



Sensorion strengthens its financial structure with the exercise of the second tranche of its financing agreement

- *Exercise of a second tranche of €3 million of Notes with Warrants*
- *Issuance of an additional 500 Tranche Warrants as agreed in the original November 2015 contract*

Montpellier, August 17, 2016 – Sensorion (FR0012596468 – ALSEN), a biotech company specializing in the treatment of inner ear diseases, today announced the exercise of a second tranche of convertible notes with warrants attached was fully subscribed by a fund managed by US investment manager Yorkville Advisors Global, LP (the “Investor”) and the issuance of 500 additional Tranche Warrants.

Strengthening of the financial structure to support Sensorion’s Research & Development efforts

In accordance with the original issuance contract signed on November 19, 2015, and following the vote by the Shareholder’s on April 29, 2016, Sensorion (the “Company”) today issued 500 warrants giving access to convertible notes (the “Notes”) with share subscription warrants attached (the “Warrants”) (together the “Notes with Warrants”) (the “Tranche Warrants”) for the Investor. Simultaneously, the Investor has today exercised, at the Company’s request, 300 Tranche Warrants from those issued in November 2015 resulting in the issuance of €3 million of Notes with Warrants to support the Company’s Research & Development efforts, in particular its clinical programs.

The exercise of the second tranche of Tranche Warrants has been made possible due to changes in the contract’s terms and conditions, which are only valid for the present tranche and a potential additional tranche of €1 million of Notes with Warrants, which the Company could issue within 60 to 90 days of the present second tranche.

Specifically, the Investor waived – only for these 2 tranches – (i) the clause stating a minimum share price and (ii) the clause stating that the maximum amount for a tranche should be a multiple of average daily liquidity. In addition, the Investor agreed on a different calculation of the Warrant Exercise Price for the Warrants attached to the Notes of the second Tranche (and the potential third tranche of €1 million), which would now be equal to 125% of the Market Price on the date of the applicable Request instead of 115% as stated in the original contract. The number of Warrants created for the second tranche and the potential third tranche will still be calculated in accordance with the original calculation method.

Taking into account the 300 Tranche Warrants exercised on November 19, 2015 and the 300 Tranche Warrants exercised today, the remaining 1,400 Tranche Warrants (900 Tranche Warrants issued on November 19, 2015 and 500 Tranche Warrants issued today) enable the issuance, on or before November 18, 2018, in several successive tranches that will be issued at the Company’s sole discretion (subject to the fulfillment of certain conditions), of a total nominal amount of €14 million.

At present, all Notes from the 1st tranche have been converted, resulting in the creation of 502,206 shares.

The terms and conditions of these transactions, the characteristics of each financial instrument and the Company’s and the Investor’s obligations are detailed below. The Company will publish and update a table of the outstanding Tranche Warrants, Notes, Warrants and number of shares on its website (www.sensorion-pharma.com).

Upcoming events

- Participation in the Rodman & Renshaw global investment conference, on September 11-13 (New York)
- Participation in the Sachs Biotech Forum, on September 27-28 (Basel)
- Participation in the Midcap Event conference, on October 5-6 (Paris)
- Publication of 2016 first-half results, on October 31 (after market)
- Participation in the BIO Europe conference, on November 7-9 (Cologne)
- Participation in the Actionaria trade fair, on November 18-19 (Paris)



About Sensorion

Spun off from Inserm (the French institute of health and medical research) in 2009, Sensorion is a biotech company that specializes in the treatment of pathologies of the inner ear such as acute vertigo, tinnitus and hearing loss. The Company has substantial pharmaceutical R&D experience and a comprehensive technological platform for developing easy-to-take (notably orally) first-in-class drug candidates for treating hearing loss and the symptoms of vertigo or tinnitus, for preventing complications associated with progressive lesions in the inner ear and for preventing the toxicity of chemotherapy in the inner ear. Based in Montpellier, southern France, Sensorion receives financial support from Bpifrance, through the InnoBio fund, and Inserm Transfert Initiative.

For more information: www.sensorion-pharma.com

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Disclaimer

This press release contains certain forward-looking statements concerning Sensorion and its business. Such forward-looking statements are based on assumptions that Sensorion considers to be reasonable. However, there can be no assurance that such forward-looking statements will be verified, which statements are subject to numerous risks, including the risks set forth in the prospectus on which the French Financial Market Authority (AMF) granted its visa n° 15-114 on March 27, 2015 and to the development of economic conditions, financial markets and the markets in which Sensorion operates. The forward-looking statements contained in this press release are also subject to risks not yet known to Sensorion or not currently considered material by Sensorion. The occurrence of all or part of such risks could cause actual results, financial conditions, performance or achievements of Sensorion to be materially different from such forward-looking statements.

This press release and the information that it contains do not constitute an offer to sell or subscribe for, or a solicitation of an offer to purchase or subscribe for, Sensorion shares in any country. The communication of this press release in certain countries may constitute a violation of local laws and regulations. Any recipient of this press release must inform oneself of any such local restrictions and comply therewith.

Characteristics, terms and conditions of the financing through the issuance of warrants giving access to convertible notes with share subscription warrants attached implemented on November 19, 2015 and modified on August 16, 2016

Sensorion (the “Company”) issued today 1,500 warrants giving access to convertible notes (the “Notes”) with share subscription warrants attached (the “Warrants”) (together the “Notes With Warrants”) (the “Tranche Warrants”). 500 additional Tranche Warrants have been issued today following authorization by the Shareholders during the Shareholders’ meeting held on April 29, 2016. 300 Tranche Warrants have been exercised on November 19, 2015. 300 Tranche Warrants have been exercised on August 16th, 2016, at the Company’s request, resulting in the issuance today of a second tranche of €3 million of Notes With Warrants.

The remaining 1,400 outstanding Tranche Warrants enable the issuance, on or before November 18, 2018 (“the Commitment Period”), in several successive tranches that will be issued at the Company’s sole discretion (subject to the fulfillment of certain conditions) of a total nominal amount of €14 million.

It being specified that the initial 1,500 Tranche Warrants have been fully subscribed by a fund managed by Yorkville Advisors Global, LP (the “Investor”) within an issuance reserved to a category of persons and the additional 500 Tranche Warrants have been fully subscribed by the Investor within an issuance specifically reserve to him.

Terms and conditions of the transaction

Legal framework of the transaction

The Shareholder’s meeting held on September 12, 2014 has granted the Board of Directors, with right to sub-delegate, in its 28th resolution, a delegation of authority in order to issue securities composed of debt instruments giving immediate or deferred access to the share capital of the Company, with warrants attached, with cancelation of the shareholders’ preferential subscription right for the benefit of a category of persons pursuant to Art. L. 225-138 of the French Commercial Code and more specifically for the benefit of US investment management companies or investment funds whose management company is US based, and for individual investments of more than €50,000.

Further to and within the limits of the authorization granted by the shareholder’s meeting in its 28th resolution, the Board of Directors, in a meeting held on November 16, 2015, has approved the principle of issuing warrants giving access to notes convertible into new shares, representing a maximum total bond debenture of €15 million, with attached warrants giving access to new shares, and has consequently granted to the CEO all powers to decide and implement the issue of 1,500 Tranche Warrants for the benefit of the Investor as well as the exercise of 300 Tranche Warrants representing €3 million through the subscription, by the Investor of 300 Notes With Warrants.

The Shareholder’s meeting held on April 29, 2016 has granted the Board of Directors, with right to sub-delegate, in its 19th resolution, a delegation of authority in order to issue to the Investor 500 free Tranche Warrants and has cancelled the shareholders’ preferential subscription right for the benefit of the Investor.

Further to and within the limits of the authorization granted by the shareholder’s meeting in its 19th resolution, the Board of Directors, in a meeting held on July 18, 2016, has approved the principle of issuing warrants giving access to notes convertible into new shares, representing a maximum total bond debenture of €5 million, with attached warrants giving access to new shares, and has consequently granted to the CEO all powers to decide and implement the issue of 500 Tranche Warrants for the benefit of the Investor as well as the exercise of 300 Tranche Warrants representing €3 million through the subscription, by the Investor of 300 Notes With Warrants.

The Board of Directors will decide the exercise of further Tranche Warrants during upcoming meetings, subject to meeting certain covenants.

It being specified that this issuance will not give rise to the filing of a prospectus with the AMF.

Main characteristics of the Tranche Warrants

The Tranche Warrants, having a validity until November 18, 2018, oblige their holder, upon request of the Company and subject to the fulfillment of certain covenants⁽¹⁾, to subscribe to new Notes With Warrants, at a parity of 1 new Note With Warrants per Tranche Warrant exercised. The Company shall therefore be able to request the exercise of the Tranche Warrants in order to allow the Notes With Warrants issuance in several tranches of a maximum of €4 million each.

The Tranche Warrants shall not be transferred by their holder without prior consent of the Company, will not be subject to a request for admission to trading on the Alternext Paris market and will therefore not be listed.

Main characteristics of the Notes With Warrants

- **Main characteristics of the Notes**

The Notes will have a nominal value of €10,000 each and will be issued at 97.5% of such nominal value. They will not bear interest and will have a maturity of 12 months as from issuance date. In case of default⁽²⁾ or if any Note remain unconverted at maturity, such Notes shall be redeemed by the Company.

The Notes may be converted into shares at any time at their holder's discretion according to the following conversion ratio:

$N = V_n / P$ (for Notes attached to the initial 1,500 Tranche Warrants) or $N=V_n/P'$ (for Notes attached to the potential additional 500 Tranche Warrants to still be authorized) where:

“N”: number of Sensorion SA new ordinary shares to be issued upon conversion of one Note;

“ V_n ”: amount of debt represented by the Note (nominal value of one Note)

“P”: the higher of:

- 95% of the lowest daily VWAP of Sensorion SA' share over the pricing period, (i.e. those trading days during which the Note holder will not have sold shares among the ten (10) trading days immediately preceding the conversion request of the Note);
- 70% of the average VWAP of Sensorion SA' share over the twenty (20) trading days immediately preceding the conversion request of the Note, divided by 97.5%, such amount being the lowest issue price as authorized by the Shareholders' meeting of Sept. 12, 2014 in its 28th resolution. It being specified that 97.5% of “P” cannot be lower than the nominal value of a share.

“P'”: 95% of the lowest daily VWAP of Sensorion SA' share over the pricing period, (i.e. those trading days during which the Note holder will not have sold shares among the ten (10) trading days immediately preceding the conversion request of the Note, it being specified that 97.5% of “P'” cannot be lower than the nominal value of a share.

The Notes, which shall be transferable, will not be subject to a request for admission to trading on the Alternext Paris market and will therefore not be listed.

- **Main characteristics of the Warrants**

The number of Warrants to be issued upon the issuance of each tranche of the Notes With Warrants will be such that, multiplied by the exercise price of the Warrants (determined as described below), the resulting amount shall be equal to 25% of the nominal amount of the tranche, i.e. for the first tranche of €3 million, an amount of €750,000, and for the subsequent tranches of a maximum of €4 million, a maximum amount of €1 million.

The Warrants will immediately be detached from the Notes and will be freely transferable as from their issuance. They will be exercisable during a 5-year period starting on their issuance date (the “Exercise Period »). Each Warrant will give right to its holder, during the exercise Period, to subscribe to one (1) new Sensorion SA' share, subject to certain potential adjustments⁽³⁾.

The exercise price of the Warrants will be equal to:

- For the first tranche, at €12.68 (i.e. 125% of the lowest daily VWAP of Sensorion SA's share over the ten (10) trading days immediately preceding November 19, 2015).

- For the following tranches, 115% of the lowest daily VWAP of Sensorion SA' share over the ten (10) trading days immediately preceding the exercise date of the Tranche Warrants giving rise to the issuance of the Notes from which the Warrants are detached.
It being specified that for the initial 1,500 Tranche Warrants, such exercise price shall be at least equal to 70% of the average VWAP of Sensorion SA' share over the twenty (20) trading days immediately preceding the exercise date of the Tranche Warrant giving rise to the issuance of the Notes from which the Warrants are detached. Such amount being the lowest issue price as authorized by the Shareholders' meeting of Sept. 12, 2014 in its 28th resolution.

Exception:

- The exercise price of the Warrants from the second tranche of 300 Tranche Warrants will be equal to 7,31 € (or 125% of the lowest daily VWAP of Sensorion SA's share over the ten (10) trading days immediately preceding August 16, 2016)
- The exercise price of the Warrants from the optional third tranche of Tranche Warrants to be exercised within 60 to 90 coming days (and within a limit of 100 Tranche Warrants) will be equal to 125% of the lowest daily VWAP of Sensorion SA's share over the ten (10) trading days immediately preceding the exercise date of the Tranche Warrants giving rise to the issuance of the Notes from which the Warrants are detached, it being specified that such Warrant exercise price shall in no event be lower than € 7,31

The Warrants will not be subject to a request for admission to trading on the Alternext Paris market and will therefore not be listed.

As a guideline, based on the closing price of Sensorion's shares on August 15, 2016 (i.e., € 6,28), the theoretical value of a Warrant works out between € 1,05 and € 2,14, depending on the volatility adopted (i.e., between 25% and 45%). The theoretical value of a Warrant is obtained by using the Black & Scholes method based on the following assumptions:

- Maturity: 5 years,
- Risk free interest: 0,1150%,
- Dividend payment rate: 0%.

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

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 Alternext Paris market under the same listing line (ISIN FR0012596468).

The Company will publish and update on its website a table of the outstanding Tranche Warrants, Notes, Warrants and number of shares.

Commitment of the Investor

Until the latest of (i) the end of the Commitment Period and (ii) the full conversion and/or redemption of all the outstanding Notes, the Investor committed:

- not to hold at any time a number of Shares higher than 2.99% of the outstanding number of Shares of the Issuer;
- not to request any seat at the Board of Directors of the Issuer.

The Investor commits not to convert any Notes issued under the first Tranche issued today until December 10, 2015

Theoretical future impact of the Notes With Warrants issue (based on the closing price as of August 15, 2016, i.e. € 6,28)

For illustration purpose, the impact of the issuance of the second tranche's or all the outstanding tranches' Notes With Warrants would be as follows:

- Impact of the issuance on the shareholders' equity per share (on the basis of shareholders' equity as of December 31, 2015 and of the number of shares composing the Company's share capital as of August 16, i.e. 6.386.196 shares)

	Shareholders' equity per share (in €)			
	Non-diluted basis		Non-diluted basis ⁽⁴⁾	
	1 st tranche	All tranches	1 st tranche	All tranches
Before issuance	2,01		2,52	
After the issuance of a maximum of 614 456 (2 nd tranche) or of 3 445 717 (all tranches) new shares resulting from the conversion of all the Notes and the exercise of all the Warrants	2,38	3,47	2,80	3,68
After the issuance of a maximum of 502 849 (2 nd tranche) or of 2 849 480 (all tranches) new shares resulting from the conversion of all the Notes only	2,30	3,23	2,74	3,47
After the issuance of a maximum of 111 607 (2 nd tranche) or of 596 237 (all tranches) new shares resulting only from the exercise of all the Warrants	2,10	2,46	2,59	2,87

⁽⁴⁾ Diluted basis taking into account Warrants and BSPCE (warrants to the benefit of employees) granted to employees, managers and Directors enabling the issue of a maximum of 1,034,938 new shares

- Impact of the issuance on the stake of a shareholder currently owning 1% of the share capital of the Company:

	Shareholders' stake (in %)			
	Non-diluted basis		Non-diluted basis ⁽⁴⁾	
	1 st tranche	All tranches	1 st tranche	All tranches
Before issuance	1%		0,86%	
After the issuance of a maximum of 614 456 (2 nd tranche) or of 3 445 717 (all tranches) new shares resulting from the conversion of all the Notes and the exercise of all the Warrants	0,91%	0,65%	0,79%	0,59%
After the issuance of a maximum of 502 849 (2 nd tranche) or of 2 849 480 (all tranches) new shares resulting from the conversion of all the Notes only	0,93%	0,69%	0,81%	0,62%
After the issuance of a maximum of 111 607 (2 nd tranche) or of 596 237 (all tranches) new shares resulting only from the exercise of all the Warrants	0,98%	0,91%	0,85%	0,80%

⁽⁴⁾ Diluted basis taking into account Warrants and BSPCE (warrants to the benefit of employees) granted to employees, managers and Directors enabling the issue of a maximum of 1.034.938 new shares

(1) Covenants to request the exercise of Tranche Warrants

- no Material Adverse Change shall have occurred;
- the closing price on the day prior to the sending of the Request shall be of EUR 6.50 greater;
- 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 shall be in existence at the time of each Request or at the time of funding of any Tranche;
- no impossibility for the Note holders to exercise their right to convert the Notes shall have occurred over the ninety (90) calendar days preceding the sending of a Request;
- no suspension of the trading of the Shares on Alternext (other than intra-day suspension at the request of Euronext under Alternext rules) shall have occurred over the ninety (90) calendar days preceding the sending of a Request (including the date of the sending of the Request);
- no more than thirty-six (36) months shall have expired from the Issuance Date;
- post subscription of the Tranche being requested by the Issuer, the Investor shall not hold more than 9.99% of the then resulting outstanding number of Shares of the Issuer neither directly nor indirectly through the ownership of both Shares and Notes (for the sake of clarity, the latest shall be calculated by dividing the outstanding aggregate principal amount of the Notes held by the Investor post subscription of the said Tranche by the applicable Conversion Price);
- the Issuer shall have at least:
 - a. two (2) times coverage of Shares (based on the Conversion Price as calculated on the day of sending of the Request) authorized, available and approved for issuance to the Investor upon conversion of the maximum amount of Notes to be issued for the applicable Tranche; and
 - b. one (1) time coverage of Shares authorized, available and approved for issuance to the Investor upon exercise of the maximum number of Warrants to be issued for the applicable Tranche.

(2) Events of default include specifically the suspension of the trading of the Shares on Alternext (other than intra-day suspension at the request of Euronext under Alternext rules) that shall have occurred over the ninety (90) calendar days preceding the sending of a Request (including the date of the sending of the Request);

(3) Events of adjustment:

- issuance, with a preferential subscription right to existing shareholders, of securities,
- increase in share capital by capitalization of reserves, profits or share premia, and by distribution of bonus shares, or the subdivision or consolidation of Shares,
- in the event that a nominal value is assigned to the Shares, an increase in share capital of the Issuer, without issuing Shares, by capitalization of reserves, profits or share premia by increasing the nominal value of the Shares,
- distribution of reserves in cash or in kind or a share premium,
- allotment of bonus financial instruments other than Shares,
- merger by acquisition (*fusion par absorption*), merger (*fusion par création d'une nouvelle société*), spin-off, division (*scission*) of the Issuer,
- buy-back of own Shares at a price that is higher than the Share price,
- distribution of exceptional dividends,
- amortization in share capital of the Issuer,
- modification of the Issuer's allocation of its profits,