in this Interim Financial Report is available to the general public. The Company considers that all of this information is reliable but it has not been verified by an independent expert. The Company cannot guarantee that a third party using different methods to gather, analyze or calculate market data would obtain the same results.

Rounding of figures

Certain figures (including data expressed in thousands or millions of euros or dollars) and the percentages presented in this Interim Financial Report have been rounded up or down. Accordingly, totals given may vary slightly from those obtained by adding the exact (unrounded) values of those same figures.

Abbreviations

Certain figures are given in thousands or millions of euros and are indicated as € thousand or € million respectively.

1. Interim Financial Report

1.1. Key factors affecting the Company's performance

1.1.1. Operations and product portfolio

Inventiva is a biopharmaceutical company with several drug candidates at clinical and pre-clinical stages whose objective is to develop and provide patients with new therapies. The focus of the Company's Research and Development (R&D) department targets three promising areas, namely fibrotic diseases which cause 45% of deaths in the developed world[1], the treatment of certain forms of lysosomal diseases and oncology with a priority on the development of indications for orphan diseases for which the unmet medical need and the regulations in force allow an accelerated development program.

The 2017 Registration Document describes the Company's main clinical and preclinical programs. The significant events that took place in the first six months of 2018 in relation to these programs are as follows:

▶**Lanifibranor**

Second positive DSMB review in Systemic Sclerosis Phase IIb trials with lanifibranor

The Data Safety Monitoring Board (DSMB) has completed its review of the FASST (For A Systemic Sclerosis Treatment) Phase IIb trials with lanifibranor. After reviewing all of the safety data, including adverse events, and analyzing the conduct of the study, the DSMB recommended that it be continued without any changes to protocol.

FDA approval of an investigator initiated IND application to conduct Phase II study of lanifibranor in type 2 diabetic patients with Non-Alcoholic Fatty Liver Disease

In June 2018, Inventiva has received the approval of the US Food and Drug Administration (FDA) for an investigator initiated Investigational New Drug (IND) application enabling it to proceed with the Phase II study of lanifibranor in type 2 diabetic patients with nonalcoholic fatty liver disease (NAFLD). The approval will allow the company to launch the study which will be led by Dr Kenneth Cusi, Head of the Department of Endocrinology, Diabetes & Metabolism in the Department of Medicine at the University of Florida in Gainesville. The trial conducted by Dr Cusi is expected to enroll 64 patients treated for a 24-week period with a single daily dose of lanifibranor (800 mg/day) or placebo and 10 subjects in a healthy, non-obese control group.

▶**Odiparcil**

First patient recruitment for Phase IIa of the iMProveS study of odiparcil on patients with MPS VI

The iMProveS clinical study will last 26 weeks and is designed to demonstrate the safety, tolerability and efficacy of odiparcil in 24 adult MPS VI patients. It will be conducted at four European clinical

[1] Source: *The Journal of Clinical Investigation; Common and unique mechanisms regulate fibrosis in various fibroproliferative diseases; March 2007.*

sites. If the results of the study are positive, Inventiva plans to conduct a Phase III pivotal study with odiparcil in MPS VI.

In January 2018, the Company announced that the first patient for the Phase IIa study had been recruited.

Positive results of biomarker study measuring intracellular glycosaminoglycans (GAGs) in leukocytes from MPS VI patients and results presentation during the 15th International Symposium on MPS and Related Diseases

In February 2018, the Company announced the positive outcomes of a biomarker study to evaluate intracellular GAGs levels in leukocytes as a disease activity biomarker in MPS VI. The data recorded confirmed the identification of a very promising biomarker for MPS VI and the limited efficacy of enzyme replacement therapy (ERT) in reducing leukocyte GAGs. This biomarker study has enabled the development of a new and robust quantification method of intracellular heparan sulfate (HS), chondroitin sulfate (CS) and dermatan sulfate (DS) in leukocytes (leukoGAG). These leukoGAGs may provide compelling surrogate markers to be used in clinical trials, and for patient monitoring. In addition, patients treated with galsulfase, the enzyme replacement therapy approved for MPS VI patients, maintained a high level of leukoGAGs compared to age-matched healthy volunteers suggesting the possibility to further reduce this level with a new treatment such as odiparcil.

A poster presentation entitled "Intracellular GAG Level in Leukocytes is a Promising Pharmacodynamic Biomarker for MPS VI" was presented by Paul R. Harmatz, MD, UCSF Benioff Children's Hospital Oakland, at the 15th International Symposium on MPS and Related Diseases held on August 2-4, 2018 at the Sheraton San Diego Hotel & Marina in San Diego, California.

1.1.2. Other significant events

Appointment of Dr Lucy Lu as permanent representative of Sofinnova Crossover I SLP on the Board of Directors

Following the Company's €35.5 million capital increase on April 13, 2018, in which the Sofinnova Crossover I SLP fund (Sofinnova) participated for an amount of €10 million, Inventiva has strengthened its Board of Directors with the appointment of Dr Lucy Lu, President and Chief Executive Officer of Avenue Therapeutics, as an independent director to represent Sofinnova. Dr Lu has a wide experience of over 15 years in the biotech and healthcare sectors as an investment banker, sellside analyst and CFO/CEO of biotech companies listed in the United States. As such, she will bring additional expertise in finance and clinical development to Inventiva. Drawing on her experience and knowledge of the American market, Dr Lu will also advise and help the Company in its development in the United States.

Capital increase

In April 2018, the Company raised €35.5 million through a private placement of 5,572,500 newly issued shares with European and American investors. The net proceeds from the capital increase allow Inventiva to finance its activities under existing programs until mid-2020 in particular to ensure (i) the continuation of the clinical development of lanifibranor and in particular the preliminary works for Phase III in the treatment of NASH as well as future clinical developments related to SSc, (ii) the continuation of the clinical development of odiparcil and in particular the launch of Phase Ib in children with MPS VI, the development of the clinical package in MPS I, II, IVa and VII and the preparatory works for

Phase III in the treatment of MPS I, II, IVa, VI and VII, and (iii) the development of the various ongoing research programs. The operation and its impact on the financial statements are described in Note 2.1.2 "Significant events" and Note 2.3.7 "Shareholders' equity" in section 3.2 "Condensed interim financial statements" of this Interim Financial Report.

New bonus share award plans (AGA)

On January 26, 2018, the Company's Board of Directors approved two bonus share award plans for certain Company employees.

The provisions of these plans are described in Note 2.1.2 "Significant events" and Note 2.3.7 "Shareholders' equity" in section 3.2 "Condensed interim financial statements" of this Interim Financial Report.

Liquidity agreement

On January 19, 2018, the Company entered into a new liquidity agreement with Kepler Cheuvreux, replacing the previous liquidity agreement with Oddo BHF, for a period of 12 months renewable by tacit agreement (see Note 2.3.7 "Shareholders' equity" in section 3.2 "Condensed interim financial statements" of this Interim Financial Report.

1.2. Recent events and prospects

▶**Lanifibranor**

Positive DSMB Reviews in both NASH and Systemic Sclerosis Phase IIb Trials with lanifibranor

The good safety of lanifibranor has once again been confirmed by the positive outcomes of two DSMB reviews for NASH and Systemic Sclerosis Phase IIb trials with lanifibranor and announced by the Company on July 10, 2018.

The DSMB of the FASST study held its third and last meeting before the end of the trial of lanifibranor in SSc. Similarly to the conclusions of the first two DSMBs, the board recommended that the study continue without any modification to the protocol. The study is continuing with the last visit of the last patient scheduled for mid-October 2018. The study's first results will therefore be available in early 2019 as previously announced.

Similarly the NATIVE (NAsh Trial to Validate IVA337 Efficacy) DSMB met for the first time and after reviewing all safety data came to a similar conclusion recommended to continue the study without any modification of the protocol. Patient enrolment is continuing with the opening of 71 sites, of which 57 are already active. To secure patient recruitment and to transform the study into a global study and increase the visibility of the Company in the United-States, it has been decided to open several sites in the United States. As a consequence, Inventiva anticipates to publish headline-results for first half of 2020 rather than second half of 2019 as previously announced.

Lanifibranor found to have a good safety profile following a first assessment of the results of two two-year carcinogenicity studies with the pan-PPAR agonist lanifibranor

In August 2018, a preliminary assessment was performed by Dr Jeri El-Hage, toxicologist and regulatory consultant and expert in the PPAR field at Aclairo Pharmaceutical Development Group, indicating that both studies should be deemed adequate based on correct dosing and good tolerability.

Two carcinogenicity studies in rats and in mice were started in October 2015 after study protocol approval by the US Food and Drug Administration (FDA) and executed by Envigo (UK), a Contract Research Organization (CRO) with previous expertise in running similar studies, particularly with compounds from the PPAR class. These studies tested the effects of three doses of lanifibranor administered daily for a 104-week period, compared to control groups.

The results of these studies will be presented to the FDA's Executive Carcinogenicity Assessment Committee (ECAC) in order to obtain the authorization to enter into Phase III. The special protocol assessments for the studies had been reviewed by the ECAC and the doses evaluated were approved for both studies.

New patent granted by the USPTO protecting the use of lanifibranor in numerous fibrotic diseases and extending its protection in the United States until June 2035

On August 21, 2018, the United States Patent and Trademark Office (USPTO) granted a new patent protecting the therapeutic use of lanifibranor in the treatment of various fibrotic conditions, including NASH and SSc until June 2035.

This patent strengthens and extends in the US the term of protection of lanifibranor derived from the New Chemical Entity (NCE) patent expiring in December 2031 (including a possible five-year extension to compensate for regulatory delays in obtaining the marketing approval).

Enrolment of the first patient in the US Phase II study for the treatment of NAFLD in patients with type 2 diabetes

Following the agreement with the University of Florida to conduct a Phase II study in the United States with lanifibranor for the treatment of non-alcoholic fatty liver disease (NAFLD) in patients with type 2 diabetes, the study has now begun. The study's IND has been accepted by the FDA and the first of the 64 patients was enrolled in August 2018.The recruitment of the other patients continues in accordance with the planned schedule and topline results are expected in early 2020.

The overall objective of the study led by Dr Kenneth Cusi is to measure the metabolic improvements induced by lanifibranor, as well as its effects on hepatic steatosis in patients with type 2 diabetes and NAFLD. The study will also examine the impact of lanifibranor on fibrosis using the latest imaging and biomarker technologies.

FDA approval of the IND application for the launch of the clinical development plan in the US

On August 24 2018, the Company received the approval of its IND application from the gastroenterology division of the FDA for lanifibranor in order to conduct a drug interaction study required to pursue the development program.

This approval is an important milestone as it will allow Inventiva to use this IND to initiate further clinical studies relating to lanifibranor for the treatment of NASH in the US.

Creation of panNASH™, a group of international independent experts to raise the profile of NASH and contribute to a better understanding of the disease

Inventiva has announced the creation of panNASH™, a working group consisting of a committee of international independent experts. This initiative, which is supported by Inventiva, will aim to play an active role in developing and disseminating their NASH expertise among the scientific community, patients and other key stakeholders within the healthcare system.. The committee includes European and American medical experts) in areas related to NASH such as hepatology, diabetes and cardiology, along with renowned scientific experts focused on promoting a better understanding of the physiopathological mechanisms involved in NASH. Specifically, the committee will help to increase knowledge of pathological mechanisms ranging from metabolic disorders to fibrosis and comorbidities, with a focus on the modulating role played by PPARs (peroxisome proliferator-activated receptors, α,δ,γ subtypes).

▶ **Odiparcil**

Continuation of the Phase IIa iMProveS study with odiparcil for MPS VI patients, opening of two additional sites to secure patient enrolment

Two sites are open in Europe and the first DSMB meeting is planned for October 2018. Given the challenge to recruit in a rare disease like MPS VI, the Company has decided to add two additional sites and secure the publication of head-line results which will be now announced in the second half of 2019 versus first half of 2019 as previously communicated.

Evolution of the development plan to shorten time to market

In July 2018, the FDA published a draft guidance[2] on the evidence necessary to demonstrate the effectiveness of new drugs intended for slowly progressive low-prevalence rare diseases that are associated with substrate deposition and caused by single enzyme defects. Given the recently promising biomarker approach developed allowing to measure intracellular GAG levels in leukocytes by the Company, the development plan is currently being reviewed in order to discuss with the FDA the possibility of modifying the planned studies. This approach would shorten the time needed for development and provide MPS VI patients with faster access to a new treatment.

▶ **Other research programs**

Presentation of the Company's RORγ program which has led to the discovery of a new series of quinoline sulfonamides as potent orally inverse RORγ inhibitors

At the 256th National Meeting of the American Chemical Society held on August 19-23, 2018 at the Boston Convention & Exhibition Center (BCEC) in Boston, Massachusetts, Dr Potin presented the results from a high throughput screening of Inventiva's library of 248,000 compounds using a GAL4 transactivation assay, which has led to the discovery of a new series of quinoline sulfonamides

[2] "Slowly Progressive, Low-Prevalence Rare Diseases with Substrate Deposition That Results from Single Enzyme Defects: Providing Evidence of Effectiveness for Replacement or Corrective Therapies Guidance for Industry", U.S. Department of Health and Human Services, Food and Drug Administration / Center for Drug Evaluation and Research (CDER) / Center for Biologics Evaluation and Research (CBER), Juillet 2018

as potent orally inverse RORγ inhibitors. Dr Potin also discussed the synthesis, structure activity relationship (SAR) and biological activity of these derivatives.

Partnerships with AbbVie and Boehringer-Ingelheim

Inventiva's collaboration with AbbVie has progressed with the decision to enter into Phase I with the drug candidate ABBV-157. Following this decision and the identification of a back-up candidate for ABBV-157, Inventiva's work to discover new orally available reverse ROR agonists is now complete. The Company remains eligible for clinical, regulatory and commercial milestone payments and royalties on ROR reverse agonists discovered during the collaboration.

After Boehringer-Ingelheim exercised its option as part of its collaboration with the Company that began in May 2016, and following a first milestone payment of €2.5 million, the collaboration has moved to the molecule screening stage. The first molecules identified are currently being optimized by Inventiva's and Boehringer-Ingelheim's teams.

Yap-Tead program

The In-Vivo proof of concept was carried out, demonstrating the anti-tumour activity of Yap-Tead inhibitors discovered by the Company in a xenograft mice model and a patient derived xenograft (PDX) mice model either as a monotherapy or in combination with standard treatments. Two molecules with the required characteristics to start the toxicology studies necessary to select the clinical candidate have been identified and tested in initial short-term toxicological studies. In parallel, collaborations have been set up with two research teams from the Institut Curie and Xentech to assess the potential of Inventiva molecules as monotherapy or in combination with the standard-of-care treatment in other tumours whose growth depends on the Hippo pathway.

► Other information

Notification of the modification to the call option agreement signed with BVF Partners L.P.

On August 21, 2018, the Company was informed by letter of the signing on August 20, 2018 of an amendment to the call option agreement which was concluded between Company co-founders Mr Broqua and Mr Cren and BVF Partners L.P. on January 11, 2017, regarding call options with physical settlement and relating to shares of Inventiva.

The abovementioned letter specifies that the amendment to the agreement mainly modifies the provisions of the Agreement relating to:

- the exercise period of the call options, the term of which was initially set for February 16, 2019 and which has now been advanced to September 17, 2018 and extended for a new period from September 18, 2018 to February 16, 2020,
- the number of shares subject to the call options during the exercise period from September 18, 2018 to February 16, 2020, which will decrease from 1,764,705 shares to 1,250,000 shares, and the exercise price of the call options during the extended call option period, which will increase from €8.5 to €12.

► Future milestones regarding the product portfolio

Second-half 2018:

- End of the Phase IIb FASST study with lanifibranor in SSc
- FDA approval for the designation of MPS VI as a "Rare Pediatric Disease"
- Launch of Phase I with ABBV-157, the new clinical drug candidate and oral ROR-gamma antagonist resulting from the collaboration with AbbVie

2019:

- Results of the Phase IIb FASST study with lanifibranor in SSc in early 2019
- End of enrolment for the Phase IIb NATIVE study with lanifibranor in NASH
- Results of the Phase IIa iMProveS study of odiparcil in patients with MPS VI in the second half of 2019.

► **Other events**

See Note 2.5.4 “Events after the reporting date” presented in section 3.2 “Condensed interim financial statements” of this Interim Financial Report.

1.3. Risk factors

The Company conducted a review of the risks that could have a material adverse effect on the Company, its business, financial position, results or ability to achieve its objectives, and considers that there are no other material risks apart from those presented in Chapter 2 of its 2017 Registration Document.

1.4. Earnings analysis

1.4.1. Comparisons between the income statements for first-half 2018 and first-half 2017

This chapter presents the Company's results and financial position for the six months ended June 30, 2018 based on the condensed interim financial statements prepared in accordance with IFRS in section 3.2 "Condensed interim financial statements" of this Interim Financial Report.

(in thousands of euros)	First-half 2018	First-half 2017
Revenue	**1,301**	**2,658**
Other recurring operating income	2,754	2,596
Research and development costs	(15,926)	(13,242)
Marketing – Business development	(107)	(238)
General and administrative expenses	(3,056)	(2,668)
Recurring operating loss	**(15,035)**	**(10,893)**
Other non-recurring operating income	1,932	255
Other non-recurring operating expenses	(3,073)	(704)
Operating loss	**(16,175)**	**(11,343)**
Financial income	56	243
Financial expenses	(172)	(19)
Net financial income (loss)	**(116)**	**224**
Income tax	22	1,337
Net loss for the period	**(16,269)**	**(9,781)**

1.4.2. Revenue and other operating income

Operating income *(in thousands of euros)*	First-half 2018	First-half 2017
Revenue	1,301	2,658
Total revenue	**1,301**	**2,658**
Subsidies	10	521
CIR research tax credit	2,744	2,068
Other	-	8
Other operating income	**2,754**	**2,596**
Total operating income	**4,055**	**5,254**

1.4.2.1. Revenue

Revenue for first-half 2018 came in at €1,301 thousand, compared with €2,658 thousand in the same prior year period. The decrease of €1,357 thousand (51%) mainly reflects the following items:

- the Master Research Services Agreement (MRSA) entered into with AbbVie, which expired on August 27, 2017 but was renewed for a further year. The impact on Inventiva's revenue was a decrease of €977 thousand between first-half 2017 and first-half 2018, as the additional work was less extensive than that originally planned by the MRSA; and
- revenue generated by the partnership agreement signed with Boehringer-Ingelheim, which remained stable in first-half 2018 with an equivalent level of FTE invoicing (Inventiva R&D staff assigned to work on this program). However, in first-half 2017 the balance of the partnership start-up payment was still outstanding (approximately €180 thousand with respect to 2017).

The impacts from first-time adoption of IFRS 15 amounted to €160 thousand in the first half of 2018 and constitutes solely a change in the pattern of recognition of revenue. Cash flows for first-half 2018, as well as the total revenue to be generated by the agreement, remain unchanged (see Note 2.2.3 "Impact of the first-time adoption of IFRS 15" in section 3.2. "Condensed interim financial statements").

1.4.2.2. Other operating income

Other operating income for first-half 2018 grew by €158 thousand (6%) to €2,754 thousand (versus €2,596 thousand for first-half 2017), mainly due to:

- three rectifications relating to the research tax credits (CIR) for 2014, 2015 and 2017, for a total of €671 thousand; and
- three out of four subsidies from the French National Research Agency (ANR) being accounted for on December 31, 2017 and no new subsidies applied for in first-half 2018, resulting in a significant decrease of around €511 thousand.

1.4.3. Operating expenses

Operating expenses *(in thousands of euros)*	**First-half 2018**	**First-half 2017**
Research and development costs	15,926	13,242
Marketing – Business development	107	238
General and administrative expenses	3,056	2,668
Total operating expenses	**19,090**	**16,147**

Operating expenses for first-half 2018 increased by €2,942 thousand (18%) to €19,090 thousand from €16,147 thousand for first-half 2017, chiefly due to a rise in research and development costs.

1.4.3.1. Research and development costs

Research and development costs can be broken down as follows:

Research and development costs *(in thousands of euros)*	**First-half 2018**	**First-half 2017**
Disposables	1,111	1,090
Energy and liquids	269	264
Patents and scientific monitoring	213	228
Studies	8,679	6,664
Maintenance	486	424
Fees	44	27
IT systems	403	368
Personnel costs	3,940	3,583
Depreciation, amortization and provisions	322	434
Other research and development costs	460	160
Total research and development costs	**15,926**	**13,242**

Research costs for first-half 2018 increased by €2,684 thousand (20%) from €13,242 thousand for first-half 2017 to €15,926 thousand for first-half 2018, reflecting the increase of €2,015 thousand (30%) in spending on studies in the research and development phase, particularly for lanifibranor and odiparcil, as described below:

▶ **Lanifibranor**

Study-related expenses for the lanifibranor project rose by €981 thousand (20%) compared to first-half 2017, totaling €5,775 thousand in first-half 2018.

Lanifibranor is an anti-fibrotic drug candidate currently in Phase IIb for the treatment of SSc and NASH that Inventiva has been developing since 2013.

In line with 2017, costs relating to the lanifibranor project in first-half 2018 break down into two main categories: activities relating to clinical studies and development activities including pharmaceutical development, preclinical pharmacology and toxicology studies in animals, as well as regulatory requirements.

Costs linked to clinical study activities included, in particular, the following developments over the period:

Treatments for NASH:

- monitoring of the patients in the NATIVE Phase IIb study of 225 patients suffering from NASH with two different doses of lanifibranor;
- continued deployment of the NATIVE clinical study in 14 European countries and in Canada and Australia (31 sites concerned), for which the first patient was recruited in February 2017; and
- costs corresponding to gradually opening the sites and equipping them with treatment units, analyzing biological samples, monitoring the patients in the study and continuing regulatory activities.

Treatments for SSc:

- continuation of the Phase IIb FASST study, which will concern 10 European countries and 47 clinical centers for 48 weeks, with the last patient being treated until October 2018;
- costs were mainly attributable to the clinical CRO, the analysis of biological samples and the management of treatment units.

Expenses were also incurred in first-half 2018 for the start and preparation of an Investigator Initiated Trial led by Dr Cusi, as well as four new Phase I studies.

Development costs in first-half 2018 related primarily to:

- the continuation of the toxicology program, including the completion of the segment III reprotoxicity study in rats and continued cancerogenesis studies in rats and mice. In order to improve knowledge of the effects of lanifibranor and its mechanism of action, the *in vitro* studies conducted on animals through collaboration with recognized experts in therapeutic indications continued throughout the period;
- pharmaceutical development, consisting mainly of tablet formulation optimization and the manufacture of pilot batches; and
- regulatory activities linked to various programs. Costs related primarily to:
    - collaborations with clinical, regulatory and statistical quality experts (scientific and clinical), enabling Inventiva to ensure that its ongoing studies meet the required quality standards,
    - the preparation of documents for the submission of clinical trials in the United States and Europe, and
    - the implementation of a pharmacovigilance agreement.

▶ **Odiparcil**

Study-related expenses for the Odiparcil project increased 49% to €1,881 thousand in first-half 2018, up €619 thousand on first-half 2017.

Costs incurred in first-half 2018 mainly relate to:

- the running of clinical trials which began in the second half of 2017 for the Phase IIa iMProveS study, representing approximately one third of the total expenses incurred on the project. The costs primarily concerned clinical trials, applications for clinical trials in two new countries, and the preparation of clinical supplies for potential future studies;
- the preparation of the MPS VI pediatric clinical trial representing around 26% of total expenses incurred on the project. The preparation costs primarily concerned the completion of odiparcil production, the development of a pharmaceutical preparation for children, and consulting fees relating to the preparation of regulatory documentation; and
- preclinical development, representing approximately 39% of the total expenses incurred on the project. Preclinical development consists of toxicological, pharmacological, CMC and pharmokinetic activities. Costs related to regulatory obligations (submission of the pediatric investigation plan and pre-IND meeting with the FDA) and consulting were also incurred over the period.

▶ **YAP-TEAD**

To a lesser extent, the increase in study-related expenses also stemmed from an increase in research and development costs for the YAP-TEAD project, which rose by €124 thousand (28%) compared with first-half 2017 to €563 thousand for first-half 2018.

Costs incurred during the first half of 2018 mainly related to:

- the continuation of the “hit to lead” phase and the procurement of compounds with activity in the 100nM band in both transactivation and cell proliferation;
- the increase in the panel of dependent YAP-TEAD cell lines in mesothelioma, NSL cancer and other forms of cancer;
- the launch of the in vitro assessment of the compounds identified; and
- the assessment of new compounds in xenografts, alone or combined with standard treatments.

The increase in research and development costs was also due to the €357 thousand (10%) rise in personnel costs, reflecting the continued strengthening of the development team, and the €300 thousand increase in other operating expenses, which was mainly due to higher communication costs and taking part in conferences (see also Note 2.4.2 “Operating expenses” in section 3.2 “Condensed interim financial statements” of this Interim Financial Report).

1.4.3.2. Marketing and Business development costs

Marketing and business development costs can be broken down as follows:

Marketing – Business development *(in thousands of euros)*	First-half 2018	First-half 2017
Fees	-	21
IT systems	5	-
Personnel costs	97	206
Other operating expenses	5	10
Total marketing and business development costs	**107**	**238**

Marketing and business development costs for first-half 2018 decreased by €131 thousand (55%) to €107 thousand (versus €238 thousand for first-half 2017). This decrease is mainly due to the suspension of the sub-contracting services activity in 2017, resulting in reduced personnel costs for marketing.

1.4.3.3. General and administrative expenses

General and administrative expenses can be broken down as follows:

General and administrative expenses *(in thousands of euros)*	First-half 2018	First-half 2017
Fees	759	641
IT systems	29	30
Support costs (including taxes)	314	299
Personnel costs	1,139	1,003
Depreciation, amortization and provisions	94	119
Other general and administrative expenses	721	576
Total general and administrative expenses	**3,056**	**2,668**

General and administrative expenses rose by €388 thousand (15%) in first-half 2018 to €3,056 thousand, versus €2,668 thousand in first-half 2017. The decrease was mainly attributable to:

- the rise in consulting costs, mainly in relation to legal issues, strategy and external financial communication; and
- the implementation of two new bonus share (AGA) award plans in first-half 2018, which increased personnel costs compared to first-half 2017.

1.4.4. Non-recurring operating income and expenses

Non-recurring operating income and expenses break down as follows:

Non-recurring operating income and expenses *(in thousands of euros)*	**First-half 2018**	**First-half 2017**
Other non-recurring operating income	1,932	255
Other non-recurring operating expenses	(3,073)	(704)
Non-recurring operating income and expenses	**(1,140)**	**(449)**

In the first half of 2018, other non-recurring operating income and expenses related to the tax audit of the 2013, 2014 and 2015 fiscal years, particularly with regards to payroll taxes (see Note 2.3.10 "Provisions" in section 3.2 "Condensed interim financial statements"). Following receipt of the collection notice, the following items were recognized:

- accrued expenses totaling €1,932 thousand corresponding to the sum requested in the collection notice;
- accrued receivables in an amount of €1,932 thousand, receivable from the Abbott Group under the terms of the Additional Agreement amending the Asset Purchase Agreement (APA); and
- a provision of €1,140 thousand to cover the tax risk relating to payroll taxes for the 2016 and 2017 fiscal years (which were not audited by the tax authorities).

In first-half 2017, other non-recurring operating income consisted primarily of the capital gains on disposals, including €228 thousand on the sale of a real estate asset (see Note 2.1.2 "Significant events" in section 4.6.2 "Company financial statements for 2017 prepared in accordance with IFRS" of the 2017 Registration Document).

Other non-recurring operating expenses consisted mainly of transaction costs relating to the Company's initial public offering in February 2017. Since these costs were not directly attributable to the capital increase, they were recognized as an expense in first-half 2017 in an amount of €668 thousand.

In first-half 2018, costs relating to the capital increase of April 17, 2018 are shown as a deduction from additional paid-in capital in an amount of €3,079 thousand.

1.4.5. Financial income and expenses

Financial income and expenses break down as follows:

Financial income and expenses *(in thousands of euros)*	First-half 2018	First-half 2017
Income from cash and cash equivalents	44	156
Foreign exchange gains	11	23
Other financial income	1	54
Discounting gains	-	9
Total financial income	**56**	**243**
Interest cost	(2)	(3)
Losses on cash and cash equivalents	(63)	-
Foreign exchange losses	(17)	(11)
Other financial expenses	(85)	(5)
Discounting losses	(6)	-
Total financial expenses	**(172)**	**(19)**
Net financial income (loss)	**(116)**	**224**
Net financial income (loss) excluding the impact of the Abbott Agreement[(a)]	**(116)**	**231**

[(a)] *APA described in section 4.1.2 of the 2017 Registration Document.*

The net financial loss in first-half 2018 was €116 thousand, compared to income of €224 thousand in first-half 2017, representing a decrease of €340 thousand. This lower net financial income was mainly attributable to the decrease in cash equivalents due to a temporary weakening of the bond markets, resulting in a €260 thousand decrease in financial income: in first-half 2018, cash equivalents generated a net loss of €19 thousand, plus €85 thousand in impairment, representing a total expense of €104 thousand, compared with €156 thousand in income over first-half 2017.

1.4.6. Income tax

In accordance with IAS 34, the income tax recognized in the financial statements for each interim period is adjusted based on a best estimate calculated by applying the expected weighted average tax rate for the entire year.

The effective tax rate for first-half 2017 was 12.03%, compared with a theoretical tax rate of 33.33%.

In first-half 2018, the Company recorded a tax loss, so no current taxes were recognized.

Income tax for the period corresponded chiefly to the change in deferred taxes relating to the provision for retirement benefits (see Note 2.3.9 “Deferred taxes” in section 3.2 “Condensed interim financial statements” of this report).

1.4.7. Net income (loss) for the period

The net loss was €16,269 thousand in first-half 2018, versus a loss of €9,781 thousand in first-half 2017, representing an additional loss of €6,488 thousand.

1.5. Analysis of the balance sheet at June 30, 2018

The following table presents the main balance sheet captions at June 30, 2018 and December 31, 2017.

(in thousands of euros)	June 30, 2018	Dec. 31, 2017
Intangible assets	1,652	1,806
Property, plant and equipment	4,400	4,516
Deferred tax assets	266	253
Other non-current assets	442	572
Non-current assets	**6,760**	**7,147**
Inventories	516	473
Trade receivables	2	64
Income tax receivables	7,276	4,464
Other receivables and accruals	5,268	3,168
Cash and cash equivalents	75,972	59,051
Current assets	**89,035**	**67,220**
Total assets	**95,794**	**74,367**
Shareholders' equity	**78,392**	**64,009**
Long-term debt	147	220
Deferred tax liabilities	0	-
Long-term contract liabilities	358	477
Provisions for retirement benefit obligations	934	866
Long-term provisions	2,001	-
Non-current liabilities	**3,440**	**1,563**
Short-term debt	149	262
Short-term provisions	1,140	-
Trade and other payables	7,230	5,382
Short-term contract liabilities	605	-
Other payables	4,837	3,151
Current liabilities	**13,962**	**8,795**
Total equity and liabilities	**95,794**	**74,367**

1.5.1. Non-current assets

Non-current assets *(in thousands of euros)*	June 30, 2018	Dec. 31, 2017
Intangible assets	1,652	1,806
Property, plant and equipment	4,400	4,516
Deferred tax assets	266	253
Other non-current assets	442	572
Non-current assets	**6,760**	**7,147**

Non-current assets totaled €6,760 thousand at June 30, 2018, compared with €7,147 thousand at December 31, 2017, i.e., a decrease of €387 thousand (5%).

This is mainly attributable to:

- the €270 thousand fall in the net carrying amount of intangible assets and property, plant and equipment, owing chiefly to annual depreciation/amortization (see Notes 2.3.1 “Intangible assets” and 2.3.2 “Property, plant and equipment” of this Interim Financial Report); and
- the decrease in other non-current assets following the release of the pledge in an amount of €135 thousand securing the €178 thousand loan agreed with CIC-Lyonnaise de Banque in May 2015.

1.5.2. Current assets

Current assets *(in thousands of euros)*	June 30, 2018	Dec. 31, 2017
Inventories	516	473
Trade receivables	2	64
Income tax receivables	7,276	4,464
Other receivables and accruals	5,268	3,168
Cash and cash equivalents	75,972	59,051
Current assets	**89,035**	**67,220**

Cash and cash equivalents carried in current assets can be broken down as follows:

Net cash and cash equivalents *(in thousands of euros)*	**June 30, 2018**	**Dec. 31, 2017**
UCITS and certificates of deposit	3,986	5,046
Other cash equivalents	57,532	36,277
Cash at bank and at hand	14,454	17,728
Cash and cash equivalents	**75,972**	**59,051**
Bank overdrafts	(4)	(3)
Net cash and cash equivalents	**75,968**	**59,048**

Current assets totaled €89,035 thousand at June 30, 2018, compared to €67,220 thousand at December 31, 2017, i.e., an increase of €21,814 thousand, (32%).

This higher amount was mainly attributable to a €16,921 thousand (29%) increase in cash and cash equivalents, chiefly due to:

- the capital increase in April 2018 for net proceeds of €32.5 million; and
- cash used in operating activities generated by the Company's ordinary course of business, representing between €2 million and €3 million per month over the first half of 2018, which partially offset the net proceeds from the capital increase.

To a lesser extent, the increase in current assets is also due to:

- the €2,812 thousand increase in tax receivables, mainly reflecting the provision recorded for the research tax credit in respect of first-half 2018 whereas the research tax credit in respect of 2017 has not yet been received; and
- the €2,100 thousand increase in other receivables, mainly reflecting the €1,932 thousand receivable from the Abbott Group following the tax audit of the 2013, 2014 and 2015 fiscal years (see Note 2.3.10 "Provisions" of section 3.2 "Condensed interim financial statements" of this document).

1.5.3. Shareholders' equity

Shareholders' equity *(in thousands of euros)*	**June 30, 2018**	**Dec. 31, 2017**[(1)]
Equity	223	164
Additional paid-in capital	77,460	44,992
Net income (loss) for the period	(16,269)	(17,229)
Reserves	16,978	36,082
Total shareholders' equity	**78,391**	**64,009**

(1) Excluding the impact of IFRS 15; see Note 2.2.3 in section 3.2 "Condensed interim financial statements".

Shareholders' equity stood at €78,391 thousand at June 30, 2018, compared with €64,009 thousand at December 31, 2017, representing an improvement of €14,792 thousand (23%). This rise in equity was driven by the capital increase carried out by the Company in an amount of €35,497 thousand and the exercise of BSPCE share warrants awarded to Company employees in an amount of €108 thousand. It was partially offset by the losses generated in first-half 2018.

Changes in shareholders' equity during the first six months of 2018 are described in further detail in section 3.2 "Condensed interim financial statements" of this Interim Financial Report.

1.5.4. Non-current liabilities

Non-current liabilities *(in thousands of euros)*	**June 30, 2018**	**Dec. 31, 2017**
Long-term debt	147	220
Deferred tax liabilities	-	-
Long-term provisions	358	477
Provisions for retirement benefit obligations	934	866
Long-term contract liabilities	2,001	-
Non-current liabilities	**3,440**	**1,563**

Non-current liabilities stood at €3,440 thousand at June 30, 2018, compared with €1,563 thousand at December 31, 2017, i.e., an increase of €1,877 thousand.

This increase is mainly due to the long-term contract liabilities resulting from first-time adoption of IFRS 15 in an amount of €2,001 thousand. All impacts from first-time adoption of IFRS 15 are described in Note 2.2.3 "Impact of the first-time adoption of IFRS 15" in section 3.2 "Condensed interim financial statements" of this Interim Financial Report.

1.5.5. Current liabilities

Current liabilities *(in thousands of euros)*	**June 30, 2018**	**Dec. 31, 2017**
Short-term debt	149	262
Short-term provisions	1,140	-
Trade and other payables	7,230	5,382
Short-term contract liabilities[(1)]	605	-
Other payables and accruals	4,837	3,151
Current liabilities	**13,962**	**8,795**

(1) See Note 2.2.3 "Impact of the first-time adoption of IFRS 15" in section 3.2 "Condensed interim financial statements" of this Interim Financial Report.

The Company's current liabilities stood at €13,962 thousand at June 30, 2018 compared with €8,795 thousand at December 31, 2017, representing an increase of €5,168 thousand (59%).

This higher amount was mainly attributable to:

- the increase in trade and other payables in an amount of €1,848 thousand relating to the increase in research and development expenses;
- the increase in other payables following recognition of the €1,932 thousand relating to payroll taxes claimed by the French tax authorities following the tax audit of the 2013, 2014 and 2015 fiscal years; and
- the recognition of a provision of €1,140 thousand to cover the tax risk relative to payroll taxes for the 2016 and 2017 fiscal years.

2. Cash flow and equity

This section analyses the Company's shareholders' equity, cash position and sources of funding for the first-half ended June 30, 2018 and the financial year ended December 31, 2017.

2.1. Cash and cash equivalents

Cash and cash equivalents amounted to €75,972 thousand at June 30, 2018, compared to €59,051 thousand at December 31, 2017.

Total cash and cash equivalents at June 30, 2018 included the net proceeds of €35,497 thousand from the Company's capital increase through the issue of 5,572,500 new shares without pre-emptive subscription rights for a category of beneficiaries, at a price per share of €6.37, which took place on April 17, 2018. These funds raised should enable the Company to finance its activities until mid-2020, based on programs already underway.

At June 30, 2018 and December 31, 2017, cash at hand and marketable securities held by the Company were essentially invested in monetary UCITS and deposit accounts that are readily convertible into known amounts of cash.

These funds are used to finance the Company's activities, especially its research and development costs.

After deducting debt, the Company has a net cash surplus. Borrowings are set out in section 2.1.2 below.

Analysis of debt *(in thousands of euros)*	**June 30, 2018**	**Dec. 31, 2017**
Cash and cash equivalents	**(75,972)**	**(59,051)**
Current financial liabilities	149	147
Current debt (A)	**149**	**147**
Non-current financial liabilities	147	335
Non-current debt (B)	**147**	**335**
Total debt (A) + (B)	**296**	**482**
Net debt	**(75,676)**	**(58,569)**

The increase in cash and cash equivalents is primarily due to the April 2018 Capital increase as described in Note 2.3.6 "Cash and cash equivalents" in section 3.2 "Condensed interim financial statements" of this Interim Financial Report.

With the exception of pledges given on deposit accounts recognized in non-current financial assets for an amount of €100 thousand at June 30, 2018, there are no restrictions on the use of the Company's cash resources.

2.1.1. Capital increase

At June 30, 2018, the Company's share capital amounted to €222,572.77, up €58,128 on December 31, 2017. This increase reflects:

- the issue of 5,572,500 new ordinary shares following the Company's capital increase on April 17, 2018 (see Note 2.3.7 "Shareholders' equity" in section 3.2 "Condensed interim financial statements" of this Interim Financial Report) for a nominal amount of €55,725 plus an issue premium of €35,441,100;
- the exercise of BSPCE share warrants by Company employees between January 5, 2018 and January 20, 2018, resulting in the issue of 180,300 new ordinary shares, for a nominal amount of €1,803 plus an issue premium of €106,384; and
- the acquisition of AGA bonus shares by Company employees on April 19, 2018, resulting in the issue of 60,000 new ordinary shares, representing a capital increase of €600.

The capital increases carried out by the Company represented its main source of financing in first-half 2018.

As regards its capital increase, the Company increased the total amount of the public offering to €35.5 million. The related transaction costs amounted to €3.1 million, all of which is shown as a deduction from the issue premium. The funds raised, totaling €32.4 million, were received on April 17, 2018.

Net of all issue costs and including the amounts raised in respect of BSPCE share warrants, the Company received a net amount of €32.5 million in first-half 2018, which is shown in net cash from financing activities for the period.

2.1.2. Financing from bank loans

Analysis of debt *(in thousands of euros)*	**Crédit Agricole 2015**	**CIC 2015**	**Société Générale 2015**	**Other**[1]	**Total**
Debt carried on the balance sheet at December 31, 2017	**135**	**88**	**141**	**118**	**482**
+ proceeds	-	-	-	-	-
- repayments	29	18	25	118	190
Debt carried on the balance sheet at June 30, 2018	**106**	**70**	**116**	**0**	**292**

[1] *In February 2016, the Company also received a repayable advance from Coface in an amount of €115 thousand under a prospecting insurance contract to fund its international expansion.*

Total debt amounted to €292 thousand at June 30, 2018 versus €482 thousand at December 31, 2017. The Company did not take out any additional bank loans during first-half 2018.

The Company has contracted three separate bank loans with Crédit Agricole, CIC-Lyonnaise de Banque and Société Générale, which are described in section 4.4.3 "Financing from bank loans" of the 2017 Registration Document.

Apart from the pledge on the loan from Société Générale, these loans do not contain any financial commitments on the Company's part (see Note 2.5.2 "Off-balance sheet commitments" in section 3.2 "Condensed interim financial statements" of this document).

The debt maturity profile at June 30, 2018 is as follows:

June 30, 2018 *(in thousands of euros)*	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**More than 5 years**
Bank borrowings	145	147	-	-
Other loans and similar borrowings	4	-	-	-
Accrued interest on borrowings	-	-	-	-
Total debt	**149**	**147**	**-**	**-**

2.1.3. Financing from research tax credits

The impact of research tax credit financing on the Company's financial statements is disclosed in section 4.1.3 "Research tax credit" of the 2017 Registration Document.

Thanks to its status as a European SME, the Company receives payment for research tax credits granted in the previous period. Consequently, cash proceeds from research tax credits in a given period correspond to the amount of credits calculated on eligible expenditure for the previous period.

Research tax credits during the six months ended June 30, 2018 and June 30, 2017 were as follows:

(in thousands of euros)	**First-half 2018**	**First-half 2017**
Income statement impact of research tax credits	2,744	2,068
Cash flow impact of research tax credits	-	-

Research tax credits had no cash impact during first-half 2018 and first-half 2017 because the payment is received by the Company during the second half of the year that follows its recognition in the income statement.

At June 30, 2018, the impact of the research tax credits included €2,072 thousand relating to the research tax credits for first-half 2018 and €671 thousand in adjustments on the research tax credits for 2014, 2015 and 2017.

2.1.4. Other sources of financing

The impacts of the APA described in section 4.1.2 "Agreement with Abbott" of the 2017 Registration Document on the income statement and cash flow statement during first-half 2018 and first-half 2017 were as follows:

(in thousands of euros)	First-half 2018	First-half 2017
Income statement impacts		
Unwinding of accrued receivables	-	9
Deferred tax liabilities	-	2,379
Income statement – total impacts	**-**	**2,388**
Cash flow impacts		
Deferred proceeds	-	6,185
Statement of cash flows – total impacts	**-**	**6,185**

At December 31, 2017, Abbott paid a cumulative amount of €104.4 thousand (before the disbursement of €8.4 million for the acquisition of the business on August 27, 2012) pursuant to the APA, i.e., 100% of the initial one-off payment and additional quarterly payments.

Therefore, no additional payments have been received since the end of the last reporting year.

2.2. Cash flow analysis

The following table analyzes the Company's cash flow for first-half 2018 and first-half 2017:

Cash flow *(in thousands of euros)*	First-half 2018	First-half 2017
Net cash used in operating activities	(15,283)	(11,740)
Net cash from/(used in) investing activities	(135)	6,294
Net cash from financing activities	32,339	44,997
Net increase in cash and cash equivalents	**16,921**	**39,551**

In first-half 2017 and first-half 2018, the Company mainly required funds to:

- finance its operating activities, including its working capital requirements: net cash used in operating activities in first-half 2018 and first-half 2017 amounted to €15.3 million and €11.7 million, respectively. This is mainly attributable to research and development costs, which totaled €15.9 million in first-half 2018 and €13.2 million in first-half 2017, and, to a lesser extent, the decrease in revenue;

- finance its investing activities: acquisitions of property, plant and equipment and intangible assets – mainly consisting of research materials and, to a lesser extent, fixtures and fittings – totaled €0.3 million in first-half 2018 and €0.2 million in first-half 2017; and
- repay bank loans: cash flows relating to repayments of bank loans and bank overdraft facilities, net of amounts issued, totaled €187 thousand in first-half 2018 and €74 thousand in first-half 2017.

The Company's main sources of financing were:

- €32.5 million in first-half 2018, mainly related to the capital increase through the issue of new ordinary shares described in Notes 2.1.2 "Significant events" and 2.3.7 "Shareholders' equity" in section 3.2 "Condensed interim financial statements" of this Interim Financial Report;
- €45.1 million in first-half 2017 related to the capital increases and, chiefly, to the initial public offering; and
- €6.2 million in first-half 2017 related to the quarterly APA payments which expired in April 2017.

2.2.1. Cash flow from operating activities

(in thousands of euros)	First-half 2018	First-half 2017
Net loss for the period	**(16,269)**	**(9,781)**
Elimination of non-cash and non-operating income and expenses:		
Depreciation, amortization and provisions	1,657	574
Deferred and current taxes	(2,834)	(3,476)
Losses on disposals of assets	-	(236)
Cost of net debt	3	3
Discount effect on borrowings, net of the discount unwinding expense	-	0
Discounting effect on accrued receivables related to the business combination of August 27, 2012	-	(9)
Share-based payment expenses	503	178
IFRS 15 expense	160	-
Cash flows used in operations before tax and changes in working capital	**(16,781)**	**(12,748)**
Changes in operating working capital		
Receivables	(2,028)	2,090
Operating and other payables	3,969	(501)
Inventories	(43)	(29)
Tax paid	-	0
Interest paid	(2)	(3)
Other	(397)	(549)
Net cash used in operating activities	**(15,283)**	**(11,740)**

Cash used in operating activities in first-half 2018 amounted to €15,283 thousand, compared with €11,740 thousand in first-half 2017, an increase of €3,543 thousand (30%).

The increase in the need for cash funds was mainly attributable to the €4,033 thousand drop in cash margins in first-half 2018 linked to the €2,942 thousand increase in operating expenses tied to the increase in research and development costs and the €1,357 thousand year-on-year decrease in revenue in first-half 2018.

This decrease in partially offset by the €490 thousand improvement in working capital which is mainly attributable to the net change in operating receivables and debt (€352 thousand).

2.2.2. Cash flow from investing activities

Cash flow from investing activities over the periods presented was as follows:

(in thousands of euros)	First-half 2018	First-half 2017
Purchases of property, plant and equipment and intangible assets	(265)	(157)
Disposals of property, plant and equipment and intangible assets	-	265
Changes in amounts payable on non-current assets	-	0
Proceeds from payments made under the APA	-	6,185
Net change in other non-current financial assets	129	-
Net cash from/(used in) investing activities	**(135)**	**6,294**

In first-half 2018, net cash used in investing activities amounted to €135 thousand and mainly reflected:

- acquisitions of property, plant and equipment, particularly research equipment, totaling €121 thousand; and
- proceeds from the release of the pledge to CIC-Lyonnaise de Banque.

The €6,529 thousand decrease is mainly due to the discontinuation of payments provided for in the APA in April 2017. No payments were made in first-half 2018.

2.2.3. Cash flow from financing activities

(in thousands of euros)	First-half 2018	First-half 2017
Capital increase	32,526	45,056
Issuance of debt	-	0
Repayment of debt	(187)	(74)
Other changes	-	15
Net cash from financing activities	**32,339**	**44,997**

In first-half 2018, net cash from financing activities amounted to €32,339 thousand. These cash funds primarily result from the capital increase through the issue of 5,572,500 new ordinary shares, raising total funds of €35.6 million (see Note 2.1.2 “Significant events” in section 3 “Interim financial statements” of this Interim Financial Report). Net of all issue costs and including the amounts raised in respect of BSPCE share warrants, the Company received an amount of €32.5 million.

2.3. Projected sources of finance

Cash and cash equivalents amounted to €75,972 thousand at June 30, 2018 and €75,676 thousand after deducting bank borrowings.

The Company will use the following sources of financing to fund its future operations:

- quarterly and milestone payments under the agreement with Boehringer Ingelheim (see section 1.3.3 “Research, discovery and licensing partnership with Boehringer Ingelheim” of the 2017 Registration Document);
- the payment by AbbVie of basic fees in return for services rendered by the Company, the terms and conditions of which are to be specified in ad hoc service requests in accordance with the partnership with AbbVie which was extended to August 27, 2018 and of which certain provisions remain in effect (see section 1.3.2 “Research partnership with AbbVie” of the 2017 Registration Document);
- research tax credits;
- financing investments from bank loans for marginal amounts; and
- agreements to make premises and facilities available for use negotiated in 2015 and 2016, described in Note 2.5.2 “Off-balance sheet commitments” in section 3.2 “Condensed interim financial statements” of this Interim Financial Report.

Net cash and cash equivalents at June 30, 2018, which is the primary source of financing for the Company, and these projected sources of cash and cash equivalents should allow the Company to finance its activities until mid-2020, based on programs already underway.

3. Interim financial statements

3.1. Statutory auditors' report

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 Inventiva S.A. 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.

Inventiva S.A.

Registered office: 50, rue de Dijon - 21121 Daix

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2018

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by you General Annual 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 financial statements of 2018, for the period from 1 January to 30 June,
- 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. 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 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.

Without qualifying our conclusion, we draw your attention to the matter set out in note 2.2.3 to the condensed half-yearly financial statements "Impact of the first-time adoption of IFRS 15" and in note 2.2.4 to the condensed half-yearly financial statements "Impact of the first-time adoption of IFRS 9"

which respectively disclose the change of accounting principles and methods relating to the first application, since January 1, 2018, of IFRS 15 and IFRS 9 standards.

II. Specific verification

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

Paris La Défense, on the 25 septembre 2018

French original signed by

Cédric Adens

Partner

3.2. Condensed interim financial statements

1. Financial statements

1.1. Balance sheet

In euros	*Notes*	June 30, 2018	Dec. 31, 2017
Intangible assets	*2.3.1*	1,651,741	1,806,087
Property, plant and equipment	*2.3.2*	4,400,207	4,516,171
Deferred tax assets	*2.3.9*	265,540	252,683
Other non-current assets	*2.3.3*	442,053	571,954
Non-current assets		**6,759,541**	**7,146,895**
Inventories	*2.3.4*	516,402	473,129
Trade receivables	*2.3.5*	2,230	64,223
Income tax receivables	*2.3.5*	7,275,686	4,463,539
Other receivables	*2.3.5*	5,268,100	3,167,992
Cash and cash equivalents	*2.3.6*	75,972,106	59,051,220
Current assets		**89,034,525**	**67,220,103**
Total assets		**95,794,065**	**74,366,998**
Shareholders' equity	*2.3.7*	**78,391,579**	**64,008,899**
Long-term debt	*2.3.8*	147,087	219,933
Deferred tax liabilities	*2.3.9*	-	-
Long-term provisions	*2.3.10*	358,076	477,494
Provisions for retirement benefit obligations	*2.3.11*	934,031	865,994
Long-term contract liabilities	*2.2.3*	2,000,920	-
Non-current liabilities		**3,440,114**	**1,563,420**
Short-term debt	*2.3.8*	149,401	262,133
Trade and other payables	*2.3.12*	7,229,748	5,381,691
Short-term provisions	*2.3.10*	1,140,333	
Short-term contract liabilities	*2.2.3*	605,470	-
Other payables	*2.3.13*	4,837,420	3,150,855
Current liabilities		**13,962,373**	**8,794,679**
Total equity and liabilities		**95,794,065**	**74,366,998**

1.2. Income statement

In euros	*Notes*	**First-half 2018**	**First-half 2017**
Revenue	*2.4.1*	**1,301,032**	**2,658,227**
Other recurring operating income	*2.4.1*	2,753,799	2,595,781
Research and development costs	*2.4.2*	(15,926,458)	(13,241,781)
Marketing – Business development	*2.4.2*	(107,358)	(237,749)
General and administrative expenses	*2.4.2*	(3,055,923)	(2,667,718)
Recurring operating loss		**(15,034,907)**	**(10,893,239)**
Other non-recurring operating income	*2.3.10*	1,932,437	255,000
Other non-recurring operating expenses	*2.3.10*	(3,072,770)	(704,463)
Operating loss		**(16,175,240)**	**(11,342,702)**
Financial income	*2.4.3*	56,320	242,731
Financial expenses	*2.4.3*	(172,430)	(18,697)
Net financial income (loss)		**(116,110)**	**224,034**
Income tax	*2.4.5*	22,158	1,337,219
Net loss for the period		**(16,269,193)**	**(9,781,449)**
Net loss per share			
- basic	*2.3.7*	(0.86)	(0.67)
- diluted	*2.3.7*	(0.86)	(0.67)

1.3. Statement of comprehensive income

In euros	First-half 2018	First-half 2017
Net loss for the period	**(16,269,193)**	**(9,781,449)**
Items recycled to income	**-**	**1,755**
Changes in fair value	-	2,633
Tax impact on items recycled to income	-	(878)
Items not recycled to income	**23,918**	**(24,118)**
Actuarial gains and losses on retirement benefit obligations (IAS 19)	33,219	(33,497)
Tax impact on items not recycled to income	(9,301)	9,379
Total comprehensive loss	**(16,245,275)**	**(9,803,812)**

1.4. Statement of changes in equity

In euros	Equity	Additional paid-in capital	Net income (loss) for the period	Reserves	Shareholders' equity
Dec. 31, 2017	**164,445**	**44,991,815**	**(17,229,085)**	**36,081,725**	**64,008,899**
Restatement of opening equity following the first-time adoption of IFRS 15[(2)]	-	-	(2,446,814)	-	(2,446,814)
Jan. 1, 2018	**164,445**	**44,991,815**	**(19,675,899)**	**36,081,725**	**61,562,085**
Issue of ordinary shares	55,725	35,441,100	-	-	35,496,825
Transaction costs	-	(3,079,174)	-	-	(3,079,174)
Appropriation of 2017 net loss	-	-	19,675,899	(19,675,899)	-
Net loss for the period	-	-	(16,269,193)	-	(16,269,193)
Exercise of BSAs/BSPCEs and AGAs	2,403	106,384	-	(600)	108,187
BSA share warrant subscription premium (2017 Plan)	-	-	-	-	-
Actuarial gains and losses net of deferred tax	-	-	-	23,918	23,918
IFRS 2 expense	-	-	-	502,516	502,516
Changes in fair value net of deferred tax	-	-	-	-	-
Treasury shares[(1)]	-	-	-	46,414	46,414
June 30, 2018	**222,573**	**77,460,125**	**(16,269,193)**	**16,978,074**	**78,391,579**

[(1)] The value of the treasury shares held by the Company decreased by €46,414 over the period, from €296,845 at December 31, 2017 to €250,431 at June 30, 2018.

[(2)] See Note 2.2.3 "Impact of the first-time adoption of IFRS 15".

In euros	**Equity**	**Additional paid-in capital**	**Net income (loss) for the period**	**Reserves**	**Shareholders' equity**
Jan. 1, 2017	**100,300**	-	**(7,045,045)**	**42,667,436**	**35,722,690**
Issue of ordinary shares	57,066	48,448,839	-	-	48,505,905
Transaction costs	-	(3,884,458)	-	-	(3,884,458)
Appropriation of 2016 net loss	-	-	7,045,045	(7,045,045)	-
Net loss for the period	-	-	(9,781,449)	-	(9,781,449)
Exercise of BSAs/BSPCEs	7,079	427,434	-	-	434,513
Actuarial gains and losses net of deferred tax	-	-	-	(24,118)	(24,118)
IFRS 2 expense	-	-	-	177,685	177,685
Changes in fair value net of deferred tax	-	-	-	1,755	1,755
Treasury shares	-	-	-	(105,466)	(105,466)
June 30, 2017	**164,445**	**44,991,815**	**(9,781,449)**	**35,672,247**	**71,047,057**

1.5. Statement of cash flows

In euros	First-half 2018	First-half 2017
Net loss for the period	**(16,269,193)**	**(9,781,449)**
Elimination of other non-cash, non-operating income and expenses:		
Depreciation, amortization and provisions	1,657,047	573,686
Deferred and current taxes	(2,834,305)	(3,475,769)
Losses on disposals of assets	-	(235,947)
Cost of net debt	3,045	2,874
Discounting effect on accrued receivables related to the business combination of August 27, 2012[(a)]	-	(9,423)
IFRS 2 expense	502,517	177,685
IFRS 15 restatement	159,577	-
Cash flows used in operations before tax and changes in working capital	**(16,781,312)**	**(12,748,344)**
Changes in operating working capital:		
Receivables	(2,028,124)	2,089,740
Operating and other payables	3,969,271	(500,994)
Inventories	(43,273)	(28,900)
Tax paid	-	-
Interest paid	(2,005)	(2,874)
Other	(397,408)	(548,585)
Net cash used in operating activities	**(15,282,851)**	**(11,739,957)**
Purchases of property, plant and equipment and intangible assets	(264,565)	(156,622)
Disposals of property, plant and equipment and intangible assets	-	265,100
Deferred proceeds related to the business combination of August 27, 2012[(a)]	-	6,185,200
Net change in other non-current financial assets	129,082	-
Net cash from (used in) investing activities	**(135,483)**	**6,293,678**
Capital increase	32,525,838	45,055,960
Repayment of debt	(186,618)	(74,123)
Other changes	-	15,044
Net cash from financing activities	**32,339,220**	**44,996,880**
Net increase in cash and cash equivalents	**16,920,886**	**39,550,601**
Cash and cash equivalents at beginning of period	59,051,220	24,867,573
Cash and cash equivalents at end of period	75,972,106	64,418,174

[(a)] The impacts of the business combination on the statement of cash flows are presented in Note 2.2.2 "Cash flow from investing activities".

2. Notes to the financial statements

2.1. Company information

2.1.1. Company information

Inventiva is a biopharmaceutical company specialized in developing drugs that impact on nuclear receptors, transcription factors and epigenetic modulation. It is developing breakthrough therapies in areas with significant medical need such as fibrosis, oncology and rare diseases.

Inventiva's flagship drug candidate lanifibranor contains a unique mechanism that activates all three PPAR (peroxisome proliferator-activated receptor) isoforms α, δ and γ that play a key role in controlling the fibrotic process. Its anti-fibrotic action makes it possible to target two urgent medical conditions: NASH, a severe and rapidly developing liver disease that already affects over 30 million people in the United States, and systemic sclerosis, a disease with very high mortality rates and no approved treatment at present.

At the same time, Inventiva is developing a second clinical program based around the drug candidate odiparcil to treat three forms of mucopolysaccharidoses (MPS I or Hurler/Scheie syndrome, MPS II or Hunter syndrome and MPS VI or Maroteaux-Lamy syndrome) as well as a portfolio of projects in the oncology field.

Inventiva has forged links with renowned research institutes such as the Institut Curie and it has also developed two strategic partnerships with AbbVie and Boehringer Ingelheim.

Inventiva has cutting-edge R&D facilities located near Dijon, acquired from the international pharmaceutical group Abbott. They include a 240,000 molecule chemical library together with biology, chemistry, ADME and pharmacology platforms.

Inventiva has been granted Young Innovative Enterprise (*Jeune Entreprise Innovante*) status in France until the end of 2018 and is eligible for the research tax credits (*Crédit d'Impôt Recherche*, CIR) approved by the French ministry for education, higher education and research (*Ministère de l'éducation nationale de l'enseignement supérieur et de la recherche*, MENESR).

Inventiva has been listed on the Euronext Paris regulated market since February 2017.

2.1.2. Significant events in first-half 2018

Significant events during the period were as follows:

Capital increase

On April 17, 2018, Inventiva announced the successful completion of a capital increase without pre-emptive subscription rights for a category of beneficiaries.

Under the definitive terms of the capital increase which were set by the Board of Directors on March 12, 2018, a total of 5,572,500 new ordinary shares were issued at a per share price of €6.37 (par value of €0.01 plus an issue premium of €6.36), thereby enabling the Company to raise €32.4 million (net of transaction costs).

The settlement-delivery of the new shares took place on April 17, 2018 in a total gross amount of €35,496,825. The new shares were admitted to trading on Euronext Paris on the same date.

As part of the capital increase, the Company incurred transaction costs of €3,079,174 over the period, comprising compensation to financial intermediaries and legal and administrative fees. The costs are recognized as a deduction from additional paid-in capital within equity.

The capital increase will enable Inventiva to finance its activities until mid-2020, based on the programs already underway:

- around €16 million to ensure the clinical development of lanifibranor and more specifically to launch preliminary works prior to (i) the potential NASH Phase III and (ii) future clinical developments in SSc;
- around €12 million to ensure the clinical development of odiparcil and more specifically (i) for the launch of the clinical Phase Ib in children with MPS VI; (ii) to ensure the development of the clinical package in MPS I, II, IVa, and VII and (iii) to launch preliminary workstreams prior to the potential Phase III in MPS I, II, IVa, VI and VII;
- around €3.5 million to ensure the development of on-going discovery programs.

New AGA bonus share award plans

On January 26, 2018, the Company's Board of Directors approved two AGA bonus share award plans for certain Company employees:

- 10,000 AGA bonus shares (**AGA 2018-1**); and
- 65,700 AGA bonus shares (**AGA 2018-2**).

These plans have the same characteristics as those approved by the Company's Board of Directors on April 18, 2017:

- a one-year vesting period for AGA 2018-1 shares;
- a two-year vesting period for AGA 2018-2 shares;
- a one-year lock-up period;
- a service condition; and
- no performance conditions.

Accordingly, the fair value of Inventiva AGA bonus shares corresponds to the Inventiva share price less a discount to reflect the lock-up period. At the award date, the fair value for AGA 2018-1 and AGA 2018-2 bonus shares was estimated at €5.54.

Movements of awarded AGA bonus shares as well as the accounting impact of share-based payments are described in Note 2.3.7 "Shareholders' equity".

Tax audit

The Company received the findings of the tax audit in respect of the period from January 1, 2013 to December 31, 2015. It disputes the findings and therefore held discussions with the French tax authorities during the first half of 2018. At the date of this document, the discussions are ongoing.

A description of the audit and its impact on the financial statements is provided in Note 2.3.10 "Provisions".

2.2. Accounting policies and methods

2.2.1. Basis of preparation

The Company, having neither subsidiaries nor equity investments, has prepared financial statements for first-half 2018 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and whose application has been mandatory since January 1, 2018.

The interim financial statements prepared in accordance with IFRS cover the six months ended June 30, 2018. They were approved by the Board of Directors of the Company on September 25, 2018.

The interim financial statements were prepared in accordance with IFRS and in compliance with IAS 34 – Interim Financial Reporting, which provides for the presentation of selected explanatory notes. The accompanying notes do not contain all the disclosures required for annual financial statements and should therefore be read in conjunction with the Company's financial statements prepared in accordance with IFRS for the period ended December 31, 2017.

2.2.2. IFRS basis adopted

The accounting policies applied by the Company in the preparation of the interim financial statements for the six months ended June 30, 2018 are identical to those used in the annual financial statements prepared in accordance with IFRS for the 2017 reporting period, with the exception of specific provisions for the preparation of interim financial statements and the standards, amendments to existing standards and interpretations that came into force as presented in Note 2.2.3 "Impact of the first-time adoption of IFRS 15" and Note 2.2.4 "Impact of the first-time adoption of IFRS 9".

The standards, amendments to existing standards and interpretations adopted by the European Union that came into force on January 1, 2018 are either not applicable or have no material impact on the financial statements for the six months ended June 30, 2018.

Standards, amendments to existing standards and interpretations published by the International Accounting Standards Board (IASB) whose application has been mandatory since January 1, 2018

- IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 sets out three classification categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Classification depends on the entity's business model and the financial asset's cash-flow characteristics. Accounting for financial liabilities under IFRS 9 remains very similar to IAS 39, but requires all changes in the credit risk of a liability measured at fair value through profit or loss to be recognized in other comprehensive income.

- IFRS 15 – Revenue from Contracts with Customers, which replaces IAS 18 – Revenue and IAS 11 – Construction Contracts for reporting periods beginning on or after January 1, 2018, sets out the new requirements for recognizing revenue. IFRS 15 presents a five-step framework for recognizing revenue:
    - Identify the contract(s) with the customer.
    - Identify the performance obligations in the contract.
    - Determine the transaction price.
    - Allocate the transaction price to each performance obligation.
    - Recognize revenue when a performance obligation is satisfied.

Standards, amendments to existing standards and interpretations published by the IASB whose application is mandatory after June 30, 2018 and that have been early adopted by the Company

No standards, amendments to existing standards or interpretations had been early adopted by the Company at June 30, 2018.

Standards, amendments to existing standards and interpretations published by the IASB whose application is not yet mandatory

- IFRS 16 – Leases replaces IAS 17 – Leases for periods beginning on or after January 1, 2019. It sets out the principles for the recognition and measurement of leases as well as the disclosures to be provided in the notes for both parties to a contract, i.e., the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the requirement to classify leases as either operating leases or finance leases and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize (i) assets and liabilities for all leases, and (ii) depreciation of lease assets separately from interest on lease liabilities in the income statement. The standard nonetheless provides for exemptions for short-term leases with a term of 12 months or less and leases of low-value assets. As of December 30, 2018, the Company only leases the following assets: a tank, several photocopiers and two vehicles. The Company is currently assessing the application of IFRS 16.

2.2.3. Impact of the first-time adoption of IFRS 15

▶ **General principles**

Inventiva has applied IFRS 15 – Revenue from Contracts with Customers since January 1, 2018 using the modified retrospective transition method, whereby comparative information is not restated and the cumulative impact of the first-time adoption of the standard is recorded as an adjustment to opening equity at January 1, 2018.

In order to determine the impact of the application of IFRS 15, the Company performed a detailed analysis of its main contracts with customers and their accounting treatment based on IFRS 15 revenue recognition criteria. It identified one major impact for its financial statements, relating to the revenue recognition pattern for the following elements:

- under IAS 18, technical milestone payments were recognized immediately in revenue upon receipt. Under IFRS 15, they are recognized based on the stage of completion of the project as soon as their receipt is highly probable.

The total revenue generated by the Company's contracts and the related cash flows will remain unchanged. Only the pattern of recognition of that revenue over the contract term will change.

▶ Impact on the Company's financial statements

The impacts on the balance sheet at January 1, 2018 are presented below:

	Jan. 1, 2018		
In euros	**Published**	**IFRS 15 impact**	**After IFRS 15**
Shareholders' equity	**64,008,899**	**(2,446,814)**	**61,562,085**
Liabilities	**10,358,099**	**2,446,814**	**12,804,913**
Non-current liabilities	**1,563,420**	**2,293,127**	**3,856,647**
Long-term contract liabilities	-	2,293,127	2,293,127
Current liabilities	**8,794,679**	**153,687**	**8,948,366**
Short-term contract liabilities	-	153,687	153,687

The comparison required by IFRS 15 between the financial statements for the current period (first-half 2018) under IFRS 15 and under IAS 18 (had the Company continued to apply IAS 18) is presented in the table below:

	First-half 2018		
In euros	**IAS 18**	**IFRS 15 impact**	**After IFRS 15**
Revenue	**1,460,609**	**(159,577)**	**1,301,032**
Recurring operating loss	**(14,875,330)**	**(159,577)**	**(15,034,907)**
Operating loss	**(16,015,663)**	**(159,577)**	**(16,175,240)**
Net loss for the period	**(16,109,616)**	**(159,577)**	**(16,269,193)**

	June 30, 2018		
In euros	**IAS 18**	**IFRS 15 impact**	**After IFRS 15**
Shareholders' equity	**80,997,969**	**(2,606,390)**	**78,391,579**
Liabilities	**14,796,097**	**2,606,390**	**17,402,487**
Non-current liabilities	**1,439,194**	**2,000,920**	**3,440,114**
Long-term contract liabilities	-	2,000,920	2,000,920
Current liabilities	**13,356,903**	**605,470**	**13,962,373**
Short-term contract liabilities	-	605,470	605,470

The impacts reflect the elements described under "General principles" above.

▶ **Accounting treatment of the main contracts with customers**

Accounting treatment of the research, discovery and licensing partnership with Boehringer Ingelheim *(see section 1.3.3 of the 2017 Registration Document)*

According to the terms of the partnership, Inventiva and Boehringer Ingelheim will conduct a joint research program with an initial duration of 72 months ending May 2, 2022. Boehringer Ingelheim will thereafter be solely responsible for the subsequent development and marketing phases.

The contract can be analyzed as a research and development services contract, whose aim is to issue licenses for new compound therapies discovered as part of the joint research program.

Accordingly, the Company identifies a single performance obligation that will be satisfied as and when the Company performs its portion of the agreement, based on the number of researchers allocated to the project.

In return for its involvement in the joint research program, Inventiva will receive:

- an initial payment at the time of signing the partnership;
- a research grant based on a set number of researchers allocated the project ("research funding"), paid quarterly;
- milestone payments based on the progress of the research and development program or the achievement of the regulatory and commercial milestones;
- royalties on sales during the marketing phase of products arising from the partnership.

The milestone payments (which are deemed to be variable payments) will be included in the transaction price as soon as their receipt is highly probable, which will result in an upward revision of the contract price and a cumulative adjustment to income in the income statement. Consequently, revenue will be "spread" over the duration of the partnership, based on the work still to be performed by the Company.

Royalties on sales will be recognized as and when they fall due, i.e., when sales are made.

Accounting treatment of service agreement with Enyo Pharma *(see section 1.3.7 of the 2017 Registration Document)*

The aim of the service agreement between the Company and Enyo Pharma is for Inventiva to implement virtual screening of a molecule chemical library. The terms of the agreement provide for two main phases:

- phase 1: preparation, development and preservation of a library of composites. It was completed in the second half of 2017;
- phase 2: development of molecules with a strong potential to become drugs. The implementation of the second phase was confirmed by Enyo Pharma in the fourth quarter of 2017 and began on April 1, 2018 for a period of one year. The Company will receive a fixed fee of €1,430,000.

As the implementation of the second phase was conditional on the successful completion of the first phase, the second phase can be analyzed as a separate performance obligation that will be satisfied over time. The related revenue will therefore be recognized over time based on the time spent by researchers and scientists.

Accounting treatment of the research partnership with AbbVie *(see section 1.3.2 of the 2017 Registration Document)*

The services agreement entered into between the Company and AbbVie in August 2012 expired on August 27, 2017. It was extended for a further period of one year to allow the Company to carry out additional work, chiefly in relation to the RORγ project. The Company will received an additional €900,000 from AbbVie, corresponding to the separate sales price for the additional services promised.

The amendment to the initial agreement is deemed to be a new performance obligation within the meaning of IFRS 15. It will be satisfied as and when the researchers and scientists perform the research and development work.

▶ **Impacts on the Company's accounting policies and methods**

The revenue recognition accounting policies described in the financial statements for the year ended December 31, 2017 have been amended. The Company has applied the updated policies since January 1, 2018. Note 2.2.20 "Revenue" has been updated and now reads as follows:

Revenue

Revenue is recognized in accordance with IFRS 15 – Revenue from Contracts with Customers, which is mandatorily applicable for reporting periods beginning on or after January 1, 2018.

At present, Inventiva's revenue is generated mainly by licensing agreements and R&D projects conducted in partnership with the AbbVie and Boehringer Ingelheim pharmaceutical companies.

Collaboration agreements and licenses

The contracts can be analyzed as research and development services contracts, whose aim is to issue licenses for the discoveries made as part of the contracts. Licenses are not therefore deemed to be separate performance obligations, as their usefulness is only proven following the achievement of conclusive findings, such as the discovery of new molecules.

The performance obligation contained in the contracts is deemed to be satisfied as and when the Company expends efforts (e.g., incurs costs or spends time).

In return for the efforts expended, the Company receives fixed payments (such as lump-sum payments) and variable payments (such as milestone payments or royalties on future product sales).

Fixed payments for R&D expenditure, which primarily consist of rebilled payroll expenditure, are recognized over time based on internal milestones (costs or hours).

Milestone payments obtained following the achievement of specific milestones (e.g., scientific results or regulatory or commercial approvals) are deemed to be variable payments and are included in the transaction price as soon as their receipt is highly probable, resulting in an upward revision of the contract price and a cumulative adjustment to income in the income statement.

Revenue from royalties corresponds to Inventiva's contractual entitlement to receive a percentage of the product sales achieved by its counterparties following the issue of a license. Royalties are recognized as and when they fall due, i.e. when sales are made.

2.2.4. Impact of the first-time adoption of IFRS 9

▶ General principles

Inventiva has applied IFRS 9 since January 1, 2018.

Financial assets

Under IFRS 9, the names of the financial asset categories under which non-derivative financial assets are classified have been amended. However, the new standard had no impact on the measurement of non-derivative financial assets, which are still measured at either fair value or amortized cost.

The measurement models used by Inventiva remain unchanged.

Financial liabilities

Similarly, IFRS 9 had no impact on the measurement of the financial liabilities held by Inventiva.

Inventiva does not hold any derivative or hedging financial instruments.

Consequently, the application of IFRS 9 had no impact on the Company's financial statements, with the exception of an amendment to Note 2.3.14 "Financial assets and liabilities" to reflect the changes to the names of the financial asset categories described above.

▶ Impacts on the Company's accounting policies and methods

The accounting policies for financial assets presented in the financial statements for the year ended December 31, 2017 have been amended. Note 2.2.7 "Available-for-sale assets" has been deleted and Note 2.2.11 "Trade and other receivables" has been updated. It now reads as follows:

Trade and other receivables

Trade receivables are initially recognized at the amount invoiced to customers. Impairment of trade receivables is estimated using the expected losses method in order to take into account potential missed payments throughout the holding period of the trade receivables.

2.2.5. Use of estimates

The preparation of financial statements requires management to make judgments and estimates, and apply assumptions that can affect the carrying amounts of assets, liabilities, revenues and expenses, as well as the information presented in the accompanying notes. Actual reported values may differ from the accounting estimates made.

The material judgments and main estimates used by management when applying the Company's accounting policies in the preparation of these interim financial statements are identical to those described in the annual financial statements prepared in accordance with IFRS for the period ended December 31, 2017, with the exception of the impacts of the application of IFRS 15 (see Note 2.2.3 "Impact of the first-time adoption of IFRS 15").

2.2.6. Financial risk factors

The financial risk factors are identical to those described in the annual financial statements prepared in accordance with IFRS for the period ended December 31, 2017.

2.2.7. Fair value measurement

Financial instruments are measured at fair value according to a hierarchy comprising three levels of valuation inputs:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The table below presents the financial assets and liabilities of the Company measured at fair value at June 30, 2018:

June 30, 2018 – *In euros*	**Level 1**	**Level 2**	**Level 3**
Assets			
Financial assets at fair value through profit or loss			
Monetary UCITS	3,985,931	-	-
Available-for-sale assets			
Monetary UCITS	-	-	-
Total assets	**3,985,931**	**-**	**-**
Liabilities	**-**	**-**	**-**
Total liabilities	**-**	**-**	**-**

The UCITS presented above under “Financial assets at fair value through profit or loss” have been classified in “Cash and cash equivalents”.

The methods for measuring the fair value of financial assets and liabilities were not amended during first-half 2018.

The table below presents the financial assets and liabilities of the Company measured at fair value at December 31, 2017:

December 31, 2017 – *In euros*	**Level 1**	**Level 2**	**Level 3**
Assets			
Financial assets at fair value through profit or loss			
Monetary UCITS	5,045,522	-	-
Available-for-sale assets			
Monetary UCITS	-	-	-
Total assets	**5,045,522**	**-**	**-**
Liabilities	**-**	**-**	**-**
Total liabilities	**-**	**-**	**-**

2.2.8. Specific disclosure requirements for interim financial statements

Seasonality of operations

The Company's operations are not subject to material seasonal fluctuations.

Income tax

Income tax is recognized in the financial statements for each interim period. The amount corresponds to a best estimate calculated by applying the expected weighted average tax rate for the entire year.

The income tax amount recorded as due for an interim period may have to be adjusted in the subsequent interim period of the same year if the estimated annual average tax rate changes.

2.3. Notes to the balance sheet

2.3.1. Intangible assets

In euros	June 30, 2018	Dec. 31, 2017
Intangible assets, gross	3,568,927	3,539,507
Amortization and impairment	(1,917,186)	(1,733,420)
Intangible assets, net	**1,651,741**	**1,806,087**

Changes during the period mainly correspond to amortization charges of €183,766 and acquisitions in an amount of €29,420.

In the absence of any indication of a loss of value, no impairment tests have been performed on intangible assets.

2.3.2. Property, plant and equipment

In euros	June 30, 2018	Dec. 31, 2017
Property, plant and equipment, gross	9,171,913	8,936,768
Depreciation and impairment	(4,771,706)	(4,420,596)
Property, plant and equipment, net	**4,400,207**	**4,516,171**

Changes during the period mainly correspond to depreciation charges of €351,110 and acquisitions (chiefly related to technical facilities, equipment and tooling) in an amount of €302,115.

In the absence of any indication of a loss of value, no impairment tests have been performed on property, plant and equipment.

2.3.3. Other non-current assets

In euros	June 30, 2018	Dec. 31, 2017
Long-term deposit accounts	100,770	238,620
Tax loss carry back	333,333	333,333
Security deposit	7,950	-
Other non-current assets	**442,053**	**571 953**

Long-term deposit accounts correspond to the pledge of a gradual rate deposit account with a balance of €100,770 as collateral for the €254,000 loan from Société Générale agreed in July 2015.

The €137,850 decrease reflects the release of the pledge of a deposit account with a balance of €135,000 given as collateral for the €178,000 loan from CIC-Lyonnaise de Banque agreed in May 2015.

The tax loss carry back corresponds to the tax credit resulting from the tax loss carry back recognized by the Company at December 31, 2017 and recoverable after five years if not used by the Company to pay income tax within that period.

2.3.4. Inventories

In euros	June 30, 2018	Dec. 31, 2017
Laboratory inventories	516,402	473,129
Total inventories	**516,402**	**473,129**

2.3.5. Trade and other receivables

Trade receivables

Trade receivables break down as follows:

In euros	June 30, 2018	Dec. 31, 2017
3 months or less	2,230	64,223
Between 3 and 6 months	-	-
Between 6 and 12 months	-	-
More than 12 months	-	-
Trade receivables	**2,230**	**64,223**

The majority of trade receivables relate to research partnership and services revenues. The average payment period is 30 days.

Changes during the period primarily correspond to the reduction in receivables under the AbbVie Master Research Services Agreement (MRSA). The services performed following the extension of the agreement at the end of 2017 are less extensive than those performed under the initial MRSA as the pre-clinical program is gradually coming to an end.

Other current assets and receivables

In euros	June 30, 2018	Dec. 31, 2017
CIR research tax credit	7,064,422	4,320,920
CICE tax credit	202,106	140,766
Income tax	-	-
Other	9,158	1,853
Income tax receivables	**7,275,686**	**4,463,539**
Prepaid expenses	799,577	836,001
Recoverable sales taxes	1,492,370	1,072,078
Other receivables	2,976,152	1,259,913
Other receivables and accruals	**5,268,099**	**3,167,992**
Other current assets	-	-
Other current assets	**12,543,785**	**7,631,531**

The increase of €4,912,254 in other current assets primarily reflects an increase of €2,812,147 in income tax receivables and an increase of €1,716,239 in other receivables.

The change in income tax receivables over the period is mainly attributable to:

- the provision for research tax credits for first-half 2018 in an amount of €2,072,321 whereas the research tax credit in respect of 2017 was not paid; and
- the provisions for three rectifications relating to the research tax credits for 2014, 2015 and 2017, for a total of €671,181.

The increase of €1,716,239 in other receivables is chiefly due to the recognition of accrued receivables from the Abbott group in an amount of €1,932,437 following the tax audit of the 2013, 2014 and 2015 fiscal years (see Note 2.3.10 “Provisions” of this section).

Recoverable sales taxes are composed of deductible VAT and claimed VAT credit.

The majority of prepaid expenses correspond to IT maintenance and research and development equipment costs, patent maintenance fees and insurance contributions in respect of the second half of 2018.

2.3.6. Cash and cash equivalents

In euros	June 30, 2018	Dec. 31, 2017
UCITS and certificates of deposit	3,985,931	5,045,522
Other cash equivalents	57,532,133	36,277,248
Cash at bank and at hand	14,454,043	17,728,450
Cash and cash equivalents	**75,972,106**	**59,051,220**
Bank overdrafts	(4,151)	(3,111)
Net cash and cash equivalents	**75,967,955**	**59,048,109**

The increase in cash and cash equivalents is mainly attributable to the capital increase described in Note 2.1.2 “Significant events in first-half 2018” of this section.

2.3.7. Shareholders’ equity

Share capital

Share capital amounted to €222,572.77 at June 30, 2018, compared with €164,444.77 at December 31, 2017.

At January 1, 2018, the share capital was divided into 16,444,477 fully paid-up shares with a par value of €0.01 each.

In the period between January 5 and January 20, 2018, Company employees were able to exercise a certain number of BSPCE share warrants resulting in the issue of 180,300 new shares. At the end of January 2018, the number of outstanding shares increased by 180,300 units, taking the total number of shares to 16,624,777 and the share capital to €166,247.77 The Chairman and Chief Executive Officer recognized this capital increase on March 14, 2018.

Pursuant to the delegations of authority granted by the Annual General Meeting of May 20, 2017 in its fifteenth resolution (notably with respect to the issuance of new shares without pre-emptive subscription rights), the Board of Directors decided at a first meeting on April 12, 2018 on the principle of a cash capital increase without pre-emptive subscription rights for a category of beneficiaries through the issue of a maximum of 8,000,000 new ordinary shares with a nominal value of €0.01, representing a maximum nominal amount of €80,000.

At a second meeting on the same date, the Board of Directors set the definitive terms of the capital increase for a nominal amount of €55,725 through the issue of 5,572,500 new ordinary shares at a per share price of €6.37 (par value of €0.01 plus an issue premium of €6.36), representing a total capital increase of €35,496,825 including additional paid-in capital of €35,441,100 (before deduction of related costs).

Consequently, the share capital increased from €166,247.77 to €221,972.77 as of April 17, 2018. As the new shares are identical in every way to existing ordinary shares, the number of fully paid-up shares therefore stood at 22,197,277 at April 17, 2018.

On April 19, 2018, a certain number of the AGA bonus shares held by Company employees vested and 60,000 new shares were consequently issued, increasing the total number of outstanding shares to 22,257,277 and the share capital to €222,572.77.

At June 30, 2018, the Company's share capital comprised 22,257,277 shares.

Liquidity agreement

After being admitted for trading on the Euronext Paris market, on February 22, 2017, Inventiva entered into a three-year liquidity agreement with investment services provider (ISP) Oddo BHF (formerly Oddo & Cie).

On January 19, 2018, the Company entered into a new liquidity agreement with Kepler Cheuvreux, replacing the previous liquidity agreement with Oddo BHF, for a period of 12 months renewable by tacit agreement. Under the terms of the agreement, the ISP is authorized to buy and sell Inventiva treasury shares without interference from the Company in order to ensure the liquidity of the shares on the Euronext market.

At June 30, 2018, treasury shares acquired by Inventiva through its ISP, as well as the gains or losses resulting from share purchase, sale, issue and cancellation transactions during first-half 2018, were accounted for as a deduction from equity. Consequently, these transactions had no impact on the Company's results.

Share warrants

Share-based payments correspond to:

- BSPCE founder share warrants granted to the Company's employees; and
- BSA share warrants granted to a Company service provider and members of the Board of Directors.

BSA and BSPCE plan characteristics

As no new plans have been awarded since December 31, 2017, all plans outstanding during the first half of 2018 are described in Note 2.4.8 "Shareholder's equity" in section 4.6 "Financial statements prepared in accordance with IFRS" of the 2017 Registration Document.

BSA and BSPCE share warrant movements

Type	Grant date	Exercise price (in euros)	Outstanding at Dec. 31, 2017	Issued	Exercised	Forfeited	Outstanding at June 30, 2018	Number of shares under option
BSPCE — 2015 plan	May 28, 2015	0.67	59,000	-	(31,900)	-	27,100	27,100
BSPCE — 2013 plan	Dec. 25, 2013	0.59	157,500	-	(148,400)	-	9,100	9,100
BSA — 2017 plan	May 29, 2017	0.53	195,000	-	-	-	195,000	195,000
			411,500	**-**	**(180,300)**	**-**	**231,200**	**231,200**

At June 30, 2018, a total of 36,200 BSPCE share warrants and 195,000 BSA share warrants were outstanding. Each BSPCE share warrant and BSA share warrant corresponds to one share.

The cost of share-based payments with respect to share warrants amounted to €133,194 in first-half 2018 versus €36,679 in first-half 2017.

Allocation of AGA bonus shares

AGA bonus share award plans

At January 1, 2018, two AGA bonus share award plans were outstanding: AGA 2017-1 and AGA 2017-2. They are described in Note 2.4.8 “Shareholder’s equity” in section 4.6 “Financial statements prepared in accordance with IFRS” of the 2017 Registration Document.

On January 26, 2018, two new AGA bonus share award plans were implemented for certain employees: AGA 2018-1 and AGA 2018-2. They are described in Note 2.1.2 “Significant events in first-half 2018” of this section.

AGA bonus share movements

Type	Grant date	Reference price	Outstanding at Dec. 31, 2017	Issued	Exercised	Forfeited	Outstanding at June 30, 2018	Number of shares under option
AGA — 2017-1 plan	Apr. 18, 2017	7.35	79,900	-	-	-	79,900	79,900
AGA — 2017-2 plan	Apr. 18, 2017	7.35	60,000	-	(60,000)	-	0	-
AGA — 2018-1 plan	Jan. 26, 2018	5.76	0	10,000	-	-	10,000	10,000
AGA — 2018-2 plan	Jan. 26, 2018	5.76	0	65,700	-	-	65,700	65,700
			139,900	**75,700**	**(60,000)**	**-**	**155,600**	**155,600**

At June 30, 2018, a total of 155,600 AGA bonus shares were outstanding.

AGA 2017-1 bonus shares are exercisable from April 18, 2019 to no later than April 18, 2020, subject to continued employment. AGA 2018-1 bonus shares are exercisable from January 26, 2019 to no later than January 26, 2020, subject to continued employment. AGA 2018-2 bonus shares are exercisable from January 26, 2020 to no later than January 26, 2021, subject to continued employment.

Share-based payment expenses amounted to €369,323 in first-half 2018 versus €141,006 in first-half 2017.

Basic and diluted earnings per share

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

In euros	**First-half 2018**	**First-half 2017**
Net loss for the period	**(16,269,193)**	(9,781,450)
Number of shares	18,860,276	14,646,497
Basic loss per share	**(0.86)**	**(0.67)**

As a loss was recorded in first-half 2018 and first-half 2017, diluted earnings (loss) per share are the same as basic earnings (loss) per share. Share-based payment plans (BSAs, BSPCEs and AGAs) are not included as their effects would be anti-dilutive.

2.3.8. Debt

In euros	**June 30, 2018**	**Dec. 31, 2017**
Bank borrowings	292,336	364,301
Other loans and similar borrowings[(1)]	4,151	117,764
Accrued interest on borrowings	-	-
Total debt	**296,488**	**482,065**
Effect on interest calculations of using amortized cost	-	-
Effect of spreading debt issuance costs over time	-	-
Total repayment value of bank borrowings and debt	**296,488**	**482,065**

(1) Of which current bank overdraft facilities.

Changes during the period mainly correspond to the repayment of borrowings in the amount of €186,618 broken down as follows:

- €71,965 relating to bank loans from Crédit Agricole, CIC and Société Générale;
- €114,653 relating to the collateral agreement with Coface, which was recorded under "Other loans and similar borrowings" at December 31, 2017.

Debt maturity is as follows:

June 30, 2018 *In euros*	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Bank borrowings	145,250	147,087	-	-
Other loans and similar borrowings	4,151	-	-	-
Accrued interest on borrowings	-	-	-	-
Total debt	**149,401**	**147,087**	**-**	**-**

The maturity of long-term debt and of short-term borrowings and debt is determined according to repayment estimates as at June 30, 2018.

Dec. 31, 2017 *In euros*	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Bank borrowings	144,369	219,933	-	-
Other loans and similar borrowings	117,764	-	-	-
Accrued interest on borrowings	-	-	-	-
Total long-term debt	**262,133**	**219,933**	**-**	**-**

2.3.9. Deferred taxes

Deferred tax assets and liabilities are offset when a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities concern income taxes levied by the same tax authority. Amounts are presented in the table below:

In euros	June 30, 2018	Dec. 31, 2017
Deferred tax assets	265,540	252,683
Deferred tax liabilities	-	-
Net deferred tax assets	265,540	**252,683**

The change in deferred tax assets during the period, which is mainly due to the change in provisions for retirement benefit obligations between December 31, 2017 and June 30, 2018, is broken down as follows:

In euros	June 30, 2018	Dec. 31, 2017
At beginning of period	**252,683**	**(2,817,975)**
Income (expense) in the income statement	22,158	3,075,281
Debit (credit) in other comprehensive income	(9,301)	(4,622)
At end of period	265,540	**252,683**

2.3.10. Provisions

A provision of €1,498,409 was recognized at June 30, 2018 (versus €477,494 at December 31, 2017) to cover a tax adjustment risk in respect of payroll taxes for the years ended December 31, 2016 and December 31, 2017 and of the CIR research tax credit for the years ended December 31, 2013, December 31, 2014 and December 31, 2015.

• Payroll taxes

On December 15, 2016, the Company received a proposed payroll tax adjustment from the French tax authorities in respect of the year ended December 31, 2013. The proposed adjustment relates to the classification of the subsidy granted (subject to conditions) in 2012 by Laboratoire Fournier SA and Fournier Industrie et Santé (now the Abbott group) (LFSA and FIS) under the Asset Purchase Agreement (APA) of August 27, 2012 as a one-off item, and the resulting impact on payroll taxes. The proposed adjustment amounts to €0.6 million, including penalties and late payment interest.

In a further proposed adjustment sent by the French tax authorities on July 28, 2017, the scope was extended to include the years ended December 31, 2014 and December 31, 2015. Discussions were held with the French tax authorities in the first half of 2018 and a collection notice with respect to payroll taxes was received by Inventiva on August 17, 2018 for an amount of €1.9 million, including penalties and late payment interest. To date, the Company is continuing to dispute the adjustment.

Since payroll taxes are deductible from corporate taxable income, the adjustment could give rise to a corresponding decrease in income tax payable, calculated based on the tax rates applicable to the Company for the fiscal years concerned by adjustment. The French tax authorities have not applied a cascading effect, which the Company will request in the event that its appeals in respect of the proposed adjustment to payroll taxes are unsuccessful.

Under the terms and conditions of the Additional Agreement amending the APA, LFSA and FIS agreed to indemnify the Company up to a maximum amount of €2 million in accordance with the conditions described therein, for any amount claimed by the French tax authorities in relation to the accounting treatment of the subsidy granted by LFSA and FIS (the "**Guarantee**"). The Guarantee covers the entire five-year payment period (2012 to 2017).

Based on the ongoing discussions with the French tax authorities on the one hand and with Abbott on the other, the Guarantee may not be sufficient to fully cover the total amount of the tax adjustment and the tax risk. Therefore:

- no provision has been recognized for the years ended December 31, 2013, December 31, 2014 and December 31, 2015, which are the subject of the tax audit and are covered by the Guarantee. However, in accordance with the Additional Agreement, accrued expenses and accrued income were recognized in a total amount of €1,932,437 at June 30, 2018 (see Note 2.3.5 "Trade and other receivables" and Note 2.3.13 "Other current liabilities" of this section);
- the Company has recognized a provision of €1,140,333 for the years ended December 31, 2016 and December 31, 2017, which have not been audited by the French tax authorities.

• CIR research tax credit

At the end of February 2017, the Company received an expert report prepared by the French Regional Research and Technology Authority (*Délégation régionale à la recherche et à la technologie*, DRRT) which sets out the findings of a review of the CIR research tax credit for the years ended December 31, 2013, December 31, 2014 and December 31, 2015 and disputes the manner in which certain CIR items were calculated.

Having already anticipated a probable dispute at the end of 2016, the Company recognized a provision at December 31, 2016 in the amount of €346,408.

The Company received a tax deficiency notice on July 28, 2017 amounting to €1.8 million, excluding penalties and late payment interest. This chiefly concerns:

- the innovative nature of certain sub-contracting services;
- the exhaustivity of the technical documentation on certain eligible scientific projects; and
- the eligibility of certain activities.

The Company challenged this tax deficiency notice in a reply sent to the French tax authorities on September 29, 2017. An additional provision of €131,086 was set aside in 2017, giving a total provision of €477,494 at December 31, 2017.

On February 6, 2018, the French tax authorities responded to the Company's challenge of the tax deficiency notice, upholding the validity of all reassessments presented in that document. The Company used every means available to it to contest this position (see section 2.1.6.1 "Tax audit" of the 2017 Registration Document).

Despite its appeals to the French tax authorities, Inventiva received a collection notice on August 17, 2018. The Company immediately requested that the collection procedure be suspended pending the outcome of its discussions with the French tax authorities; said procedure currently awaiting a response from the authorities. By way of a registered letter with acknowledgment of receipt dated September 3, 2018, the French tax authorities acknowledged that a collection notice had been issued with respect to the proposed adjustments, despite the ongoing discussions. In order to suspend the collection procedure with respect to the CIR research tax credit, the Company filed a request with the French Public Accountant to withdraw the collection notice with respect to the CIR receivable. The challenge procedure is ongoing.

Based on the ongoing discussions, Inventiva revised the maximum tax adjustment risk in respect of the CIR research tax credit to €358,076 at June 30, 2018. The full amount of the risk is covered by the provision recorded in the financial statements.

Accordingly, a total of €119,418 was reversed in first-half 2018.

2.3.11. Provisions for retirement benefit obligations

Retirement benefit obligations are determined based on the rights set forth in the national collective bargaining agreement for the French pharmaceutical industry (IDCC 176/Brochure 3104) and in accordance with IAS 19 – Employee Benefits. These rights depend on the employee's final salary and seniority within the Company at his/her retirement date.

Net provision

The provision recorded in respect of defined benefit schemes at the end of each reporting period is shown in the table below:

In euros	June 30, 2018	Dec. 31, 2017
Retirement benefit obligations	934,031	865,994
Obligation	**934,031**	**865,994**

Given the absence of plan assets at June 30, 2018 and December 31, 2017, the total amount of the provision corresponds to the estimated obligation at those dates.

Change in net provision

The change in the provision recorded in respect of defined benefit schemes breaks down as follows:

In euros	June 30, 2018	Dec. 31, 2017
Provision at beginning of period	**(865,994)**	**(695,015)**
Expense for the period	(101,256)	(194,276)
Actuarial gains or losses recognized in other comprehensive income	33,219	15,298
Benefits for the period	-	7,999
Provision at end of period	**(934,031)**	**(865,994)**

Breakdown of expense recognized for the period

In euros	June 30, 2018	Dec. 31, 2017
Service cost for the period	95,627	176,825
Interest cost for the period	5,629	9,452
Past service cost (plan curtailments and modifications)	-	7,999
Total	**101,256**	**194,276**

2.3.12. Trade and other payables

In euros	June 30, 2018	Dec. 31, 2017
Trade and other payables	7,229,749	5,381,691
Other payables and accruals	4,837,420	3,150,855
Trade and other payables	**12,067,168**	**8,532,546**

Trade and other payables amounted to €7,229,749 at June 30, 2018, up €1,848,057 on the €5,381,691 reported for 2017.

The increase chiefly reflects an increase of €1,537,000 in payables related to the lanifibranor project and €1,300,000 in payables related to the NATIVE trial, for which invoices had not been received at June 30, 2018.

The increase of €1,686,565 in other payables is mainly due to the recognition of accrued payables to the French tax authorities in an amount of €1,932,437 following the tax audit of the 2013, 2014 and 2015 fiscal years (see Note 2.3.10 “Provisions” of this document).

Trade and other payables break down as follows:

In euros	June 30, 2018	Dec. 31, 2017
Due in 30 days	6,721,115	5,159,364
Due in 30-60 days	508,633	22,327
Due in more than 60 days	-	-
Trade and other payables	**7,229,749**	**5,381,691**

No calculations have been made to discount trade and other payables to present value, as payment is always due within one year at the end of each reporting period.

2.3.13. Other current liabilities

In euros	June 30, 2018	Dec. 31, 2017
Short-term debt	**149,401**	**262,133**
Short-term provisions	**1,140,333**	**-**
Short-term contract liabilities[(1)]	**605,470**	**-**
Employee-related payables	981,482	976,263
Accrued payroll and other employee-related taxes	935,629	937,166
Sales tax payables	619,909	433,909
Other accrued taxes and employee-related expenses	2,101,110	166,178
Other miscellaneous payables	41,289	44,689
Deferred income	158,000	592,650
Other payables	**4,837,420**	**3,146,855**
Other current liabilities	**6,732,625**	**3,412,988**

(1) See Note 2.2.3 "Impact of the first-time adoption of IFRS 15".

No calculations have been made to discount other current liabilities to present value, as payment is always due within one year at the end of each reporting period.

Accrued payroll and other employee-related taxes mainly relates to payables to social security and employee-benefit organizations such as URSSAF, KLESIA and APGIS for the second three months of the year.

Other accrued taxes and employee-related expenses concern provisions for payroll taxes, such as professional training charges, apprenticeship tax and the employer's contribution to construction investment in France, as well as the payroll tax adjustment in respect of 2013, 2014 and 2015.

Short-term provisions correspond to an estimation of the tax risk for the 2016 and 2017 fiscal years, which have not been audited by the French tax authorities (see Note 2.3.10 "Provisions" of this section).

At June 30, 2018 and December 31, 2017, deferred income mainly related to the Company's Master Research Services Agreement with AbbVie for €142,500 and €592,500 respectively.

2.3.14. Financial assets and liabilities

The table below presents the carrying amount of financial assets and liabilities by IFRS 9 accounting category:

	June 30, 2018			
Balance sheet assets *In euros*	**Financial assets carried at amortized cost[(1)]**	**Financial assets carried at fair value through profit or loss**	**Financial assets carried at fair value through shareholders' equity**	**Total**
Available-for-sale assets	-	-	-	-
Other non-current assets	108,720	-	-	108,720
Trade receivables	2,230	-	-	2,230
Other receivables[(2)]	1,843,292	-	-	1,843,292
Other current assets	-	-	-	-
Cash and cash equivalents	71,986,176	3,985,931	-	75,972,804
Total assets	**73,940,418**	**3,985,931**	**-**	**77,926,349**

Balance sheet liabilities *In euros*	**Liabilities carried at amortized cost**	**Liabilities carried at fair value through profit or loss**	**Total**
Long-term debt	147,087	-	147,087
Short-term debt	149,401	-	149,401
Trade and other payables	7,229,749	-	7,229,749
Other payables	41,289	-	41,289
Total liabilities	**7,567,526**	**-**	**7,567,526**

(1) The "Financial assets at amortized cost" category presented at June 30, 2018 in accordance with IFRS 9 corresponds to the "Loans and receivables" category presented at December 31, 2017 in accordance with IAS 39.

(2) At June 30, 2018, "Other receivables" does not include recoverable sales taxes in an amount of €1,492,370. The total balance of "Other receivables" in the balance sheet is €5,268,100 (see Note 2.3.5 "Trade and other receivables" of this section).

At December 31, 2017, "Other receivables" excluding "Recoverable sales taxes" totaled €2,095,914.

	Dec. 31, 2017				
Balance sheet assets *In euros*	**Loans and receivables**	**Financial assets carried at fair value through profit or loss**	**Available-for-sale assets**	**Investments held to maturity**	**Total**
Available-for-sale assets	-	-	-	-	-
Other non-current assets	238,621	-	-	-	238,621
Trade receivables	64,223	-	-	-	64,223
Other receivables	3,167,992	-	-	-	3,167,992
Cash and cash equivalents	54,005,698	5,045,522	-	-	59,051,220
Total assets	**57,237,913**	**5,045,522**	**-**	**-**	**62,522,056**

Balance sheet liabilities *In euros*	**Liabilities carried at fair value through profit or loss**	**Liabilities carried at amortized cost**	**Total**
Long-term debt	-	219,933	219,933
Short-term debt	-	262,133	262,133
Trade and other payables	-	5,381,691	5,381,691
Other payables	-	42,289	42,289
Total liabilities	**-**	**5,906,046**	**5,906,046**

2.4. Notes to the income statement

2.4.1. Operating income

In euros	First-half 2018	First-half 2017
Revenue	1,301,032	2,658,227
Total revenue	**1,301,032**	**2,658,227**
Subsidies	9,983	520,659
CIR research tax credit	2,743,502	2,067,605
Other	314	7,517
Other operating income	**2,753,799**	**2,595,781**
Total income	**4,054,831**	**5,254,008**

The majority of the Company's revenue is derived from its research partnerships with AbbVie and Boehringer Ingelheim, and a lesser part from the provision of services.

The €1,357,195 (51%) year-on-year drop in revenue is mainly attributable to:

- a €969,882 decrease in the revenue generated by recurring partnership fees from AbbVie, following the expiration of the initial MRSA on June 30, 2017;
- a €269,908 decline in the revenue generated by the Boehringer Ingelheim agreement, due mainly to the remaining portion of the initial payment made by Boehringer Ingelheim at the start of the contract which was recorded in revenue in first-half 2017 in an amount of €166,667, and to a lesser extent to the impact of IFRS 15 recognized over the period (see Note 2.2.3 "Impact of the first-time adoption of IFRS 15" of this section);
- revenue from other services, which fell by a slight €117,405 year on year. The decrease is mainly attributable to the suspension of sub-contracting services activity, but it was partly offset by the commencement of the second phase of the agreement with Enyo Pharma.

The impacts from first-time adoption of IFRS 15 amounted to €160,000 in the first half of 2018 and constitutes solely a change in the pattern of recognition of revenue. Cash flows for first-half 2018, as well as the total revenue to be generated by the agreement, remain unchanged (see Note 2.2.3 "Impact of the first-time adoption of IFRS 15" of this section).

Other tax credits do not include the CICE tax credit (*Crédit d'impôt pour la compétitivité et l'emploi*) which is recognized as a deduction from personnel costs in accordance with IFRS.

In first-half 2018, income from subsidies corresponds to a subsidy from Bpifrance (*Banque Publique d'Investissement*) for the NSD2 project, awarded under the "Eurostars" program The year-on-year decrease in income from subsidies reflects the recognition in the prior-year period of three out of the four subsidies awarded to Inventiva in 2017. No new subsidies were either requested or obtained in first-half 2018.

2.4.2. Operating expenses

First-half 2018 *In euros*	Research and development costs	Marketing – Business development	General and administrative expenses	Total
Disposables	(1,110,664)	-	-	(1,110,664)
Energy and liquids	(268,694)	-	-	(268,694)
Patents	(212,587)	-	-	(212,587)
Studies	(8,679,426)	-	-	(8,679,426)
Maintenance	(486,289)	-	-	(486,289)
Fees	(43,713)	0	(759,208)	(802,921)
IT systems	(402,502)	(5,151)	(29,187)	(436,840)
Support costs (including taxes)	-	-	(313,706)	(313,706)
Personnel costs	(3,940,424)	(97,281)	(1,139,286)	(5,176,991)
Depreciation, amortization and provisions	(321,876)	-	(93,581)	(415,458)
Other operating expenses	(460,282)	(4,927)	(720,955)	(1,186,164)
Total operating expenses	**(15,926,458)**	**(107,358)**	**(3,055,923)**	**(19,089,738)**

First-half 2017 *In euros*	Research and development costs	Marketing – Business development	General and administrative expenses	Total
Disposables	(1,089,956)	-	-	(1,089,956)
Energy and liquids	(263,564)	-	-	(263,564)
Patents	(228,427)	-	-	(228,427)
Studies	(6,663,720)	-	-	(6,663,720)
Maintenance	(423,891)	-	-	(423,891)
Fees	(27,273)	(21,257)	(640,772)	(689,302)
IT systems	(368,080)	-	(29,873)	(397,954)
Support costs (including taxes)	-	-	(299,128)	(299,128)
Personnel costs	(3,582,817)	(206,304)	(1,003,114)	(4,792,236)
Depreciation, amortization and provisions	(433,564)	-	(118,599)	(552,163)
Other operating expenses	(160,487)	(10,187)	(576,232)	(746,906)
Total operating expenses	**(13,241,781)**	**(237,748)**	**(2,667,718)**	**(16,147,247)**

Personnel costs and headcount

First-half 2018 *In euros*	Research and development costs	Marketing – Business development	General and administrative expenses	Total
Wages, salaries and similar costs	(2,631,135)	(97,226)	(639,173)	(3,367,534)
Payroll taxes	(1,008,660)	130	(264,123)	(1,272,653)
CICE tax credit	51,981	-	9,359	61,340
Provisions for retirement benefit obligations	(74,360)	-	(21,267)	(95,627)
Share-based payment	(278,251)	(184)	(224,082)	(502,517)
Total personnel costs	**(3,940,424)**	**(97,281)**	**(1,139,286)**	**(5,176,991)**

First-half 2017 *In euros*	Research and development costs	Marketing – Business development	General and administrative expenses	Total
Wages, salaries and similar costs	(2,488,747)	(189,988)	(651,008)	(3,329,743)
Payroll taxes	(994,267)	(26,500)	(272,141)	(1,292,908)
CICE tax credit	62,017	9,791	-	71,808
Provisions for retirement benefit obligations	(69,841)	-	(19,606)	(89,447)
Share-based payment	(106,046)	393	(72,032)	(177,685)
Subsidies received and expense reclassifications[(1)]	(14,066)	-	11,673	25,739
Total personnel costs	**(3,582,817)**	**(206,304)**	**(1,003,114)**	**(4,792,236)**

(1) In first-half 2018, the amounts that would have previously been recognized under "Subsidies received and expense reclassifications" were reclassified to the other line items, depending on the underlying costs.

The Company had 110 employees at June 30, 2018, compared with 104 at June 30, 2017.

2.4.3. Financial income and expenses

In euros	First-half 2018	First-half 2017
Income from cash and cash equivalents	44,214	155,906
Foreign exchange gains	11,075	23,244
Other financial income	1,031	54,157
Discounting gains	-	9,423
Total financial income	**56,320**	**242,731**
Interest cost	(2,005)	(2,874)
Losses on cash and cash equivalents	(62,815)	-
Foreign exchange losses	(17,026)	(11,310)
Other financial expenses	(84,955)	(4,512)
Discounting losses	(5,629)	-
Total financial expenses	**(172,430)**	**(18,697)**
Net financial income (loss)	**(116,110)**	**224,035**

2.4.4. Income tax

The income tax calculation for interim periods is set out in Note 2.2.8 “Specific disclosure requirements for interim financial statements”

The effective tax rate for first-half 2017 was 12.03% compared with a theoretical tax rate of 33.33%.

As the Company recorded a loss in first-half 2018, no current taxes were recognized. Income tax for the period corresponds chiefly to the change in deferred taxes relating to the provision for retirement benefits (see Note 2.3.9 “Deferred taxes” in this section).

2.5. Other financial information

2.5.1. Contingent assets and liabilities

None.

2.5.2. Off-balance sheet commitments

Commitments given

Financial instruments pledged as collateral

One deposit account pledge given by the Company in 2015 as part of a bank loan was outstanding at June 30, 2018:

- As collateral for the loan from Société Générale agreed on July 7, 2015 for €254,000 at a fixed annual rate of 0.90% repayable in regular installments over a 60-month term, a deposit account was pledged with a balance of €100,000 as of the pledge date, i.e., July 7, 2015.

Compared to end-2017, the following pledge was released in the first half of 2018:

- As collateral for the loan from CIC-Lyonnaise de Banque agreed on May 11, 2015 for €178,000 at a fixed annual rate of 1.50% repayable in regular installments over a 60-month term, a deposit account was pledged with a balance of €135,000 as of the pledge date, i.e., May 11, 2015.

Commitments received

Agreements concerning the provision of facilities

- ***Agreement with Novolyze***

On October 13, 2015, the Company signed a contract to make its premises and facilities available to Novolyze for a 36-month period beginning October 19, 2015. Pursuant to an amended signed on October 19, 2016, the monthly rent was increased to €5,429 as from November 1, 2017. Therefore, at June 30, 2018, the total commitment received amounted to €32,574 and commitments relating to future payments amounted to €98,373.

- ***Agreement with Genoway***

On November 4, 2015, the Company signed a contract to make its premises and facilities available to Genoway for a three-year period beginning December 1, 2015. Pursuant to an amended signed on July 1, 2017, the contract was extended to June 30, 2019. The monthly rent was increased to €15,085 as from December 1, 2017. Therefore, at June 30, 2018, the total commitment received amounted to €90,510 and commitments relating to future payments amounted to €181,020.

- ***Agreement with Synthecob***

On March 21, 2016, the Company signed a contract to make its research equipment and services available to the company Synthecob for a two-year period beginning April 1, 2016. Pursuant to an amendment signed on January 1, 2017, the monthly rent was increased to €2,436 until March 30, 2018 and then to €2,479. It was further increased to €2,664 as from September 1, 2018. Therefore, at June 30, 2018, the total commitment received amounted to €14,745 and commitments relating to future payments amounted to €47,582.

2.5.3. Related-party transactions

No new material transactions were concluded with related parties of the Company during first-half 2018.

2.5.4. Events after the reporting date

None.

4. Persons responsible

4.1. Persons responsible for the Interim Financial Report

Frédéric Cren

CEO of Inventiva S.A.

4.2. Declaration by the person responsible for the Interim Financial Report

I hereby declare that, to the best of my knowledge, (i) the condensed financial statements for the prior half year have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit of the Company, and (ii) that the Interim Financial Report provides a true and fair view of the significant events that occurred during the first six months of the year and their impact on the statements, the principal transactions between related parties, as well as a description of the principal risks and uncertainties for the remaining six months of the year.

September 26, 2018

Frédéric Cren

Chairman and CEO

4.3. Person responsible for financial information

Jean Volatier
Chief Administrative and Financial Officer
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