

English version for information purposes only

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GENFIT

French corporation (*Société Anonyme*)
governed by an Executive Board and a Supervisory Board
with share capital of €7,791,609.25
Registered Office: 885 avenue Eugène Avinée, 59120 Loos
424 341 907 R.C.S. Lille Métropole
(the "**Company**")

**SPECIAL REPORT OF THE EXECUTIVE BOARD
REGARDING FREE SHARES AT THE ORDINARY
AND EXTRAORDINARY SHAREHOLDERS'
MEETING OF JUNE 16, 2017**

Dear Shareholders,

As part of the Ordinary and Extraordinary Meeting, we have made available to you a special report that details, in accordance with article L. 225-197-4 of the Commerce Code, transactions carried out pursuant to the provisions of articles L. 225-197-1 to L. 225-197-3 of that same Code, whereby the Extraordinary Shareholders' Meeting, based on the report of the Executive Board and the special report of the Statutory Auditors, may authorize the Executive Board to grant free shares, which may be either existing or new, to the Company's employees, or to certain categories of them.

As a reminder, the Company's Combined Shareholders' Meeting on June 21, 2016, as its 26th resolution, authorized the Executive Board to grant free shares, which may be either existing or new.

Prior to the deliberations of the Ordinary and Extraordinary Meeting, the Executive Board wishes to bring to your attention certain details regarding the use of this delegation of authority which it has been granted.

To that end, the text of the 26th resolution of the Company's Combined General Meeting on June 21, 2016 reads:

*"The Shareholders', acting in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after having deliberated and reviewed the report of the Executive Board and the special report of the Statutory Auditors, and pursuant to the provisions of articles L. 225-197-1 et seq. of the French Commercial Code, authorizes the Executive Board to proceed with the allocation of 50,000 free common shares, existing or to be issued, with a par value of EUR 0.25 each (the "**Free Shares**"), for the benefit of the employees and the executive officers of the Company and its consolidated subsidiaries as at 31 December 2015 eligible under the above mentioned texts, or for the benefit of some of them.*

This authorization may be used within 38 months from the date of this Shareholders' Meeting.

(1) Share capital increase

The allotment of the totality of the Free Shares, in the case of new shares, will result in a capital increase of EUR 12,500, authorized by this Shareholders' Meeting, it being specified that this amount does not take into account any adjustments that may potentially be carried out in accordance with applicable legal and regulatory provisions and, as the case may be, with contractual stipulations providing for other cases of adjustment, in order to preserve the rights of holders of securities or other rights giving access to the share capital.

The capital increase that will result from the creation of the Free Shares will be implemented by way of special incorporation of all or part of the reserve accounts available and, in particular, of the "premium account". The Shareholders' Meeting acknowledges that this decision implies that shareholders waive their rights, for the benefit of holders of Free Shares, to the said reserves.

(2) Allocation and retention periods

The Executive Board shall determine, for each allocation, a vesting period of at least one year after which the allocation of existing or new shares will vest, followed, if deemed useful or necessary by the Executive Board, by a retention period for a period it shall determine and which shall run from the definitive vesting of the existing or new shares; it being specified that the cumulated duration of the vesting period and, as the case may be, of the retention period, shall be at least three years.

The definitive acquisition of the Free Shares must be subject to the condition of the beneficiary's presence in the Company or its consolidated subsidiaries as employee and/or executive officer and, as the case may be, to the fulfilment of performance conditions that the Executive Board may determine upon allocation, as is specified below.

However, in the event of disability of the beneficiary corresponding to the classification in the second or third categories provided for in article 341-4 of the French Social Security Code (or its equivalent in foreign law), the Free Shares will be definitively allocated before the end of the remaining vesting period, said shares being then freely transferable.

(3) Delegation of powers to the Executive Board

The Shareholders grant full powers to the Executive Board, with the option to sub-delegate under the conditions set forth by law, to implement the allocation of Free Shares, including:

- to determine the eligibility of the employees of the Company or of its subsidiaries, as referred to in the first paragraph, eligible for such allocation;*
- to determine the identity of the beneficiaries and the number of Free Shares granted to each of them;*

- to determine, in particular for the executive officers and certain managing directors of the Company and its subsidiaries, as the case may be, the performance conditions subject to which the Free Shares will be definitively acquired;
- to establish the rules for the allocation plan of the Free Shares;
- to set, in accordance with the conditions and limits set forth by applicable legal provisions, the dates on which the Free Shares will be allocated;
- to take all necessary measures in order to reserve the rights of the holders of Free Shares pursuant to any legal or regulatory provision;
- to acknowledge the completion of the capital increase resulting from such allocation after the allocation period or, if applicable, as a result of the exercise of all other conditions subordinating the definitive allocation of Free Shares;
- to set the dividend entitlement date ("date de jouissance"), even retroactively, of the Free Shares to be issued; and
- to take any action required by the implementation of this authorization, in accordance with the currently applicable legislation."

On December 15, 2016, the Executive Board made use of these delegations to grant free shares to (i) salaried senior managers and executive officers of the Company and (ii) employees of the Company.

i. Grant of free shares to salaried senior managers and executive officers of the Company.

The Executive Board granted 15,181 free shares from among the 50,000 shares authorized by the Combined General Meeting on June 21, 2016 to 7 salaried senior managers and 3 executive officers of the Company (the "**AGA D Beneficiaries**").

Upon proposal by its Chairman, the Executive Board granted two free share plans with different performance conditions.

The Executive Board granted (i) 10,121 free shares from among the 50,000 shares authorized by the Shareholders in the Combined General Meeting on June 21, 2016 to eligible salaried senior managers and executive officers of the Company or of its subsidiaries (the "**AGA D 2016-1**") and (ii) 5,060 free shares of the Company from among the 50,000 shares authorized by the Shareholders in the Combined General Meeting on June 21, 2016 to eligible salaried senior managers and executive officers of the Company or of its subsidiaries (the "**AGA D 2016-2**").

The Executive Board decided to grant 10,121 free shares to 7 salaried senior managers and 3 executive officers of the Company (the "**AGA D 2016-1 Beneficiaries**") and 5,060 free shares to 7 salaried senior managers and 3 executive officers of the Company (the "**AGA D 2016-2 Beneficiaries**").

- AGA D 2016-1

The AGA D 2016-1 are subject to a vesting period equal to at least two and at most three years following their granting, subject to adherence to the performance conditions and the presence condition described in the "Free Shares for Executive Officers and Salaried Senior Managers – AGA D 2016-1".

The AGA D 2016-1 which are definitively granted on December 16, 2018 shall be subject to a one-year lock-up period.

The AGA D 2016-1 may only be definitively granted if the performance conditions were met as of (i) December 15, 2018 or if applicable, (ii) as of December 15, 2019 if the performance conditions were not met on the previous date.

The definitive grant of the 2016-1 Executive Free Shares is also contingent on the presence of the AGA D 2016-1 Beneficiaries within the Company at the end of the vesting period.

- AGA D 2016-2

The AGA D 2016-2 are subject to a vesting period equal to three years following their granting, subject to adherence to the performance conditions and the presence condition described in the "Free Shares for Executive Officers and Salaried Senior Managers – AGA D 2016-2".

The definitive grant of the AGA D 2016-2 is contingent on the performance conditions being met as of December 15, 2019.

The definitive grant of the AGA D 2016-2 is also contingent on the presence of the 2016-2 Executive Free Shares Beneficiaries within the Company at the end of the vesting period.

The Chairman reminded the Executive Board that he had received from the Combined General Meeting on June 21, 2016 authorization to grant free shares for a period of 38 months, up to a limit of 50,000 ordinary shares, which may be existing or new, with a nominal value of EUR 0.25, the share capital increases that may be carried out pursuant to this authorization being limited to EUR 12,500, an amount which does not take into account any adjustments that may potentially be carried out in accordance with applicable legal and regulatory provisions and, as the case may be, with contractual stipulations providing for other cases of adjustment, in order to preserve the rights of holders of securities or other rights giving access to the share capital.

The Chairman reminded them that in accordance with the aforementioned authorization, the Executive Board determines the Beneficiaries of the Free Shares from among the Company's eligible executive officers and salaried senior managers.

The Executive Board unanimously decided to grant 10,121 free AGA D 2016-1 and 5,060 free AGA D 2016-2 under the aforementioned plan bylaws, to the AGA D 2016-1 Beneficiaries and the AGA D 2016-2 Beneficiaries, and that the shares granted this way will be new shares of the Company, issued to increase capital.

By a decision of the Executive Board on January 10, 2017, the Executive Board observed that all AGA D 2016-1 Beneficiaries and AGA D 2016-2 Beneficiaries had accepted their grants, as well as all of the terms and conditions of the plan rules.

ii. Grant of free shares to employees of the Company.

The Executive Board granted 15,628 free shares from among the 50,000 shares authorized by the Combined General Meeting on June 21, 2016 to eligible employees of the Company (the "**AGA S Beneficiaries**").

Upon proposal by its Chairman, the Executive Board granted two free share with different performance conditions.

The Executive Board granted (i) 10,419 free shares from among the 50,000 shares authorized by the Combined General Meeting on June 21, 2016 to eligible employees of the Company or of its subsidiaries (the "**AGA S 2016-1**") and (ii) 5,060 free shares of the Company from among the 50,000 shares authorized by the Shareholders in the Combined General Meeting on June 21, 2016 to eligible employees of the Company or of its subsidiaries (the "**AGA S 2016-2**").

The Executive Board decided to grant 15,628 free shares to 106 employees (the "**AGA S 2016-1 Beneficiaries**") and 5,209 free shares to 106 employees (the "**AGA S 2016-2 Beneficiaries**").

- AGA S 2016-1

The AGA S 2016-1 are subject to a vesting period equal to at least two and at most three years following their granting, subject to adherence to the performance conditions and the presence condition described in the "Free Shares for Employees – AGA S 2016-1 " plan rules.

The AGA S 2016-1 which are definitively granted on December 16, 2018 shall be subject to a one-year lock-up period.

The AGA S 2016-1 may only be definitively granted if the performance conditions were met as of (i) December 15, 2018 or if applicable, (ii) as of December 15, 2019 if the performance conditions were not met on the previous date.

The definitive grant of the AGA S 2016-1 is also contingent on the presence of the AGA S 2016-1 Beneficiaries within the Company at the end of the vesting period.

- AGA S 2016-2

The AGA S 2016-2 are subject to a vesting period equal to three years following their granting, subject to adherence to the performance conditions and the presence condition described in the "Free Shares for Employees – AGA S 2016-2" plan rules.

The definitive grant of the AGA S 2016-2 is contingent on the performance conditions being met as of December 15, 2019.

The definitive grant of the AGA S 2016-2 is also contingent on the employment of the AGA S 2016-2 Beneficiaries within the Company at the end of the vesting period.

The Executive Board unanimously decided to grant 10,419 of the AGA S 2016-1 and 5,209 of the AGA S 2016-2, and that the shares granted in this way shall be new shares of the Company, issued to increase capital.

By a decision of the Executive Board on January 10, 2017, the Executive Board observed that with the exception of certain eligible employees, the majority of AGA S 2016-1 and AGA S 2016-2 Beneficiaries had accepted their grants as well as the respective terms and conditions and by-laws, and consequently noted the acceptance of 10,399 AGA S 2016-1 and 5,129 AGA S 2016-2.

* * *

If you approve of the various grants described in this report to the Ordinary and Extraordinary Shareholders' Meeting on June 16, 2017, we ask that you adopt the 6th resolution, which we will give to you for your reading, and which was made available to you at our registered office fifteen days prior to the Ordinary and Extraordinary Shareholders' Meeting on June 16, 2017 as required by law.

The Executive Board