

**English version for information purposes only**

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**GENFIT**

French corporation (*Société Anonyme*)  
governed by a Board of Directors  
with share capital of €9,714,654.25  
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 STOCK OPTIONS AT THE ORDINARY  
SHAREHOLDERS' MEETING  
OF JUNE 11, 2020**

Dear Shareholders,

As part of the Ordinary 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 it to grant stock options to all or part of the Company's employees and officers.

As a reminder:

- the Company's Combined General Shareholders' Meeting on June 15, 2018, in its 23<sup>rd</sup> resolution authorized the Board of Directors to grant stock options,
- the Company's Combined General Shareholders' Meeting on November 27, 2019, in its 8<sup>th</sup> resolution, authorized the Board of Directors to grant stock options.

Prior to the deliberations of the Ordinary Shareholders' Meeting, the Board of Directors wishes to bring to your attention certain details regarding the implementation of these delegations of authority which it has been granted.

To that end, the text of the 23<sup>rd</sup> resolution of the Company's Combined General Shareholders' 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. 225-177 to L. 225-185 of the French Commercial Code;*

1. Authorizes the Board of Directors 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 to the purchase of existing Company's shares resulting from buy-backs realized pursuant to applicable law, to the benefit of employees and executive officers of the Company or of the groups targeted in article L. 225-180 of the French Commercial Code, or of some of them, and thus approves the putting in place by the Board of Directors of one or more share subscription and/or purchase options plans within the frame 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 275,000 shares, that is, a maximum share capital increase of EUR 68,750; 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 Board of Directors, 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, pursuant to articles L. 225-208 and L. 225-209 of the French commercial Code;

5. Decides that the exercise price may be modified during the duration 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 French Commercial Code;

6. Acknowledges that, for the benefit of the beneficiaries of the options, the Shareholders' Meeting's decision automatically implies shareholders' renunciation 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 Board of Directors, 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 ones, applicable depending on the jurisdiction where the beneficiaries are located, notably, as far as the United States are concerned, article 422 of the 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 Board of Directors 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.*

*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 options to subscribe and/or purchase shares. This delegation therefore voids the delegation granted by the Shareholders' Meeting held on June 16, 2017 pursuant to its nineteenth resolution.*

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

To that end, the text of the 8<sup>th</sup> resolution of the Company's Combined General Shareholders' Meeting on November 27, 2019 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 articles L. 225-177 to L. 225-185 of the French Code de commerce;*

*1. Authorizes the Board of Directors 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 to the purchase of existing Company's shares resulting from buy-backs realized pursuant to applicable law, to the benefit of employees and executive officers of the Company or of the groups provided in article L. 225-180 of the French Code de commerce, or of some of them, and thus approves the putting in place by the Board of Directors of one or more share subscription and/or purchase options plans within the frame set out below;*

2. Decides that the options that may be granted pursuant to this authorisation will not give rights, upon exercise, to the subscription or purchase of a total number of shares exceeding 400,000 shares, that is, a maximum share capital increase of €100,000; 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 take into account 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 the allocation;

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 Board of Directors, 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; and (ii) only for stock options, lower than 80% of the average purchase price of the shares held by the Company, pursuant to articles L. 225-208 and L. 225-209 of the French Code de commerce;

5. Decides that the exercise price may be modified throughout the duration 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 French Code de commerce;

6. Acknowledges that, for the benefit of the beneficiaries of the options, the Shareholders' Meeting's decision automatically implies shareholders' renunciation 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 Board of Directors, 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 manager of the Company and of its subsidiaries shall be subject to;
- to require, 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 certain circumstances;
- when determining the features of each plan, to take into account legal requirements, notably tax ones, applicable depending on the jurisdiction where the beneficiaries are located, notably, as far as the United States are concerned, article 422 of the Federal Tax Code;
- at its sole initiative, deduct the capital increase expenses on 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 Board of Directors 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.*

*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 options to subscribe and/or purchase shares. This delegation therefore voids the delegation granted by the Shareholders' Meeting held on 15 June 2018 pursuant to its twenty-third resolution.*

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

#### **I- Use of 23<sup>rd</sup> resolution of the Company's Combined General Shareholders' Meeting on June 15, 2018**

On July 18, 2019, the Board of Directors, subdelegating to the Chairman and CEO<sup>1</sup> in accordance with the provisions set out by law, made use of these delegations to grant stock options to (i) employees and the executive officer 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 the executive officer of the Company.**

107,880 options were granted from among the Company's 275,000 new stock options authorized by the Combined General Meeting of June 15, 2018 (the "**2019 Stock Options**") to 18 employees and the Chairman and CEO of the Company (the "**2019 Stock Option Beneficiaries**").

The 2019 Stock Options may not be exercised by their beneficiaries until the end of a period ending on September 16, 2022 (the "**2019 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 2019" plan rules have been followed.

The 2019 Stock Options may be exercised after a period of seven years following the end date of the 2019 Vesting Period.

The 2019 Stock Options may only be exercised if the performance conditions are met as of July 31, 2022.

The 2019 Stock Options also may only be exercised if the 2019 Stock Option Beneficiaries are present within the Company on July 31, 2021.

The exercise price for exercising Stock Options was set at 80% of the arithmetical mean of the weighted average stock prices across the twenty trading sessions preceding the grant date, namely EUR 13,99 per Stock Option.

By a decision on August 30, 2019, the Chairman of the Board of Directors and CEO, acting on authorization from the Board of Directors, observed that all 2019 Stock Option Beneficiaries had accepted their grants, as well as all of the terms and conditions of the plan rules.

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<sup>1</sup> Before the decision of the Company to separate the roles of Chairman of the Board of Directors and Chief Executive Officer of Genfit SA with effect from September 16, 2019

**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.**

30,620 options were granted from among the Company's 275,000 new stock options authorized in the Combined General Shareholders Meeting of June 15, 2018 (the "**US 2019 Stock Options**") to 7 employees of the Company or of its subsidiaries residing in the United States or otherwise subject to American laws, regulations, and taxes (the "**US 2019 Stock Option Beneficiaries**").

The US 2019 Stock Options granted to US 2019 Stock Option Beneficiaries may not be exercised by their beneficiaries until the end of a period lasting until September 16, 2022 (the "**US 2019 Vesting Period**") provided that the performance conditions and presence condition described in the "US Stock Options for and Salaried Senior Management – SO 2019" plan rules have been followed.

The US 2019 Stock Options may be exercised after a period of seven years following the end date of the US 2019 Vesting Period.

The US 2019 Stock Options may only be exercised if the performance conditions were met as of July 31, 2022.

The US 2019 Stock Options also may only be exercised if the US 2019 Stock Option Beneficiaries are present within the Company on July 31, 2021.

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 price for exercising Stock Options at EUR16.90 per Stock Option, which was volume weighted average price of the Company's stock on that day preceding the date on which the stock options were granted, i.e., the volume weighted average price on July 17, 2019.

By decision on August 30, 2019, the Chairman of the Board of Directors and CEO, acting on authorization from the Board of Directors, observed that all US 2019 Stock Option Beneficiaries had accepted their grants, as well as all of the terms and conditions of the plan rules.

**II- Use of 8<sup>th</sup> resolution of the Company's Combined General Shareholders' Meeting on November 27, 2019**

On November 27, 2019, the Board of Directors, subdelegating to the CEO in accordance with the provisions set out by law, made use of these delegations to grant stock options to employees of the Company or its subsidiaries residing in the United States or otherwise subject to American laws, regulations, and taxes.

13,350 options were granted from among the Company's 400,000 new stock options authorized in the Combined General Shareholders Meeting of November 27, 2019 (the "**US 2019-2 Stock Options**") to 3 employees of the Company or of its subsidiaries residing in the United States or otherwise subject to American laws, regulations, and taxes (the "**US 2019-2 Stock Option Beneficiaries**").

The US 2019-2 Stock Options granted to US 2019-2 Stock Option Beneficiaries may not be exercised by their beneficiaries until the end of a period lasting until January 16, 2023 (the "**US 2019-2 Vesting Period**") provided that the performance conditions and presence condition described in the "US Stock Options for and Salaried Senior Management – SO 2019-2" plan rules have been followed.

The US 2019-2 Stock Options may be exercised after a period of seven years following the end date of the US 2019-2 Vesting Period.

The US 2019-2 Stock Options may only be exercised if the performance conditions were met as of January 9, 2023.

The US 2019-2 Stock Options also may only be exercised if the US 2019-2 Stock Option Beneficiaries are present within the Company on January 15, 2022.

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 price for exercising Stock Options at EUR14.31 per Stock Option, which was volume weighted average price of the Company's stock on that day preceding the date on which the stock options were granted, i.e., the volume weighted average price on November 26, 2019.

By decision on December 23, 2019, the CEO, acting on authorization from the Board of Directors, observed that all US 2019-2 Stock Option Beneficiaries had accepted their grants, as well as all of the terms and conditions of the plan rules.

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**The Board of Directors**