
**January 13, 2021 Extraordinary Shareholder's Meeting:
Endorsing the debt restructuring process
to ensure the future of GENFIT**

Ladies and Gentlemen, Dear Shareholders,

GENFIT has just announced the signature of Bond Repurchase Agreements for almost half¹ of its convertible bonds issued in 2017 for a nominal amount of c. 180 million euros and with a maturity date of October 16, 2022 (the "OCEANES"). This first step is a key milestone, but it remains contingent on the approval – by GENFIT shareholders and OCEANES holders – of the terms of the OCEANES that remain outstanding. This initial step enabled, during discussions with the OCEANES holders, to determine the buyback price that would lead a critical mass of the holders to accept a partial repurchase of their OCEANES by GENFIT as well as the terms under which they would accept to extend the maturity date of the OCEANES until 2025.

This project is critical to the continuity of the Company and to the appreciation of your investment. We therefore strongly recommend that as a shareholder, you take the time to understand the reasons and goals, as well as the process required to implement this initiative. This is in your interest as a shareholder.

In this context, in addition to the recently issued press release, we will review the main legitimate questions that you may ask yourselves ahead of the **Extraordinary Shareholders' Meeting of your Company**, at which time you will be asked to vote:

1. Why are a partial buyback and an amendment of the terms of the OCEANES necessary?p.2
2. Why now?p.3
3. What are the new proposed amendments of the terms of the OCEANES?p.3
4. How are these new terms favorable for GENFIT and its shareholders?p.4
5. What are the next steps and what is the shareholders' role today?p.6



Pascal Prigent, CEO



We are counting on your support at the Extraordinary Shareholders' Meeting of January 13, 2021 and thank you in advance for your commitment as shareholder.




¹47.6% of OCEANES

1. Why are a partial buyback and an amendment of the terms of the OCEANEs necessary?

On September 30, 2020, GENFIT announced the nature and scale of the cost-saving plan initiated following the RESOLVE-IT® trial results, characterized by:

- **A focus of the corporate activity on two priority areas:** elafibranor for the treatment of PBC (ELATIVE™ Phase 3 clinical trial currently enrolling patients); NIS4™ for the diagnosis of NASH (large scale commercial launch of a test by LabCorp planned for early 2021);
- **A cost-saving plan:** reduction of cash burn by more than 50% between 2020 (prior to RESOLVE-IT® study results) and 2022;
- **A workforce reduction plan:** by 40% by the end of 2020.

Despite this effort, the cash position expected at the maturity of the OCEANEs in October 2022 does not, at this stage, allow the Company to reimburse the nominal amount of 180 million euros in OCEANEs. GENFIT therefore offered the OCEANEs holders a partial buyback and an amendment of the terms of the OCEANEs that remain outstanding with two main objectives:

- The first objective is to **extend the maturity** date of the debt, to align it with the calendar of the data announcement and publication of the

ELATIVE™ Phase 3 trial in PBC, whose initiation has been delayed due to the exceptional COVID-19 pandemic. Because of this health crisis, the ELATIVE™ clinical data will indeed not be available early 2022 as initially planned – i.e. prior to the current OCEANEs' maturity date (October 16, 2022) – but only early 2023, i.e. a few months after this maturity date. It will therefore not be possible to initiate the financing mechanisms aimed at generating value on the ELATIVE™ data (if positive) before 2023. In these conditions, and in the absence of an amendment of the OCEANEs' maturity date, GENFIT could be at risk of being unable to reimburse the nominal amount of the OCEANEs in October 2022. Our responsibility is to avoid this situation, in the best interest of our shareholders and OCEANEs holders.

- The second objective is to **reduce the amount of outstanding debt**. This adjustment is required because the current debt burden represents a risk for GENFIT. Our cash position as announced on September 30, 2020 is 199 million euros, while the outstanding bond debt is 180 million euros and our market capitalization inferior to 200 million euros. This situation strains the Company's ability to convince new investors and hinders its ability to secure strategic sources of financing. A substantial rebalance is therefore necessary.

➤ KEY ELEMENTS

Why are a partial buyback and amendment of the terms of the OCEANEs necessary?

1. To preserve funding capacity for for the Company's operational functionality;
2. To reduce the amount of financial debt to be redeemed;
3. To defer the OCEANEs maturity date in line with the next milestones in the Company's two main programs: the ELATIVE™ Phase 3 clinical trial evaluating elafibranor in PBC and the NIS4™ technology for NASH diagnosis;
4. To maximize the potential value-creation for shareholders and the OCEANEs holders.

2. | Why now?

During the June 2020 Ordinary Shareholders' Meeting we announced our intention to address, **following the announcement of the Company's new strategy**, our bond debt in order to align our capital structure with our new financial needs. With the new corporate strategy presented to shareholders on September 30, 2020, time has come to settle this financial project.

The 2022 maturity of the OCEANEs may seem distant, however we realize that beyond the mid-term financial risk it represents, the current debt structure

also limits our **operational and strategic freedom**, which is detrimental to GENFIT and its shareholders.

This is the reason why we have decided to proceed with the OCEANEs restructuring project without delay, with the objective to regain some long-term financial visibility. Our goal is to remove the current obstacles to the implementation of our new corporate strategy, and to reassure our financial, commercial and strategic partners.

▶ KEY ELEMENTS

Why is this process occurring now?

1. Because the new corporate strategy and the new financial needs are now well defined;
2. Because the current maturity date and amount of the debt are hindering the implementation of the new strategy.

3. | What are the new proposed amendments of the terms of the OCEANEs?

GENFIT proposes to push the maturity date to 2025, corresponding to a 3-year extension:

- The goal is to create favorable negotiation conditions in the event of positive Phase 3 ELATIVE™ clinical results in 2023;
- It is in the interest of all stakeholders to maintain a reasonable buffer after the ELATIVE™ clinical data announcement date, currently expected early 2023, to incorporate uncertainties related to the current COVID-19 pandemic.

Concomitantly, some OCEANEs holders have accepted to sell part of their bonds to the Company, that will cancel them. This will reduce the amount of the debt – currently 180 million euros – to c. 95 million euros², corresponding approximately to a 50% reduction:

- The agreement between GENFIT and the OCEANEs holders allows the Company to cancel more than 85 million euros of the outstanding bond debt by

paying less than 50 million euros³ to the OCEANEs holders. This figure shows the substantial efforts conceded by the bondholders to allow the company to regain momentum;

- GENFIT improves its financial structure by reducing the burden of the debt, while maintaining its ability to execute ongoing programs (ELATIVE™ and NIS4™), along with a capacity to invest in new promising programs.

The amendment of these main OCEANEs terms is accompanied by an effective reduction of the OCEANEs conversion price from 29.60 euros to 5.38 euros⁴.

As a reminder, converting an OCEANE is only financially enticing should the stock price rise above the conversion price of the OCEANE, and in most instances, an investor would prefer waiting for the OCEANEs to reach maturity prior to converting a bond into shares.

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²Exact amount of the residual debt: 94.30 million euros | ³Exact amount of cash dedicated to the partial buy-back of OCEANEs: 47.48 million euros | ⁴Representing a 32.2% premium compared to the volume weighted average price between November 16 and November 20, 2020

...

The 3.5% bi-annual coupon remains unchanged. Following buyback, and the resulting loan reduction, the interest costs will be lessened by approximately 50%.

As a reminder, it is important to understand that the buyback is dependent on the shareholders' and OCEANEs holders' approval of the amendment of the OCEANEs terms that remain outstanding, although

we anticipate that the OCEANEs holders who have agreed to the buyback would vote in support of the amendment.

Additional details can be found in the regulatory documentation, which will be made available on the GENFIT's corporate website in advance of the Extraordinary Shareholders' Meeting.

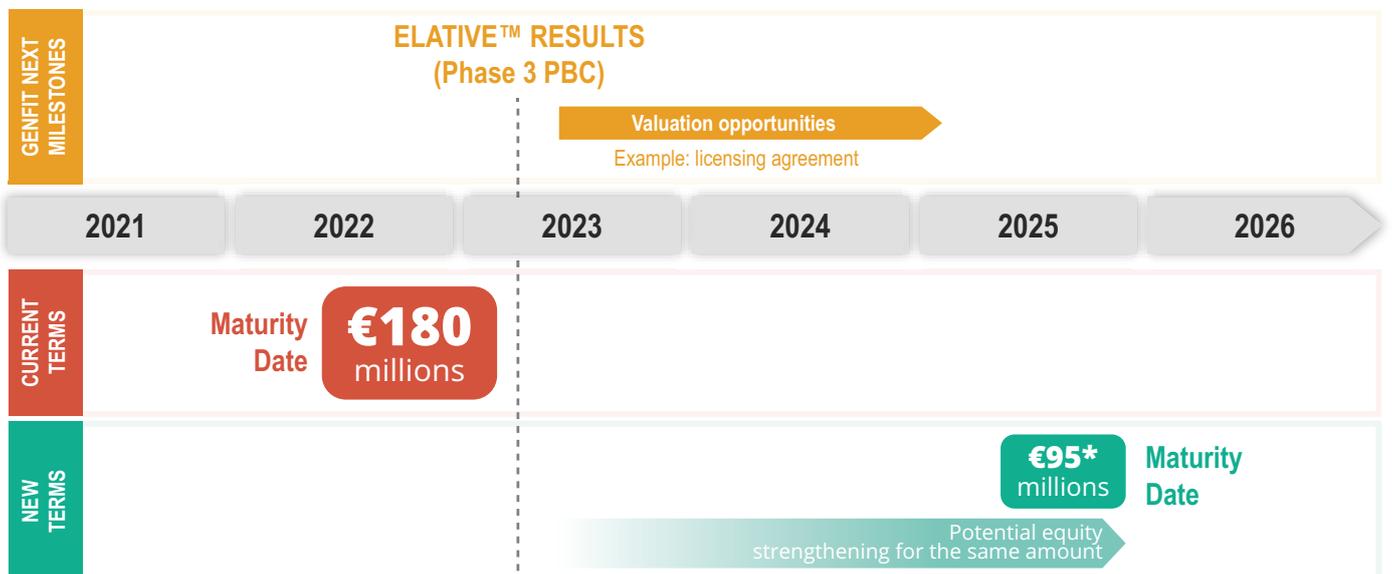
▶ KEY ELEMENTS

What are the new proposed amendments of the terms of the OCEANEs?

1. 3-year maturity extension, until 2025 ;
2. Outstanding debt reduction by almost half; with approximately 85 million euros the OCEANEs debt canceled via a buyback of less than 50 million euros;
3. A new conversion premium of 5.38 euros and an unchanged bi-annual coupon of 3.5%.

4. How are these new terms favorable for GENFIT and its shareholders?

The approval of the amendments of the OCEANEs terms will offer – should the proposal be accepted during the Extraordinary Shareholders' Meeting and the Bondholders' Meeting – the opportunity to minimize the financial constraint currently limiting the Company's flexibility. A positive vote from shareholders and bondholders will grant GENFIT greater operational control and the **ability to promote and value** elafibranor's data in PBC should they be positive (Phase 3 ELATIVE™). The operation can be summarized as follows:



*Exact amount of the residual debt: €94.30 millions

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...

By ensuring long-term existence of the Company, the new OCEANes terms offer GENFIT shareholders and OCEANes holders the **opportunity to take advantage of ELATIVE™'s potential success**. Our Phase 2 PBC trial results give us confidence in elafibranor's potential in this indication and it is important to understand that the disappointment caused by RESOLVE-IT® in NASH does not reduce the probability of success in this different indication. Below, we have identified objective and PBC-specific elements that allow a fair assessment of the potential of our PBC program:

- **Efficacy:** The Phase 2 trial met the composite endpoint previously used for regulatory approval in this indication, with a significant margin;
- **Safety and tolerability:** Clinical data derived from thousands of patients and over numerous years suggest a favorable safety and tolerability profile;
- **Regulatory:** The approval pathway has been well known since 2016, and the granting of Breakthrough Therapy designation to elafibranor by the regulatory authorities facilitates interactions with agencies;

- **Price and reimbursement:** High therapeutic costs are already accepted by payers;
- **Competition:** There are few marketed therapies, and elafibranor's profile appears favorable from an efficacy, safety and tolerability perspective compared to its only direct competitor currently on the market;
- **Commercialization:** Moderate investment required, since PBC is an orphan indication with a limited number of specialist physicians who treat well-identified patients;
- **Market:** Estimates of over \$300 million in 2020 for the only direct competitor of elafibranor currently on the market, with a two-digit growth and a peak at approximately \$1 billion in just a few years.

The new OCEANes' terms also offer the possibility to **consolidate and rebalance the financial ratios**, so that GENFIT can once again attract new or historic investors as well as financial, commercial and strategic partners.

➔ KEY ELEMENTS

How are these new terms favorable for GENFIT and its shareholders?

1. They reduce the financial constraints and offer potential value-creation leverage after the ELATIVE™ 2023 data: the shareholders may gain a chance to take advantage of the potential success of the ELATIVE™ trial evaluating elafibranor in PBC;
2. The new terms allow for optionality and provide safer long-term alternatives compared to other less-favorable financial scenarios.

Key take home messages

Maturity extension

+3 years

Maturity extended to October 2025

Debt reduction

by almost half

Partial buyback of 47.6% of the debt

Coupon

3.50%

unchanged bi-annual coupon

New conversion premium

5.38€

1 OCEANE = 5.5 shares

5.

What are the next steps and what is the shareholders' role today?

Today, GENFIT needs your support to ensure the success of this operation which would allow a proper implementation of its new corporate strategy. Your role as a shareholder is to **cast your vote** at the Extraordinary Shareholders' Meeting, because as previously noted, the process of amending the terms of the OCEANEs has to be executed in two steps:

- **The first step** that has just been completed consisted of a negotiation with the **bondholders** who, as creditors, are the first party impacted by the project : the objective was to determine the price and new terms of the OCEANEs at which a critical mass of the holders would be ready to sell part of their OCEANEs and accept the extension of the maturity date to 2025. GENFIT's firm position during these negotiations preserved the interest of its shareholders, and the compromise found is aligned with our initial objectives.
- **Now, the next step to achieve** is the approval of the new OCEANEs' terms, by the **shareholders** at the Extraordinary Shareholders' Meeting to be held on January 13, 2021, and by the OCEANEs holders. In accordance with the Board of Directors report included in the meeting notice, we are requesting you to vote in favor of the project submitted for your review. You will receive by mail or email the voting instructions for the Extraordinary Shareholders' Meeting.

To support your understanding of the project and help you make your choice, we are providing several documents:

- The shareholder letter;
- A short slideshow presentation (that will be made available on the [GENFIT investor website](#));
- Technical and regulatory information regarding the operation (that will also be made available on the [GENFIT investor website](#));
- A toll-free phone number (France only) to ask questions regarding the operation (0800 94 06 51 – also available on several other communication supports);
- The meeting notice for the next Extraordinary Shareholders' Meeting, including the voting instructions (that will be sent by mail);
- The investors email address: investors@genfit.com.

If the OCEANEs terms amendment project is not approved due to an insufficient quorum or is rejected due to a negative vote from the OCEANEs holders or shareholders, the Company would find itself in a critical situation: the 2022 OCEANEs maturity would continue to weigh heavily on the new corporate strategy, primarily due to the outstanding debt of 180 million euros, drastically limiting the long-term potential value for shareholders and requiring alternative approaches that could be riskier and take place at a later date. The effort engaged over the last months aims to avoid this scenario. The bondholders who have agreed to sell their shares and to extend the maturity of the residual debt have made significant concessions, and as such secured the first step of the process. We now count on your vote to conclude this operation. We want to be able to begin 2021 on strong foundation – one that allows GENFIT to rebuild and secure its future.

Reminder of the process:

<p>1ST STEP Discussions with the OCEANEs holders and agreement on the partial buyback</p>	
<p>2ND STEP Approval by the shareholders at the Extraordinary Shareholders' Meeting: January 13, 2021</p>	
<p>3RD STEP Approval of the new terms by the OCEANEs holders</p>	
<p>4TH STEP Partial buy-back of the OCEANEs</p>	

Reminder on the role of shareholders:

<p>PRINCIPLE: ENDORSE THE FIRST STEP OF THE PROCESS</p> <p>I.e. the successful negotiations between the Company and some OCEANEs holders who accepted to make substantial concessions and signed a repurchase agreement</p>
<p>PRACTICALLY: VOTE AT THE EXTRAORDINARY SHAREHOLDERS' MEETING</p> <p>Meeting to ensure quorum is met and the new terms adopted, to release the financial pressure and remove the barriers impeding GENFIT's future</p>



GNFT

listed

NASDAQ &
EURONEXT

Euronext Paris - Compartment B | ISIN Code: FR0004163111
First listed: 17 Avril 2014

Nasdaq Global Select Market | ISIN Code: US37227991098
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DISCLAIMER - This letter to shareholders contains certain forward-looking statements, including those within the meaning of the Private Securities Litigation Reform Act of 1995, with respect to GENFIT, including statements regarding our capacity to renegotiate the terms of our 2022 OCEANES convertible bonds, that the final terms of this proposal will be approved by the shareholders' general meeting and general meeting of 2022 OCEANES holders and expected potential benefits of the renegotiation on the Company's balance sheet and prospectus, statements about GENFIT's new corporate strategy and objectives, the potential size of the market for PBC, commercial certainty within this market and the outcome of the ELATIVE™ phase 3 trial of elafibranor in PBC, timelines for completion of the ELATIVE™ trial, timelines for and success of a commercial launch of a diagnostic test powered by NIS4™ by GENFIT's partner LabCorp, the success and benefits of corporate restructuring projects, including a workforce reduction program, our ability to significantly reduce operating expenses and our projected cash burn over the next several years. The use of certain words, including "believe," "potential," "expect" and "will" and similar expressions, is intended to identify forward-looking statements. Although the Company believes its expectations are based on the current expectations and reasonable assumptions of the Company's management, these forward-looking statements are subject to numerous known and unknown risks and uncertainties, which could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking statements. These risks and uncertainties include, among other things, the uncertainties inherent in research and development, including related to safety, biomarkers, progression of, and results from, its ongoing and planned clinical trials, review and approvals by regulatory authorities of its drug and diagnostic candidates, exchange rate fluctuations and the Company's continued ability to raise capital to fund its development, as well as those risks and uncertainties discussed or identified in the Company's public filings with the French Autorité des marchés financiers ("AMF"), including those listed in Section 4 "Main Risks and Uncertainties" of the Company's 2019 Universal Registration Document filed with the AMF on May 27, 2020 under n° D.20-0503, which is available on GENFIT's website (www.genfit.com) and on the website of the AMF (www.amf-france.org), as updated in Section 8 of the Half Year Business and Financial Report at June 30, 2020 and public filings and reports filed with the U.S. Securities and Exchange Commission ("SEC"), including the Company's 20-F dated May 27, 2020. In addition, even if the Company's results, performance, financial condition and liquidity, and the development of the industry in which it operates are consistent with such forward-looking statements, they may not be predictive of results or developments in future periods. These forward-looking statements speak only as of the date of publication of this document. Other than as required by applicable law, the Company does not undertake any obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.