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Genkyotex secures an up to €7.5 million gross financing to further expand the development of its lead product

- ***Patient enrollment into the Phase 2 trial of GKT831 in Primary Biliary Cholangitis (PBC) has reached 86 patients and the Company expects to reach the number required for the interim analysis before the end of August***
- ***The Company secures a financing through the issuance of convertible notes with warrants attached (OCABSA) for up to €7.5 million in nominal value***
- ***Upon signing today the Company will receive €4.9 million and controls the right to call an additional €2.45 million from 80 to 95 days post transaction***
- ***The additional funding will support the design of an open label extension for the PBC Phase 2 and CMC activities for the announced NIH funded IPF Phase 2 trial***

Genkyotex (Euronext Paris & Brussels: FR00011790542 – GKTX), a biopharmaceutical company and the leader in NOX therapies (the "**Company**"), announces today that it has secured an up to 7.5 million gross financing through the issuance of notes convertible into shares with share subscription warrants attached to YA II PN, LTD, an investment fund managed by Yorkville Advisors Global LP, a U.S.-based management firm (the "**Investor**" or "**Yorkville**").

"We are focused on rapidly advancing our anti fibrotic Phase 2 asset GKT831, and this financing will support these efforts," said Elias Papatheodorou, Chief Executive Officer of Genkyotex. "Enrollment of our ongoing Phase 2 trial of GKT831 in Primary Biliary Cholangitis (PBC) has reached 86 patients, and to date no serious adverse events or liver-related adverse events have been reported. Interim results from this study are expected in the Fall of this year, and we are beginning to plan the Phase 3 program. The ongoing study is already fully financed, and considering the excellent safety profile exhibited to date, Genkyotex is planning to initiate an open label extension (OLE) study with this additional funding."

This additional financing will also allow to provide chemistry, manufacturing and controls (CMC) support for the recently announced NIH funded Phase 2 trial of GKT831 in patients with Idiopathic Pulmonary Fibrosis (IPF)."

Legal framework of the transaction

The Investor agreed to fund the Company in two tranches, up to € 7.5 million in nominal value (the "**Commitment**"), by subscribing up to 750 notes convertible into ordinary shares of Genkyotex (the "**Convertible Notes**" or "***OCA***") with share subscription warrants attached (the "**Warrants**" or "***BSA***") giving access to new shares ("***obligations convertibles en actions avec bons de souscription d'actions attachés***" or "***OCABSA***").

The Investor and the Company agreed that the number of Warrants attached to the Convertible Notes to be subscribed by the Investor shall be determined in order for the Company to receive proceeds for a total amount equal to 25% of the nominal amount of the Convertible Notes they were attached to, if all those Warrants are exercised.

The Company first issues to the Investor 500 Convertible Notes with Warrants attached for a nominal amount of €5 million (the "**First Tranche**") and will have the option, between 80 and 95 days after this first issuance, to request the Investor to subscribe to 250 additional Convertible Notes with Warrants attached for a nominal amount of €2.5 million (the "**Second Tranche**").

Altogether, the maximum issuance could thus reach a total cash contribution of €9.225 million: €7.35 million resulting from the conversion of all the Notes into shares and €1.875 million resulting from all the Warrants being exercised.

The Tranches will be fully subscribed by YA II PN, LTD, an investment fund managed by Yorkville Advisors Global LP, a U.S.-based management firm, within the framework of the 12th resolution of the shareholders' general meeting of the Company convened on June 13, 2018 (the "**Shareholders' Meeting**") which has authorized the board of directors of the Company (the "**Board of Directors**"), to issue shares and/or any securities giving access to the share capital or to debt securities of the Company without preferential subscription rights, to several categories of investors.

The maximum nominal amount of shares to be issued pursuant to such authorization is up to EUR 3,850,000, this limit being included in the global cap of EUR 3,850,000 provided for by the 15th resolution of the shareholders' meeting dated June 15, 2017. As of the date hereof, the abovementioned authorizations relating to the issuance of shares and debt securities have not been used by the Company.

In its meeting held on June 13, 2018 (the "**Board Meeting**"), the Board of Directors has approved the principle of issuing notes convertible into new shares with warrants attached giving access to new shares, within the limits of the authorization granted by the Shareholders' Meeting in its 12th resolution, and has granted all powers to the chief executive officer (the "**CEO**" or "***Directeur Général***") of the Company to issue, in two tranches, up to 750 notes convertible into new shares with warrants attached giving access to new shares up to a total principal amount of € 7.5 million.

The terms and conditions of this transaction, the main characteristics of each financial instrument, and the Investor's obligations are detailed as an appendix to the present press release.

This transaction is not subject to the filing of a prospectus with the AMF.

Indicative timetable

- Issuance on the date hereof, by the CEO of the Company, using the powers received from the Board of Directors, to the Investor of five hundred (500) Convertible Notes with Warrants attached for a total principal amount of €5 million.
- During a period starting on the eightieth (80th) calendar day from the signing date of the agreement with Yorkville and ending on the ninety-fifth (95th) calendar day from the signing date of the agreement with Yorkville, the Company will have the option to request, at its sole discretion, that the Investor subscribes to two hundred fifty (250) additional Convertible Notes with Warrants attached for a total principal amount of €2.5 million.

About Genkyotex

Genkyotex is the leading biopharmaceutical company in NOX therapies, listed on the Euronext Paris and Euronext Brussels markets. A leader in NOX therapies, its unique therapeutic approach is based on a selective inhibition of NOX enzymes that amplify multiple disease processes such as fibrosis, inflammation, pain processing, cancer development, and neurodegeneration.

Genkyotex's platform enables the identification of orally available small-molecules that selectively inhibit specific NOX enzymes. Genkyotex is developing a pipeline of first-in-class product candidates targeting one or multiple NOX enzymes. The lead product candidate, GKT831, a NOX1 and NOX4 inhibitor is evaluated in a phase II clinical trial in primary biliary cholangitis (PBC, a fibrotic orphan disease) and in an investigator-initiated Phase II clinical trial in Type 1 Diabetes and Kidney Disease (DKD). A grant from the United States National Institutes of Health (NIH) of $8.9 million was awarded to Professor Victor Thannickal at the University of Alabama at Birmingham (UAB) to fund a multi-year research program evaluating the role of NOX enzymes in idiopathic pulmonary fibrosis (IPF), a chronic lung disease that results in fibrosis of the lungs, the core component of the program will be to conduct a Phase 2 trial with the GKT831 in patients with IPF. This product candidate may also be active in other fibrotic indications. Its second product candidate, GKT771, is a NOX1 inhibitor targeting multiple pathways in angiogenesis, pain processing, and inflammation, currently undergoing preclinical testing.

Genkyotex also has a versatile platform well-suited to the development of various immunotherapies (Vaxiclase). A partnership covering the use of Vaxiclase as an antigen per se (GTL003) has been established with Serum Institute of India Private Ltd (Serum Institute), the world's largest producer of vaccine doses, for the development by Serum Institute of cellular multivalent combination vaccines against a variety of infectious diseases. This partnership could generate approximately €150 million in future revenues for Genkyotex, before royalties on sales.

***For further information, please go to** www.genkyotex.com.*

Disclaimer

This press release and the information it contains does not constitute an offer or solicitation to buy, sell or hold Genkyotex shares in any country, in particular any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or other qualification under the securities laws of any such jurisdiction.

This press release may contain forward-looking statements by the company with respect to its objectives. Such statements are based upon the current *beliefs, estimates and expectations of Genkyotex's management and are subject to risks and uncertainties such as the company's ability to implement its chosen strategy, customer market trends, changes in technologies and in the company's competitive environment, changes in regulations, clinical or industrial risks and all risks linked to the company's growth. These factors as well as other risks and uncertainties may prevent the company from achieving the objectives outlined in the press release and actual results may differ from those set forth in the forward-looking statements, due to various factors. Without being exhaustive, such factors include uncertainties involved in the development of Genkyotex's products, which may not succeed, or in the delivery of Genkyotex's products marketing authorizations by the relevant regulatory authorities and, in general, any factor that could affects Genkyotex's capacity to commercialize the products it develops. No guarantee is given on forward-looking statements which are subject to a number of risks, notably those described in the registration document (document de reference) registered by the French Markets Authority (the AMF) on 27 April 2018 under number R.18-037, and those linked to changes in economic conditions, the financial markets, or the markets on which Genkyotex is present. Genkyotex products are currently used for clinical trials only and are not otherwise available for distribution or sale.*

INVESTORS	MEDIA	US
NewCap Dušan Orešanský, Tristan Roquet Montégon and Emmanuel Huynh +33 1 44 71 94 92 genkyotex@newcap.eu	**ALIZE RP** Caroline Carmagnol +33 6 64 18 99 59 +33 1 44 54 36 65 genkyotex@alizerp.com	**LifeSci Advisors, LLC** Brian Ritchie +1-212-915-2578 britchie@lifesciadvisors.com

Characteristics and terms of the financing plan by issuance and subscription to Convertible Notes with Warrants attached

Legal framework of the transaction

In accordance with the provisions of article L. 225-138 of the French commercial code and the 12th resolution of the shareholders' general meeting of the Company convened on June 13, 2018, the CEO of the Company, using the powers received from the Board of Directors on June 13, 2018, has decided to issue today to the Investor 500 Convertible Notes with Warrants attached for a nominal amount of €5 million and, at the discretion of the Company, will have an option to request that the Investor subscribes to 250 additional Convertible Notes with Warrants attached for a nominal amount of €2.5 million (1).

Main characteristics of the Convertible Notes

The Convertible Notes have a par value of ten thousand Euros (€10,000) each will be issued at a subscription price per Convertible Note equal to 98% of their par value and amounting, in the aggregate, to a principal amount of four million nine hundred thousand Euros (€ 4,900,000).

The Convertible Notes may (i) be freely transferred or assigned by the Investor to any of its affiliates and (ii) not be transferred or assigned to any other third party without the prior written consent of the Company.

The Convertible Notes will not be listed or admitted to trading on the regulated markets of Euronext in Paris or Euronext in Brussels nor on any other financial market.

Each Convertible Note shall have a duration of twelve (12) months as from its date of issuance (the "**Maturity Date**"). If a Convertible Note has not been converted prior to its Maturity Date, the Company must redeem in cash the outstanding amount under the Convertible Note.

The Convertible Notes shall accrue no interest. However, in case of an Event of Default (2), each outstanding Convertible Note shall accrue interest at a rate of 15% p.a. from the date on which the Event of Default has occurred until the earlier of (i) the date the Event of Default is cured or (ii) the date on which it has been fully converted and/or redeemed.

The number of new shares issued by the Company to each Convertible Note holder upon conversion of one or several Convertible Notes will be calculated as the conversion amount divided by the applicable Conversion Price. The "**Conversion Price**" shall be equal to 92% of the average of the daily volume weighted average price of the shares on Euronext (as reported by Bloomberg) (the "**Daily VWAPs**") over the five (5) consecutive trading days expiring on the trading day immediately preceding the conversion date.

Main characteristics of the Warrants attached to the Notes

The number of Warrants attached to a tranche of Notes is calculated so that in case of exercise of all the Warrants, the resulting capital increase equals 25% of the nominal amount of the corresponding tranche of Notes.

The Warrants are immediately detached from the Notes. The Warrants shall (i) be freely transferred or assigned by the Investor to any of its affiliates and (ii) not be transferred or assigned to any other third party without the prior written consent of the Company.

The Warrants will not be listed or admitted to trading on the regulated markets of Euronext in Paris or Euronext in Brussels nor on any other financial market.

They can be exercised for a period of 5 years from their issuance (the "**Exercise Period**").

Each Warrant will give the right to its holder, during the Exercise Period, to subscribe to one new Company share (subject to certain potential adjustments (3)).

The Warrant Exercise Price shall be equal to 115% of the average of the Daily VWAPs of the shares over the five (5) consecutive trading days expiring on the trading day immediately preceding the relevant date to be considered in order to determine the Warrant Exercise Price on the Closing Date or on the Second Closing Date (as reported by Bloomberg).

For reference, based on the share's closing price on August 17, 2018 (i.e., €1.63), the theoretical value of a Warrant would be between €0.4258 and €0.4960 depending on the volatility applied (i.e., between 35% and 40%). The theoretical value of a Warrant is obtained using the Black & Scholes formula based on the following hypotheses:

- maturity: 5 years;
- risk-free interest rate: 0%;
- dividend payout rate: 0%.

New shares resulting from the conversion of Notes or the exercise of Warrants

The new shares issued upon conversion of Notes or exercise of Warrants will carry immediate and current dividend rights ("***jouissance courante***"). They will carry the same rights as those attached to the existing ordinary shares of the Company and will be admitted to trading on the regulated market of Euronext in Paris and Euronext in Brussels under the same listing line.

The Company will update on its website (www.genkyotex.com) a table of the outstanding Convertible Notes, Warrants and number of shares.

Theoretical impact of the issuance of the Convertible Notes with Warrants attached (based on the Company share's closing price on August 17, 2018, i.e., €1.63)

For illustration purpose, the impact of the issuance of the Convertible Notes with Warrants attached would be as follows:

- Impact of the issuance on the shareholders' equity per share (based on the shareholders' equity as at 31 December 2017, i.e., €23'535'218.11, and the number of shares making up the Company's share capital as at August 17, 2018, i.e., 77'850'006 shares):

	Shareholders' equity per share as of December 31, 2017 (in euros)			
	Non-diluted basis		Diluted basis(1)	
	1st tranche	Total tranches	1st tranche	Total tranches
Before issuance	0.30		0.34	
After issuance 3'334'223 (1st tranche) or of 5'001'334 (Total tranches) new shares resulting from the conversion of the Notes	0.35	0.37	0.38	0.40
After issuance of 666'667 (1st tranche) or of 1'000'000 (Total tranches) new shares resulting from the exercise of the Warrants	0.32	0.32	0.35	0.36
After issuance of 4'000'890 (1st tranche) or of 5'999'206 (Total tranches) new shares resulting from the conversion of the Notes and from the exercise of the Warrants	0.36	0.39	0.39	0.42

(1) assuming the exercise of all the dilutive instruments existing to date that could result in the creation of an indicative maximum of 1'482'153 new shares.

- Impact of the issuance on the investment of a shareholder currently holding 1% of the Company's share capital (based on the number of shares making up the Company's share capital as at August 17, 2018, i.e., 77'850'006 shares):

	Shareholder's stake (in %)			
	Non-diluted basis		Diluted basis (1)	
	1st tranche	Total tranches	1st tranche	Total tranches
Before issuance	1.00		0.98	
After issuance of 3'334'223 (1st tranche) or of 5'001'334 (Total tranches) new shares resulting from the conversion of the Notes	0.96	0.94	0.94	0.92
After issuance of 666'667 (1st tranche) or of 1'000'000 (Total tranches) new shares resulting from the exercise of the Warrants	0.99	0.99	0.97	0.97
After issuance of 4'000'890 (1st tranche) or of 5'999'206 (Total tranches) new shares resulting from the conversion of the Notes and from the exercise of the Warrants	0.95	0.93	0.93	0.91

(1) assuming the exercise of all the dilutive instruments existing to date that could result in the creation of an indicative maximum of 1'482'153 new shares.

Investor's Commitments

From the Closing Date until the full conversion and/or redemption of all the outstanding Convertible Notes, the Investor covenants and undertakes:

- not to request any mandate at the Board of Directors;
- not to hold at any time a number of shares higher than 4.99% of the outstanding number of shares of the Company. For the sake of clarity, while calculating this ratio, only shares already issued shall be taken into account, potential shares resulting from the conversion of outstanding Convertible Notes held by the Investor or the exercise of outstanding Warrants held by the Investor shall not be taken into account.

Notes

(1) Conditions to a Tranche

- no Material Adverse Change shall have occurred;
- the closing price on the day prior to the funding of the requested Tranche shall be of EUR 1.00 (subject to adjustments resulting from share consolidation or share split) or greater;
- the average daily value of the shares traded during the five Trading Days prior to the funding of the requested Tranche shall be of EUR 100,000 or greater (as reported by Bloomberg);
- no event that constitutes an Event of Default and no triggering event that would constitute an Event of Default if not cured during the applicable cure period, if any, shall be in existence at the time of funding of any Tranche;
- no suspension of the trading of the shares on Euronext (other than intra-day suspension at the request of the Company or of Euronext under Euronext rules) shall have occurred over the ninety (90) preceding calendar days;
- the number of Shares authorized, available and approved for issuance to the Investor shall be at least equal (a) to twice the number of the shares to be issued based on the Conversion Price as calculated on the day of sending of the request upon conversion of the maximum amount of Convertible Notes to be issued for the applicable Tranche, increased, as the case may be, by the amount of any other outstanding Convertible Notes; and (b) to the number of shares to be issued upon exercise of the maximum number of Warrants to be issued for the applicable Tranche, increased, as the case may be, by the number of any other outstanding Warrants.

(2) The cases of **default** include in particular the delisting of the Genkyotex shares and certain cases of change of control of the Company.

(3) The cases of **potential adjustments** include, in particular, the issuance of securities with preferential subscription rights, the incorporation to the capital of reserves, profits or premiums, benefits or premiums via an increase in the nominal value of shares, the free allocation of shares to the shareholders, the stock split or reverse stock split or any absorption, merger, demerger transaction entered into by the Company with one or several other companies.