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Genkyotex Extends Conversion Period for Outstanding €1.6 Million Convertible Debt by 12 Months

- ***Yorkville continues to support Genkyotex and its development plans***
- ***The Company has purchased back from remaining existing convertible notes of €1.6 million and issued new convertible notes for equivalent***

Genkyotex (Euronext Paris & Brussels: FR0013399474 – GKTX), a biopharmaceutical company and the leader in NOX therapies, announced today that it agreed with Yorkville Advisors Global, a U.S.-based investment manager (“Yorkville” or the “Investor”), on a 12-month extension of the conversion period for its remaining €1.6 million convertible notes held by Yorkville. This has been achieved by Genkyotex buying-back from Yorkville on August 19, 2019 its remaining €1.6 million convertible notes due August 20, 2019, and simultaneously issuing to Yorkville new convertible notes equivalent to the remaining existing convertible notes and due August 20, 2020.

Elias Papatheodorou, CEO of Genkyotex, commented: “We are very pleased by this 12-month period extension, which will provide us with increased financial flexibility as we continue to formulate the development plan for our lead product candidate, setanaxib. Data generated to date for this promising asset have demonstrated that setanaxib could become an important therapeutic solution in multiple inflammatory and fibrotic indications. As such, we intend to further evaluate setanaxib in late-stage clinical trials in order to bring it to patients in need as expeditiously as possible.”

“This extension agreement is indicative of our continued support of Genkyotex and its corporate strategy,” said Saad Gilani, Head of Healthcare Investments at Yorkville. “Based on the clinical data generated to date, we see the potential of Setanaxib to be a treatment in several inflammatory and fibrotic conditions.”

Legal framework of the transaction

The Investor agreed to sell on August 19, 2019 (the “Closing Date”) to Genkyotex its remaining €1.6 million convertible notes due August 20, 2019 (the “2018 OCA”), and simultaneously subscribe by way of set-off to 160 notes convertible into ordinary shares of Genkyotex, due 20 August 2020, in a single tranche of € 1.6 million in nominal value (the “Commitment”) corresponding to the value of and with terms and conditions equivalent to the remaining 2018 OCA (the “Convertible Notes” or “OCA”).

The OCA tranche has been fully subscribed by YA II PN, LTD, an investment fund managed by Yorkville Advisors Global LP, within the framework of the 16th resolution of the shareholders’ general meeting of the Company convened on June 13, 2019 (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 4,000,000, this limit being included in the global cap of EUR 4,000,000 provided for by the 21th resolution of the shareholders' meeting dated June 13, 2019. The abovementioned authorizations relating to the issuance of shares and debt securities have not been used by the Company before August 19, 2019.

In its meeting held on August 5, 2019 (the "Board Meeting"), the Board of Directors has approved the principle of purchasing back the outstanding 160 2018 OCA issued to Yorkville on August 20, 2018 (but not the attached warrants issued on such same date which shall remain held by the Investor) and, within the limits of the authorization granted by the Shareholders' Meeting of June 13, 2019 in its 16th resolution, has granted all powers to the chief executive officer (the "CEO" or "Directeur Général") of the Company to issue 160 notes convertible into new shares giving access to new shares for a total principal amount of € 1.6 million.

The terms and conditions of this transaction, the main characteristics of the 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 August 19, 2019, by the CEO of the Company, using the powers received from the Board of Directors, to the Investor of 160 Convertible Notes for a total principal amount of €1.6 million.

About Genkyotex

Genkyotex is the leading biopharmaceutical company in NOX therapies, listed on the Euronext Paris and Euronext Brussels markets. Its unique platform enables the identification of orally available small-molecules which selectively inhibit specific NOX enzymes that amplify multiple disease processes such as fibrosis, inflammation, pain processing, cancer development, and neurodegeneration. Genkyotex is developing a pipeline of first-in-class product candidates targeting one or multiple NOX enzymes. The lead product candidate, setanaxib (GKT831), a NOX1 and NOX4 inhibitor has shown evidence of anti-fibrotic activity in a Phase II clinical trial in primary biliary cholangitis (PBC, a fibrotic orphan disease) and Genkyotex is planning to initiate a Phase III clinical trial in PBC following its positive Phase II results. setanaxib is also being evaluated 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 setanaxib in patients with IPF. This product candidate may also be active in other fibrotic indications.

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.

For further information, please go to www.genkyotex.com or investors@genkyotex.com



Disclaimer

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 affect 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 26 April 2019 under number R.19-014, 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.

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

Legal framework of the transaction

In accordance with the provisions of article L. 225-138 of the French commercial code and the 16th resolution of the shareholders' general meeting of the Company convened on June 13, 2019, the CEO of the Company, using the powers received from the Board of Directors on August 5, 2019, has decided to issue on August 19, 2019 to the Investor 160 Convertible Notes for a nominal amount of €1.6 million by way of set-off against the receivable corresponding to the prior sale for an amount of €1.6 million by the Investor to the Company of 160 2018 OCA issued on August 20, 2018.

Main characteristics of the Convertible Notes

The Convertible Notes have a par value of ten thousand Euros (€10,000) each are being issued at a subscription price per Convertible Note equal to 100% of their par value and amounting, in the aggregate, to a principal amount of € 1,600,000.

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.

New shares resulting from the conversion of Notes

The new shares issued upon conversion of Notes 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 and number of shares.

Theoretical impact of the issuance of the Convertible Notes (based on the Company share's closing price on August 16, 2019, i.e., €3.850)

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

- Impact of the issuance on the shareholders' equity per share (based on the shareholders' equity as at 31 December 2018, i.e., €14'441'775.00, and the number of shares making up the Company's share capital as at August 16, 2019, i.e., 8'245'483 shares):

	Shareholders' equity per share as of December 31, 2018 (in euros)	
	Non-diluted basis	Diluted basis ⁽¹⁾
Before issuance	1.75	2.22
After issuance of 451'722 new shares resulting from the conversion of the Notes	1.84	2.27

(1) assuming the exercise of all the dilutive instruments existing to date that could result in the creation of an indicative maximum of 800'707 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 16, 2019, i.e., 8'245'483 shares):

	Shareholder's stake (in %)	
	Non-diluted basis	Diluted basis ⁽¹⁾
Before issuance	1	0.91
After issuance of 451'722 new shares resulting from the conversion of the Notes	0.95	0.87

(1) assuming the exercise of all the dilutive instruments existing to date that could result in the creation of an indicative maximum of 800'707 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 sell any share of the Company for a period of thirty (30) days as from the Closing Date;
- 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 issued by the Company on August 20, 2018 and 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 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.

(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.