

English version for information purposes only

This report has been translated in English for information purposes only. In the event of any differences between the text in French and the text in English, the French language version shall supersede

GENFIT

French corporation (*Société Anonyme*)
governed by a Board of Directors
with share capital of €9,707,855.25
Registered Office: 885 avenue Eugène Avinée, 59120 Loos
424 341 907 R.C.S. Lille Métropole
(the "**Company**")

**SPECIAL REPORT OF THE BOARD OF DIRECTORS
REGARDING FREE SHARES AT THE ORDINARY**

A

MEETING OF JUNE 13, 2019

Dear Shareholders,

As part of the Ordinary 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, may authorize the granting of free shares, which may be either existing or new, to the Company's employees and executive officers of the Company and its eligible consolidated subsidiaries at December 31, 2017 in accordance with articles L.225-197-1 et seq of the French Commercial Code or to certain of them.

As a reminder, the Company's Combined Shareholders' Meeting on June 15, 2019, as its 24th resolution, authorized the Board of Directors to grant free shares, which may be either existing or new.

Prior to the deliberations of the Ordinary Meeting, the Board of Directors 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 24th resolution of the Company's Combined General Meeting on June 15, 2018 reads:

"The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for extraordinary shareholders' meetings, after having deliberated and reviewed the report of the Board of Directors 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 Board of Directors to proceed

with the free allocation of 75,000 common shares, existing or to be issued, with a nominal 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 2017 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 18,750, 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 shareholders' renunciation of their rights, for the benefit of holders of Free Shares, to the said reserves.

(2) Allocation and retention periods

The Board of Directors shall determine, for each allocation, a vesting period of at least one year after which the allocation of existing or new shares will become definitive, followed, if deemed useful or necessary by the Board of Directors, by a retention period of a duration it shall determine and which shall run from the definitive acquisition 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 of 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 fulfillment of performance conditions that the Board of Directors 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 Board of Directors

The Shareholders' Meeting grants full powers to the Board of Directors, 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 preserve 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 legislation currently in force.

The Shareholders' Meeting acknowledges that this delegation voids, from this day, any prior delegation of authority having the same purpose, i.e. any delegation relating to the allocation of existing or new free shares. This delegation therefore voids the delegation granted by the Shareholders' Meeting held on June 16, 2017 pursuant to its twentieth resolution."

On November 7, 2018, the Board of Directors, subdelegating to the Chairman and CEO in accordance with the provisions set out by law, made use of these delegations to grant free shares to (i) salaried senior managers and the executive officer of the Company and (ii) employees of the Company.

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

19,149 free shares were granted from among the 75,000 shares authorized by the Combined General Meeting on June 15, 2018 (the "2018 AGA D") to 14 eligible salaried senior managers and the Chairman and CEO of the Company (the "AGA D Beneficiaries").

The AGA D 2018 are subject to a vesting period ending on January 1, 2021, 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 2018".

The definitive grant of the AGA D 2018 is contingent on the performance conditions being met as of December 31, 2020.

The definitive grant of the AGA D 2018 is also contingent on the presence of the AGA D 2018 Beneficiaries within the Company at the end of the vesting period.

By a decision on December 14, 2018, the Board of Directors observed that all AGA D 2018 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.

17,923 free shares were granted from among the 75,000 shares authorized by the Combined General Meeting on June 15, 2018 (the "**AGA S 2018**") to the 124 eligible employees of the Company (the "**AGA S 2018 Beneficiaries**").

The AGA S 2018 are subject to a vesting period ending on January 1, 2021, subject to adherence to the performance conditions and the presence condition described in the "Free Shares for Employees – AGA S 2018" plan rules.

The AGA S 2018 which would be definitively granted on January 1, 2021 shall be subject to a one-year lock-up period.

The AGA S 2018 may only be definitively granted if the performance conditions are met as of December 31, 2020.

The definitive grant of the AGA S 2018 is also contingent on the presence of the AGA S 2018 Beneficiaries within the Company at the end of the vesting period.

By decision on December 14, 2018, the Board of Directors observed that the majority of AGA S 2018 had accepted their grants as well as the terms and conditions and plan rules, and consequently noted the acceptance of 16,651 AGA S 2018.

* * *

The Board of Directors