

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 STOCK OPTIONS AT THE ORDINARY
AND EXTRAORDINARY SHAREHOLDERS' MEETING
OF JUNE 16, 2017**

Dear Shareholders,

As part of the Ordinary and Extraordinary Shareholders' Meeting, we have made available to you a special report that details, in accordance with article L. 225-184 of the Commerce Code, transactions carried out pursuant to the provisions of articles L. 225-177 to L. 225-186 of that same Code, whereby the Extraordinary Shareholders' Meeting may authorize the Executive Board to grant stock options to all or part of the Company's employees. This report and the text of the resolutions have been sent out in accordance with the conditions and timeframes given in the Company's bylaws and applicable law.

As a reminder, the Company's Combined General Shareholders' Meeting on June 21, 2016, in its 25th resolution, authorized the Executive Board to grant stock options.

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

To that end, the text of the 25th resolution of the Company's Combined General Shareholders' 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. 225-177 to L. 225-185 of the Commerce Code;

1. *Authorizes the Executive Board to grant, on one or more occasions, subject to the abstention periods provided for by law, options granting entitlement to the subscription of new shares of the Company to be issued by means of a share capital increase or the purchase of existing Company's shares resulting from buy-backs performed pursuant to applicable law, for the benefit of all or part of the employees and executive officers of the Company or for the groups targeted in article L. 225-180 of the Commerce Code, and thus approves implementation by the Executive Board of one or more share subscription and/or purchase options plans within the framework set out below;*
2. *Decides that the options that may be granted pursuant to this authorization will not give rights, upon exercise, to the subscription or purchase of a total number of shares exceeding 175,000 shares, that is, a maximum share capital increase of EUR 43,750; it being specified that this cap: (i) does not take into account any adjustment that may be made in accordance with applicable legal and regulatory provisions and, as the case may be, with the contractual provisions providing for other adjustment cases to preserve the rights of the holders of securities or other rights giving access to the share capital; and (ii) shall be adjusted to account for all transactions lowering the nominal value of the shares or increasing the number of shares that could take place before the allocation of the options;*
3. *Decides that the time period for exercising the options shall not exceed 10 years from the date of grant;*
4. *Decides that the exercise price of the options granted pursuant to this delegation shall be set on the day the options are allocated by the Executive Board, it being specified that the exercise price of the options shall not be (i) lower than 80% of the average of the stock price during the twenty stock market trading days preceding the date upon which the options are granted regarding the options to subscribe for shares or to purchase shares; and, (ii) lower than 80% of the average purchase price of the shares held by the Company but solely for the options to purchase shares, pursuant to articles L. 225-208 and L. 225-209 of the Commerce Code;*
5. *Decides that the exercise price may be modified before expiration of the options only in case of implementation of the measures required to protect the interests of the beneficiaries of the options, pursuant to article L. 225-181 of the Commerce Code;*
6. *Acknowledges that, for the benefit of the beneficiaries of the options, the Shareholders' decision automatically implies shareholders' waiver of their preferential subscription rights to shares that shall be issued as the options to subscribe are exercised;*
7. *Decides to grant full powers to the Executive Board, with the option to delegate and sub-delegate under the conditions set forth by law, notably:*
 - *to determine the number of beneficiaries and the number of options granted to each of them;*
 - *to set the conditions for the allocation of the options;*
 - *to set, within the above-specified limits, the options exercise price and the time period during which the options may be exercised, and set the conditions under which they shall be adjusted, in the circumstances provided for by law;*
 - *to set the exercise conditions and notably the performance conditions to which the exercise of the options allocated to the executive officers of the Company and to some of the managing directors of the company and of its subsidiaries shall be subject to; to impose, as the case may be, a time period during which the options shall not be exercised and/or a time period during which the acquired shares may not be transferred;*
 - *to temporarily suspend the exercise of the options in given circumstances;*
 - *when determining the features of each plan, to take into account legal requirements, notably tax related, applicable depending on the jurisdiction where the beneficiaries are located, notably, as far as the United States are concerned, article 422 of its Federal Tax Code;*

- *on its sole initiative, charge the capital increase expenses against the amount of the premium relating to these issuances and to deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital after each increase; and*
- *to record the completion of the increase(s) in the share capital resulting from the exercise of the options, complete any acts and formalities in order to finalize the increase(s) in share capital realized pursuant to this authorization, amend the bylaws accordingly and more generally take all decisions required in the context of this authorization, grant all delegations, and do all that is needed.*

The Executive Board shall notify the shareholders each year during the Shareholders' Meeting, under the conditions set forth by law, of the transactions carried out in pursuant to this resolution.

This authorization is granted for a period of 38 months from the date of this Shareholders' Meeting."

On December 15, 2016, the Executive Board made use of these delegations to grant stock options to (i) employees and executive officers of the Company and (ii) employees of the Company or its subsidiaries residing in the United States or otherwise subject to American laws, regulations, and taxes.

i. Grant of stock options to employees and executive officers of the Company.

The Executive Board granted 62,875 options from among the Company's 175,000 new stock options authorized by the Combined General Meeting of June 21, 2016 to the employees and executive officers of the Company or of its subsidiaries (the "**Stock Option Beneficiaries**").

Based on a proposal by its Chair, the Executive Board granted two stock option plans with different performance conditions.

The Executive Board granted (i) 41,917 options from among the Company's 175,000 new stock options authorized by the Combined General Meeting of June 21, 2016 to eligible senior management employees and executive officers and of the Company or of its subsidiaries (the "**2016-1 Stock Options**") and (ii) 20,958 options from among the Company's 175,000 new stock options authorized by the Combined General Meeting of June 21, 2016 to eligible senior management employees and executive officers of the Company or of its subsidiaries (the "**2016-2 Stock Options**").

The Executive Board decided to grant 41,917 of the 2016-1 Stock Options to 7 senior management employees and 3 executive officers (the "**2016-1 Stock Option Beneficiaries**") and 20,958 of the 2016-2 Stock Options to 7 senior management employees and 3 executive officers (the "**2016-2 Stock Option Beneficiaries**").

- 2016-1 Stock Options

The 2016-1 Stock Options may not be exercised by their beneficiaries until the end of a period lasting three years following their granting (the "**2016-1 Vesting Period**"), provided that the performance conditions and continued presence at the Company described in the "Stock Options for Executive Officers and Senior Management Employees – SO 2016-1" plan rules have been followed.

The 2016-1 Stock Options may be exercised after a period of seven years following the end date of the 2016-1 Vesting Period.

The 2016-1 Stock Options may only be exercised 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 2016-1 Stock Options also may only be exercised if the 2016-1 Stock Option Beneficiaries are present within the Company on each date when the performance conditions are measured.

- 2016-2 Stock Options

The 2016-2 Stock Options granted to 2016-2 Stock Option Beneficiaries may not be exercised by their beneficiaries until the end of a period lasting three years following their granting (the "**2016-2 Vesting Period**"), provided that the performance conditions and presence condition described in the "Stock Options for Executive Officers and Senior Management Employees – SO 2016-2" plan rules have been followed.

The 2016-2 Stock Options may be exercised after a period of seven years following the end date of the 2016-2 Vesting Period.

The 2016-2 Stock Options may only be exercised if the performance conditions were met as of December 15, 2019.

The 2016-2 Stock Options also may only be exercised if the 2016-2 Stock Option Beneficiaries are present within the Company on the date when the performance conditions are measured.

The Executive Board determined, in accordance with the 25th resolution of the Combined General Shareholders' Meeting of June 21, 2016, the Stock Option Beneficiaries from among the Company's eligible senior management employees and executive officers and set the price for exercising Stock Options such that the exercise price is not less than 80% of the average stock prices across the twenty trading sessions preceding the day when the options were granted.

The Executive Board unanimously decided (i) to grant 41,917 free 2016-1 Stock Options and 20,958 free 2016-2 Stock Options to the 2016-1 Stock Option Beneficiaries and the 2016-2 Stock Option Beneficiaries, (ii) that exercised Stock Options will entitle their holders to new shares in the Company to be issued as an increase in capital (iii) to set the price for exercising Stock Options at 80% of the arithmetical mean of the weighted average stock prices across the twenty trading sessions preceding the grant date, namely EUR 15.79 per Stock Option.

By a decision of the Executive Board on January 10, 2017, the Executive Board observed that all Stock Option Beneficiaries had accepted their grants, as well as all of the respective terms and conditions of the plan rules.

ii. Grant of stock options to employees of the Company or its subsidiaries residing in the United States or otherwise subject to American laws, regulations, and taxes.

The Executive Board granted 10,500 options from among the Company's 175,000 new stock options authorized in the Combined General Shareholders Meeting of June 21, 2016 to employees of the Company or of its subsidiaries residing in the United States or otherwise subject to American laws, regulations, and taxes (the "**US Stock Option Beneficiaries**").

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

The Executive Board granted (i) 7,000 options from among the Company's 175,000 stock options authorized by the Combined General Meeting of June 21, 2016 to eligible senior management employees of the Company or of its subsidiaries residing in the United States or otherwise subject to American laws, regulations, and taxes (the "**US 2016-1 Stock Options**") and (ii) 3,500 options from among the Company's 175,000 stock options authorized by the Combined General Meeting of June 21, 2016 to eligible salaried senior management of the Company or of its subsidiaries residing in the United States or otherwise subject to American laws, regulations, and taxes (the "**US 2016-2 Stock Options**").

The Executive Board decided to grant 7,000 US 2016-1 Stock Options to two senior management employees of the Company or its subsidiaries (the "**US 2016-1 Stock Option Beneficiaries**") and 3,500 US 2016-2 Stock Options to two senior management employees of the Company or its subsidiaries (the "**US 2016-2 Stock Option Beneficiaries**").

- US 2016-1 Stock Options

The US 2016-1 Stock Options may not be exercised by their beneficiaries until the end of a period lasting three years following their granting (the "**US 2016-1 Vesting Period**"), provided that the performance conditions and presence condition described in the "US Stock Options for and Salaried Senior Management – SO 2016-1" plan rules have been followed.

The US 2016-1 Stock Options may be exercised after a period of seven years following the end date of the US 2016-1 Vesting Period.

The US 2016-1 Stock Options may only be exercised 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 US 2016-1 Stock Options also may only be exercised if the US 2016-1 Stock Option Beneficiaries are present within the Company on each date when the performance conditions are measured.

- US 2016-2 Stock Options

The US 2016-2 Stock Options granted to US 2016-2 Stock Option Beneficiaries may not be exercised by their beneficiaries until the end of a period lasting three years following their granting (the "**US 2016-2 Vesting Period**") provided that the performance conditions and presence condition described in the "US Stock Options for and Salaried Senior Management – SO 2016-2" plan rules have been followed.

The US 2016-2 Stock Options may be exercised after a period of seven years following the end date of the US 2016-2 Vesting Period.

The US 2016-2 Stock Options may only be exercised if the performance conditions were met as of December 15, 2019.

The US 2016-2 Stock Options also may only be exercised if the US 2016-2 Stock Option Beneficiaries are present within the Company on the date when the performance conditions are measured.

The Executive Board determined, in accordance with the 25th resolution of the Combined General Meeting of June 21, 2016, the Stock Option Beneficiaries from among the Company's or its subsidiaries' eligible senior management employees and set the price for exercising Stock Options such that the exercise price is not less than 80% of the average stock prices across the twenty trading sessions preceding the day when the options were granted. However, in order to comply with American "**ISO**" (Incentive Stock Options) tax rules, the exercise price may not be less than the fair market value of the stock at the time of grant, a value which is generally the last closing price available at the time of grant.

The Executive Board unanimously decided (i) to grant 7,000 free US 2016-1 Stock Options and 3,500 free US 2016-2 Stock Options, in accordance with the aforementioned plan rules, to the US 2016-1 Stock Option Beneficiaries and the US 2016-2 Stock Option Beneficiaries, (ii) that exercised Stock Options will entitle their holders to new shares in the Company to be issued as an increase in capital (iii) to set the price for exercising Stock Options at EUR 20.12 per Stock Option, which was the closing price of the Company's stock on December 14, 2016.

By a decision of the Executive Board on January 10, 2017, the Executive Board observed that all US Stock Option Beneficiaries had accepted their grants, as well as all of the respective terms and conditions of the plan rules.

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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 5th resolution, which we will give to you for your reading, and which was made available to you at our registered office for fifteen days prior to the Ordinary and Extraordinary Shareholders' Meeting on June 16, 2017 as required by law.

The Executive Board