*This offer and Offeror's Draft Prospectus remain subject to examination by the French financial markets authority (Autorité des Marchés Financiers – AMF)*

*This Offeror's Draft Prospectus is not to be disseminated in countries other than France*

**SIMPLIFIED PUBLIC TENDER OFFER**

relating to the shares of the Company


initiated by


sponsored by

ALANTRA

Offeror's Draft Prospectus of Sangamo Therapeutics, Inc.

**PRICE OF THE OFFER**
€2.58 per share

**OFFER TERM**
15 trading days

The timetable of this tender offer will be determined by the French Financial Markets Authority or *Autorité des marchés financiers* (**AMF**) in accordance with its General Regulations.

This Offeror's Draft Prospectus (the "**Offeror's Draft Prospectus**) was prepared and filed with the AMF on 2 October 2018, in accordance with articles 231-13, 231-16 and 231-18 of the AMF's General Regulations.

**THIS OFFER AND OFFEROR'S DRAFT PROSPECTUS REMAIN SUBJECT TO EXAMINATION BY THE AMF.**

**Important notice**

In the event that the number of shares presented in the Offer by the Company's minority shareholders does not represent more than 5% of the Company's share capital and voting rights, Sangamo Therapeutics, Inc. intends to implement, within three months of the close of the Offer, in accordance with articles L. 433-4 III of the French Monetary and Financial Code and 237-14 et seq. of the General Regulations of the French Financial Markets Authority (**AMF**), a squeeze-out procedure, in order that the Shares not tendered in the Offer are transferred to it in consideration of the price of the Offer, €2.58 per Share.

This Offeror's Draft Prospectus is available on the AMF's website (www.amf-france.org) and on Sangamo Therapeutics Inc.'s (www.sangamo.com) and may be obtained free of charge upon request from Alantra: 6 Rue Lamennais, 75008 Paris, France.

In accordance with article 231-28 of the AMF's General Regulations, other information relating to the characteristics, including legal, financial and accounting, of Sangamo Therapeutics, Inc. will be filed with the AMF and made available to the public under the same conditions no later than the day before the opening of the Offer. A press release will be issued in accordance with the provisions of Article 221-3 of the AMF General Regulation to inform the public of the procedures for making these documents available.

## Table of contents

## 1. PRESENTATION OF THE OFFER

In accordance with Title III of Book II, in particular articles 231-13, 233-1, paragraph 2, and 234-2 of the AMF's General Regulations of the AMF, Sangamo Therapeutics, Inc., C corporation incorporated under the laws of Delaware, having its registered office located at 501 Canal Blvd, Richmond, CA 94804, United States of America (hereinafter "**Sangamo"** or the "**Offeror**"), irrevocably offers to the shareholders of TxCell, French public limited company with board of directors, with share capital of €5,090,180.60, having its registered office located at Les Cardoulines, Allée de la Nertière, Sophia Antipolis, 06560 Valbonne, France, registered on the Grasse Trade and Companies Register under the number 435 361 209, and whose shares are admitted to trading in the C compartment of the regulated market of Euronext in Paris (hereinafter "**Euronext Paris**") under the ISIN code FR0010127662 (ENXTPA: TXCL) (hereinafter "**TxCell"** or the "**Company**"), to acquire all the shares issued or to be issued of the Company that are not already held by the Offeror or that are not subject to a liquidity mechanism at the price of €2.58 per share and according to the conditions set out in this Offeror's Draft Prospectus (hereinafter the "**Offer**"). In accordance with article 237-14 of the AMF's General Regulations, this Offer may be followed, if applicable, with a squeeze-out procedure.

The Offer follows up on the acquisition by the Offeror, on 1 October 2018, by way of the off-market acquisition of blocks, of a total of 13,519,036 shares of the Company representing, to the best of the Offeror's knowledge, 52,96% of the share capital and 52,96% of the voting rights of the Company on a fully diluted basis on the date of the Offeror's Draft Prospectus.

The Offer covers all the shares of the Company issued or to be issued upon exercise of the 50,000 share warrants giving access to 50,000 shares of the Company (the "**BSA**") and not held by the Offeror, with the exception of the 453.232 free shares acquired subject to a liquidity mechanism as mentioned in section 2.4 below[1], *i.e.* a total number of 11,528,635 Shares, it being specified that the holders of the warrants have undertaken to exercise said warrants and to contribute the shares thus subscribed to the Offer.

The Offeror is not acting in concert with a third party or a shareholder of the Company.

In accordance with articles 233-1 et seq. of the AMF's General Regulations, the simplified offer procedure will be used for the Offer.

The Offer will be open during a period of fifteen (15) trading days.

In accordance with article 231-13 of the AMF's General Regulations, the Offer is sponsored, on behalf of the Offeror, by Alantra, which guarantees the content and the irrevocable nature of the commitments made by the Offeror in connection with the Offer.

In accordance with article 261-1 of the AMF's General Regulations, the Company's board of directors has appointed, in a decision adopted on 20 July 2018, HAF Audit & Conseil, represented by Olivier Grivillers, as independent financial expert (the "**Independent Expert**") for the purposes of issuing a notice on the Offer's financial conditions.

The information relating to the characteristics, including legal, financial and accounting, of the Offeror will be filed with the AMF and made available to the public no later than the day of the opening of the Offer, in accordance with the provisions of article 231-28 of the AMF's General Regulations.

### 1.1. Context and reasons for the Offer

#### 1.1.1. Context of the Offer

The Offer is subsequent to Sangamo having exceeded the 50% threshold of the Company's share capital and voting rights, which, in accordance with a share purchase agreement dated 20 July 2018 (the "**Purchase Agreement**"), gives rise to Sangamo acquiring, on 1 October 2018, a total of 13,519,036 shares of the Company (representing, to the best of the Offeror's knowledge, 52.96%

[1] It is specified that 23,750 Free Shares also covered by the Liquidity Agreement will be definitively acquired at a later date and are therefore not covered by the Offer either.

of the share capital and 52.96% of the voting rights of the Company, on a fully diluted basis at the date of the Offeror's Draft Prospectus) through the off-market acquisition of blocks of shares (the "**Off-market Acquisition**") from the following persons (together, the "**Transferring Shareholders**"):

- 389,291 shares from François Meyer (chairman of the Company's board of directors);

- 33,000 shares from Stéphane Boissel (Company's CEO);

- 4,162,619 shares from FCPR Auriga Ventures II, a venture capital fund, represented by its management Company Auriga Partners, a French public limited company whose registered office is located at 18, avenue Matignon, 75008 Paris, France, and registered on the Paris Trade and Companies Register under the number 419 156 351;

- 2,488,290 shares from Bpifrance Participations, a public limited company, whose registered office is located at 27-31, avenue du Général Leclerc – 94710 Maisons-Alfort Cedex and is registered on the Créteil Trade and Companies Register under the number 509 584 074;

- 61,837 shares from Mister Gilbert Gerber ;

- 2,146,666 shares from YA II PN, LTD, a Cayman Islands public limited company, whose registered office is located at Maples Corporate Services, Ugland House, George Town, Grand Cayman, and whose principal place of business is located at 1012 Springfield Avenue Mountainside, NJ 07092, United States of America;

- 3,793,835 shares from FCPR Innobio, a venture capital fund, represented by its management Company Bpifrance Investissement, a Simplified Joint Stock Company (*société par actions simplifiée*), whose registered office is located at 27-31 avenue du Général Leclerc, 94700 Maisons Alfort, France, and registered on the Créteil Trade and Companies Register under the number 433 975 224;

- 295,688 shares from FCPR BIOAM, a venture capital fund, represented by its management Company Bpifrance Investissement, a Simplified Joint Stock Company (société par actions simplifiée) under French law, whose registered office is located at 27-31 avenue du Général Leclerc, 94700 Maisons Alfort, France, and registered on the Créteil Trade and Companies Register under the number 433 975 224; and

- 147,810 shares from FCPR BIOAM 1B, a venture capital fund, represented by its management Company Bpifrance Investissement, a Simplified Joint Stock Company (*société par actions simplifiée*), whose registered office is located at 27-31 avenue du Général Leclerc, 94700 Maisons Alfort, France, and registered on the Créteil Trade and Companies Register under the number 433 975 224.

The completion of the transfer provided for in the Off-market Acquisition was subject to several customary conditions precedent, including (i) obtaining the necessary regulatory approvals, (ii) compliance with the change of control clauses stipulated in several contracts entered into between the Company and its main partners, (iii) obtaining an opinion from the Independent Expert on the fairness of the Offer, and (iv) obtaining a reasoned opinion from the Company's board of directors recommending the Offer. These conditions have all been lifted or satisfied prior to the completion of the Off-market Acquisition.

On 23 July 2018, TxCell and Sangamo issued a joint press release announcing the signature of the Purchase Agreement, and consequently the filing intention by Sangamo, subject to the completion of the Off-market Acquisition, of a simplified public tender offer relating to the Company's Shares' balance on the same financial terms as those offered to the Transferring Shareholders.

Immediately before the Off-market Acquisition, the Company's share capital and voting rights were broken down as follows (on a fully diluted basis):

| Shareholders | Number of shares | % of the share capital | Number of voting rights | % of voting rights |
|---|---|---|---|---|
| FCPR AURIGA VENTURES II | 4,162,619 | 16.31% | 4,162,619 | 16.31% |
| FCPR BIOAM | 295,688 | 1.16% | 295,688 | 1.16% |
| FCPR BIOAM 1B | 147,810 | 0.58% | 147,810 | 0.58% |
| FCPR INNOBIO | 3.793,835 | 14.86% | 3,793.835 | 14.86% |
| Bpifrance Participations | 2,488,290 | 9.75% | 2,488,290 | 9.75% |
| YA II PN, LTD | 2,146,666* | 8.41% | 2,146,666 | 8.41% |
| Gilbert Gerber | 61,837 | 0.24% | 61,837 | 0.24% |
| Stéphane Boissel (CEO) | 271,100** | 1.06% | 271,100 | 1.06% |
| François Meyer (Chairman of the board of directors) | 389,291*** | 1.53% | 389,291 | 1.53% |
| Other shareholders | 11,528,635**** | 45.17% | 11,528,635 | 45.17% |
| Employees (free shares) | 238,882***** | 0.94% | 238.882 | 0.94% |
| **TOTAL** | **25,524,653** | **100%** | **25,524,653** | **100%** |

* includes 1,866,666 shares upon conversion of 28 convertible bonds into shares immediately prior to the completion of the Off-market Acquisition, the remaining 28 convertible bonds having been redeemed
** includes 185,400 free shares already definitively acquired and 52,700 free shares to be acquired on the date of completion of the Off-market Acquisition due to the change of control of the Company
*** includes 274,040 shares resulting from the exercise of share warrants immediately prior to the completion of the Off-market Acquisition
**** includes 50,000 shares resulting from the exercise of the warrants
****** includes 153,029 free shares already definitively vested, 62,103 to be acquired on the date of completion of the Off-market Acquisition as a result of the change of control and 23,750 to be definitively acquired later at the end of the applicable vesting period.

The Purchase Agreement stipulates price conditions equal to those of the Offer, i.e. a price of €2.58 per share of the Company.

Under the terms of the Purchase Agreement, the Transferring Shareholders have made a certain number of commitments and, as such, TxCell's board of directors has noted the resignation of Bpifrance Investissements, Bpifrance Participations, Auriga Partners and David Horn Solomon as members of the board of directors, Laurent Arthaud and Laurent Higueret as non-voting board members of the Company, and is recomposed by co-opting Kathy Yi, Duncan McKay, Heather Turner and Rolf Andrew Ramelmeier to replace these four resigning board members.

On 1 October 2018, when carrying out the Off-market Acquisition, Sangamo acquired 13,519,036 shares from the Transferring Shareholders for the total price of 34,879,112.88 euros.

The Purchase Agreement does not provide for acquisition earn-outs.

After the Off-market Acquisition, the Company's share capital and voting rights were broken down as follows (on a fully diluted basis):

| Shareholders | Number of shares | % of the share capital | Number of voting rights | % of voting rights |
|---|---|---|---|---|
| Sangamo | 13,519,036 | 52.96% | 13,519,036 | 52.96% |
| Stéphane Boissel (CEO) | 238,100* | 0.93% | 238,100 | 0.93% |
| Other shareholders | 11,528,635** | 45.17% | 11,528,635 | 45.17% |
| Employees (free shares) | 238,882*** | 0.94% | 238,882 | 0.94% |
| **TOTAL** | **25,524,653** | **100.00%** | **25,524,653** | **100.00%** |

* all of these 238,100 free shares are definitively acquired on the date of completion of the Off-market Acquisition and are subject to a Liquidity Contract
** includes 50,000 shares resulting from the exercise of the warrants
*** includes 215,132 free shares definitively acquired on the date of completion of the Off-market Acquisition and 23,750 which will be definitively acquired later at the end of the applicable acquisition period, it being specified that all 238,882 free shares are subject to a Liquidity Contract

Before the Off-market Acquisition, neither the Offeror, nor any of the companies belonging to the Offeror's group held, directly or indirectly, shares of the Company.

In accordance with articles 223-11 et seq. of the AMF's General Regulations and with articles L. 233-7 et seq. of the French Commercial Code, on 1 October 2018, Sangamo represented and warranted to the AMF and to the Company that, because of the Off-market Acquisition, it had, on 1 October 2018, exceeded all the legal thresholds up to 50% (inclusive) of the Company's share capital and voting rights, and declared its intentions concerning the Company. These representations will give rise to a notice published by the AMF.

During the twelve months preceding the date of the Offeror's Draft Prospectus, the Offeror and its controlling shareholders did not acquire any shares of the Company, other than those referred to above.

Both the signing of the Purchase Agreement and the carrying out of the Off-market Acquisition were the subject of a press release jointly published by the Company and the Offeror, respectively on 23 July 2018 and 1 October 2018.

On the date of the Offeror's Draft Prospectus, Sangamo held 13,519,036 shares of the Company (representing 52.96 % of the share capital and 52.96 % of the voting rights[2] of the Company).

Consequently, the Offer covers all the Company's ordinary shares of the Company issued or to be issued following the exercise of the 50,000 warrants and not held by the Offeror on the date of filing of the Offeror's Draft Prospectus, with the exception of the 453,232 free shares acquired which are subject to a liquidity mechanism as mentioned in section 2.4 below[3] (the "**Shares**"), *i.e.*, to the knowledge of the Offeror, 11,528.635 Shares, representing 45.17% of the share capital and 45.17% of the voting rights of the Company on a fully diluted basis corresponding to a total number of shares of the Company amounting to 25,524,653 (thus taking into account (i) the final acquisition of the 23.750 free shares not yet definitively acquired at the date of the Offeror's Draft Prospectus, and (ii) the exercise of the 50,000 warrants), at a price per share of 2.58 euros, identical to that paid to the Selling Shareholders for the Off-market Acquisition.

It is first of all indicated that the holders of the 50,000 warrants have undertaken to exercise said warrants and to tender the shares thus subscribed to the Offer.

Moreover, it is indicated that a total of 476,982 free shares of the Company, including, at the date of the Offeror's Draft Prospectus, 453,232 free shares already definitively acquired and 23.750 free shares that will be acquired and issued subsequently at the end of the applicable vesting period (together the "**Free Shares**"), are not concerned by the Offer insofar as these shares will not be transferred by the beneficiaries during the Offer's opening period, in accordance with the agreements concluded between the Offeror and the holders of Free Shares. In this respect, the Free Shares are the subject of liquidity contracts entered into by the Offeror with each of the beneficiaries of the Free Shares (together, the "**Liquidity Contract**"), providing in particular for:

(i) a call option granted by each of the holders of the Free Shares to the Offeror exercisable within two months following the second anniversary of their respective acquisition date (the "**Contractual Transferability Date**") (subject to the terms and conditions of the Liquidity Contract relating to a possible squeeze-out set out in section 1.1.2.4.5), and

[2] On a non-fully diluted basis and on the basis in particular of information published by the Company on its website on 30 September 2018 in accordance with article 223-16 of the AMF's General Regulations
[3] It is specified that a total of 23,750 Free Shares also subject to Liquidity Agreements will be definitively acquired at a later date at the end of the applicable acquisition period, and are therefore not covered by the Offer either.

(ii) a put option granted by the Offeror to each of the holders of the Free Shares, exercisable within two months following the end of the exercise period of the call option.

The exercise price per share of the options is calculated on the basis of (i) a price of €2.58 per Free Share, and (ii) the evolution of Sangamo's share price between the date of signature of the Purchase Agreement and the date of implementation of the promise provided for in the Liquidity Contract.

On 20 July 2018, TxCell and Sangamo entered into a Tender Offer Agreement relating to the Company's Shares, as amended on 1 October 2018, providing in particular for:

- the conditions under which the Offeror would proceed with the Offer;
- the Company's corporate governance commitments;
- commitments to conduct the Company's business in the normal course of business;
- representations and warranties relating to the Company's capital, assets, activities and more generally its legal, financial and accounting position have been granted to the Offeror.

On September 17, 2018, the Board of Directors of TxCell, present or represented, unanimously indicated that it considers the Offer to be in the best interests of the Company, its shareholders and employees, and issued a reasoned opinion to that effect, recommending that TxCell shareholders tender their shares to the Offer.

It is in this context that, on 2 October 2018, Alantra filed on behalf of Sangamo the Offeror's Draft Prospectus concerning the Shares in accordance with articles 233-1 and 234-2 of the General Regulations of the AMF.

From filing the Offeror's Draft Prospectus with the AMF and until the opening of the Offer, the Offeror reserves the right to acquire Shares, within the limits specified in article 231-38 IV of the General Regulations of the AMF, *i.e*. in this case, 3,443,590 Shares.

In connection with preparing the Off-market Acquisition and this Offer, the Offeror had access, during June and July 2018 to a limited amount of information on the Company and its subsidiaries as part of a Data Room procedure. The Offeror believes that besides the information that is in the public domain or that is mentioned in this Offeror's Draft Prospectus, it has not, in connection with preparing the Offer, been aware of specific information concerning TxCell that, if it were made public, would be likely to have a sizeable influence on the price of the Shares.

On the date of this Offer Document, to the knowledge of the Offeror, the breakdown of TxCell's share capital and voting rights, on a non-diluted basis, are as follows:

| Shareholders | Number of shares | % of the share capital | Number of voting rights | % of voting rights |
|---|---|---|---|---|
| Sangamo* | 13,972,268 | 54.90% | 13,972,268 | 54.90% |
| Other shareholders | 11,478,635 | 45.10% | 11,478,635 | 45.10% |
| **TOTAL** | 25,450,903 | 100% | 25,450,903 | 100% |

* Including the 453,232 Free Shares definitively acquired as of the date of this Offeror's Draft Prospectus and covered by Liquidity Contracts, held by Sangamo pursuant to the assimilation provided for in Article L 233-9, I, 4° of the French Commercial Code

### 1.1.2. Reasons for the Offer and intentions of the Offeror over the next twelve months

#### 1.1.2.1. Description of TxCell's activity

TxCell is a biotechnologies company that develops innovative customised T cell immunotherapies for the treatment of severe inflammatory and autoimmune diseases addressing an unmet medical need.

The cell immunotherapy can be described as a treatment based on the administration to patients of cells from the immune system with the purpose of either stimulating their immune system in order, for example, to kill cancer cells, or inhibiting it, by eliminating an inflammation or inducing immune tolerance, for example. These cell immunotherapy treatments can be customised by using the patient's own cells (autologous treatment), which increases safety, and targeted through their antigenic specificity (natural or through genetic modification) in order to target specific tissue or pathogenic cells.

The large majority of antigen-specific cell immunotherapy treatments currently under development are based on effector T cells, whose role is to stimulate the immune system in order to combat a pathogen. These immunotherapies based on effector T cells are used to combat cancers or infectious diseases. In this high growth sector, the Company has positioned itself differently by developing antigen-specific cell immunotherapy treatments based on regulatory T cells. The Company targets transplantation as well as various autoimmune diseases (related to T cells or B cells), such as multiple sclerosis, rheumatoid arthritis, inflammatory bowel diseases or inflammatory skin diseases.

Until 2015, TxCell's technology was based solely on naturally antigen-specific type-1 Tregs (Tr1) (Ag-Tregs). The Company's developments regarding these Tregs are based on the Company's historic technological platform ASTrIA (Antigen-Specific Tregs for Inflammation and Autoimmunity). In 2011, the Company obtained an initial clinical approval with a drug candidate coming from this platform.

In 2015, TxCell diversified its technological base by developing a second-generation regulatory T cell platform called ENTrIA (Engineered Tregs for Inflammation and Autoimmunity) This platform is based on genetically modified Treg cells in which the antigenic specificity is introduced by genetic engineering enabling to add a chimeric antigen receptor (CAR). These cells have been called CAR-Tregs. TxCell also began to work with other Treg cell populations, including CD4+ FoxP3+ Tregs and CD8+ FoxP3+ Tregs. In 2016, in view of manufacturing difficulties encountered on the first-generation platform, TxCell suspended development and decided to concentrate its efforts on its second-generation genetically modified Treg cell platform, considered by pharmaceutical and biotech companies, and by specialised investors, as being a more promising technology in light of the opportunities now offered by genetic engineering. As a result, the names ASTrIA and ENTrIA have been replaced by a single platform of genetically modified Tregs.

To further its new scientific approach, TxCell associated with leading academic laboratories in order to develop some of its programmes. The purpose of these partnerships is to provide TxCell with intellectual property, new product ideas, rights and data on potential new generations of Tregs (agreement with the University of Nantes and INSERM), or a command of animal models and an understanding of relevant clinical problems.

The Company's most advanced CAR-Treg product candidate, named TX200, is a CAR-Treg targeting the HLA-A2 antigen usually involved in the donor/recipient incompatibility observed during transplants. It is composed of a subpopulation of genetically modified Tregs CD4+ FoxP3+. This product is under development for the prevention of chronic rejection after organ transplantation. UBC, the Company's academic partner in this program, published in 2017 additional positive preclinical proof-of-concept results obtained in a preclinical graft-versus-host disease (GvHD, Graft versus host disease) model.

In 2017, the Company completed the development and optimization of its first-generation production process for its proprietary CAR-Treg technology. In February 2018, the Company began transferring the CAR-Treg cell manufacturing process to Lonza, the CMO in charge of TX200 GMP production, for a first clinical study planned for 2019 to prevent chronic rejection after organ

transplantation.

In addition, in vitro and in vivo studies conducted by the Company in 2017 show promising preliminary results for CAR-Treg technology in relevant models of autoimmune diseases, such as multiple sclerosis.

#### 1.1.2.2. Description of Sangamo's activity

The Offeror is focused on the development of human therapeutics for diverse diseases with well-characterized genetic causes. The Offeror has several proprietary clinical and preclinical product candidates in development and have strategically partnered certain programs with biopharmaceutical companies to obtain funding and to expedite clinical and commercial development.

The Offeror has an ongoing Phase 1/2 clinical trial evaluating SB-525, a gene therapy for the treatment of hemophilia A, a bleeding disorder. The Offeror also has an ongoing Phase 1/2 clinical trials evaluating three product candidates using our proprietary in vivo genome editing approach: SB-FIX for the treatment of hemophilia B, a bleeding disorder; SB-318, for the treatment of Mucopolysaccharidosis Type I, or MPS I; and SB-913 for the treatment of Mucopolysaccharidosis Type II, or MPS II. MPS I and MPS II are rare lysosomal storage disorders, or LSDs. In addition, the Offeror has an ongoing Phase1/2 clinical trial evaluating ST-400, developed using our proprietary ZFN-mediated ex vivo cell therapy platform, for the treatment of beta-thalassemia, a blood disorder.

The Offeror recently announced positive preliminary data from the Phase 1/2 clinical trial evaluating SB-525, or the Alta study. In the Alta study, SB-525 has been generally well tolerated to date with no treatment-related serious adverse events and no use of tapering courses of oral steroids. The fifth patient in the Alta study, the first at the third dose level, was treated in June and has achieved therapeutic Factor VIII activity levels (Epidemiological data indicate that Factor VIII activity above 12% of normal is associated with substantial reduction or elimination of spontaneous bleeds and factor usage. Den Uijl IE et al Haemophilia 2011; 17(6):849-53). A dose dependent effect has been observed in the Alta study, with patients in the second dose cohort reporting reduced use of factor replacement.

In addition, the Offeror recently reported preliminary 16 weeks data from the CHAMPIONS Study evaluating SB-913 for MPS II. The data reported included 16 weeks reductions in urinary glycosaminoglycans (GAGs), a key biomarker of Mucopolysaccharidosis Type II (MPS II) disease pathophysiology, in Cohort 2 of the study. SB-913 is a zinc finger nuclease (ZFN) in vivo genome editing product candidate being evaluated for the treatment of MPS II, also known as Hunter syndrome. In Cohort 2 at 16 weeks post-dosing, mean reductions were observed in total urinary GAGs, dermatan sulfate, and heparan sulfate of 51%, 32%, and 61%, respectively.

The Offeror recently began enrolling our first patients into the Phase 1/2 clinical trials evaluating SB-318 for the treatment of MPS I and ST-400 for the treatment of beta-thalassemia. In addition, the Offeror has proprietary preclinical and discovery stage programs in other LSDs, hematological disorders and monogenic diseases, including certain central nervous system, or CNS, disorders, cancer immunotherapy, immunology and infectious disease.

The Offeror's acquisition of TxCell would accelerate its entry into the clinic with a CAR-Treg (which is a regulatory T cell, or Treg, genetically modified with a chimeric antigen receptor, or CAR) therapy. In addition, the Offeror intends to use its ZFN gene editing technology to potentially develop next-generation autologous and allogeneic CAR-Treg cell therapies for use in treating autoimmune diseases.

In February 2018, the Offeror entered into a global collaboration and license agreement with Kite Pharma, Inc., or Kite, a wholly owned subsidiary of Gilead Sciences, Inc., for the research, development and commercialization of potential engineered cell therapies for cancer. In this collaboration, we are working together with Kite on a research program under which we are designing ZFNs and AAVs to disrupt and insert certain genes in T cells and natural killer, or NK,

cells, including the insertion of genes that encode chimeric antigen receptors, T-cell receptors, and NK-cell receptors directed to mutually agreed targets.

In December 2017, the Offeror entered into a research collaboration and license agreement with Pfizer Inc., or Pfizer, for the development and commercialization of potential gene therapy products that use ZFP TFs to treat amyotrophic lateral sclerosis, or ALS, and frontotemporal lobar degeneration, or FTLD, linked to mutations of the C9ORF72 gene. Under this agreement, we are working with Pfizer on a research program to identify, characterize and preclinically develop ZFP TFs that satisfy pre-agreed criteria. Pfizer is responsible for subsequent development, manufacturing and commercialization of licensed products.

In May 2017, the Offeror entered into a global collaboration and license agreement with Pfizer for the research, development and commercialization of SB-525, our gene therapy product candidate for hemophilia A, and closely related products. Under this agreement, we are responsible for conducting the Phase 1/2 clinical trial and certain manufacturing activities for SB-525, while Pfizer is responsible for subsequent worldwide development, manufacturing, marketing and commercialization of SB-525. We and Pfizer may also collaborate in the research and development of additional AAV-based gene therapy products for hemophilia A.

The Offeror has also established a collaborative partnership with Bioverativ, a Sanofi company, or Bioverativ, to research, develop and commercialize therapeutic gene-edited cell therapy products in hemoglobinopathies, including beta-thalassemia and sickle cell disease, or SCD. Bioverativ is responsible for subsequent development, manufacturing and commercialization of licensed products.

#### 1.1.2.3. Reasons for the offer

The Offeror reminds readers that the Offer is friendly in nature.

Thanks to a particularly competent and experienced team, TxCell is a leading player of the emerging market of the development of cell immunotherapy treatments based on regulatory T cells (Tregs) for the treatment of autoimmune diseases. Autoimmune diseases are a priority area for Sangamo's portfolio of products under development.

Sangamo plans to assess the potential of CAR Tregs to prevent rejection in the case of transplants of solid organs as well as for the treatment of autoimmune diseases, such as Crohn’s disease or multiple sclerosis. Preclinical studies have led to a proof of concept showing that CAR Treg cells targeting a specific antigen had a powerful local immunosuppressive effect, which operated only on the targeted tissues. Conversely, monoclonal antibody-based drugs or small anti-TNF alpha molecule-based drugs available on the market trigger general and non-targeted immunosuppression.

According to Sangamo, the acquisition of TxCell will enable it to put a CAR-Treg programme into clinical phase more quickly. Sangamo plans to file a clinical trial request for Europe in 2019, concerning TxCell’s first CAR Treg cell-based candidate product for solid organ transplants with a view to launching a study later in the year. Sangamo intends to use its zinc finger nucleases (ZFN)-based gene editing technique to develop the next generation of autologous and allogeneic CAR-Treg cell treatments for the treatment of autoimmune diseases.

At this stage, the Offeror is not able to quantify the synergies that could be realised following Sangamo’s and the Company’s merger.

On September 17, 2018, the Board of Directors of TxCell at the unanimity of the votes of its members present or represented indicated that it considers the Offer is in the best interests of the Company, its shareholders and employees, and issued a reasoned opinion to that effect, recommending that TxCell shareholders tender their shares to the Offer.

#### 1.1.2.4. Intentions of the Offeror over the next twelve months

##### 1.1.2.4.1. Strategy - industrial and commercial policy

Thanks to TxCell's teams, the Offeror's strategy is to integrate the Company's activities within its own activities as quickly as possible. This approach will, in particular, consist of combining TxCell's expertise in developing regulatory T cell (Tregs)-based cell immunotherapies and Sangamo's experience in the field of gene editing technologies.

#### 1.1.2.4.2. Offeror's intentions in terms of jobs

The Offeror aims to draw on the teams in place to continue TxCell's development.

The Offer is in line with the intention of continuing and developing the Company and should therefore not have any particular effect on the policy conducted by the Company in terms of jobs. The Offeror supports the management policy in terms of employee-related relations and human resources currently in place within the Company.

Moreover, Sangamo intends to maintain the current location of the Company's operational centres.

#### 1.1.2.4.3. The Company's board of directors and management

Following the Off-market Acquisition, the composition of TxCell's board of directors was revised to reflect its new shareholder structure. On the date that the Off-market Acquisition was carried out, on 1 October 2018, in accordance with the Purchase Agreement, Bpifrance Investissements, Bpifrance Participations, Auriga Partners and David Horn Solomon resigned as members of the board of directors, and Laurent Arthaud and Laurent Higueret as non-voting board members of the Company. At its meeting of 1 October 2018, the board of directors co-opted Kathy Yi, Duncan McKay, Heather Turner and Rolf Andrew Ramelmeier as new members of TxCell's board of directors.

#### 1.1.2.4.4. Intentions regarding legal reorganisation (including mergers)

Following the Offer period and depending on its outcome, the Offeror will examine the different legal and financial structures that can be considered in order to facilitate and optimise TxCell's operational and administrative incorporation within Sangamo. The conditions of these possible transactions will be subject, to the extent required by the regulations in force, to the AMF review.

#### 1.1.2.4.5. Intentions concerning the listing of the Company following the Offer

Squeeze-out

In accordance with articles 237-14 et seq. of the general regulations of the AMF, the Offeror intends to apply to the AMF, within three months of the close of the Offer, for the implementation of a squeeze-out procedure concerning the Shares not tendered to the Offer by the minority shareholders in the event that their number does not represent more than 5% of TxCell's share capital or voting rights (with the exception of Free Shares that are the subject of a Liquidity Contract described in section 2.4 of this Offer Document, subject, however, to the hypothesis mentioned below). If applicable, such a procedure will be implemented at the price of €2.58 per Share. The report of the Independent Expert appointed in accordance with article 261-1, paragraphs I and II of the General Regulations of the AMF in order to assess the fairness, from a financial perspective, of the Offer possibly followed by a squeeze-out, is included in the reply document prepared by TxCell.

Under the conditions provided for in articles 236-1 et seq. and 237-1 et seq. of the General Regulations of the AMF, the Offeror also reserves the right, in the event that a squeeze-out is not implemented as provided by the preceding paragraph and that the Offeror subsequently holds at least 95% of the Company's voting rights, to file with the AMF a draft buyout offer, followed by a squeeze-out procedure in the event that the Shares held by the minority shareholders represent no more than 5% of the Company's share capital or voting rights. In this case, the squeeze-out will be subject to control by the AMF, which will rule on its compliance in view, in particular, (i) of the valuation of the Shares concerned of the Company that will be provided by the Offeror and (ii) of a new report of the independent expert appointed in accordance with the applicable regulation.

In the event that all the aforementioned conditions are met, the Offeror will apply to the AMF for a

squeeze-out concerning the Shares.

It is specified that under the Liquidity Contract, each beneficiary of Free Shares has, in particular, granted to the Offeror a call option concerning the Free Shares that it holds and that would be acquired, in the event that the acquisition by the Offeror of these Free Shares would enable the Offeror to exceed the threshold, enabling it to trigger a squeeze-out procedure. In this case only, the Liquidity Contract provides that if Sangamo exercises the call option concerning these Free Shares, the exercise price of the option will be increased by the estimated additional tax cost incurred by the beneficiary of the said Free Shares.

Delisting

The Offeror reserves the right to request the delisting of the Shares from the regulated market Euronext Paris.

Such a delisting could take place, in particular, under the conditions set out in Article P. 1.4.2 of Book II of the Euronext Market Rules, following a simplified public offer, if (i) Sangamo held at least 90% of the Company's voting rights on the date of the delisting request, (ii) the total amount traded on the Company's shares over the last 12 (calendar) months preceding the delisting request represented less than 0,5% of the Company's market capitalization, (iii) the delisting request was filed after a period of 180 days (calendar days) had elapsed since any public offer prior to this Offer, (iv) Sangamo undertook for a period of 3 months from the closing of the Offer, to acquire, at a price equal to that of the Offer, the shares of minority shareholders that were not tendered to the Offer, and (v) Sangamo undertook, for a transition period of an annual financial year following the year during which the delisting of the Company took effect, to publish any crossing it would make up to or below the 95% threshold of the Company's share capital or voting rights, and not to propose directly or indirectly to the agenda of a general meeting of the Company's shareholders the modification of its corporate form to become a simplified joint stock company.

It is recalled that under Article 6905/1 and seq. of the Euronext harmonised market rules, Euronext Paris may delist securities admitted to its markets at the written request of the issuer, which must indicate the reasons for its request. Euronext Paris is only likely to accept such a request if the liquidity of the shares is significantly reduced at the end of the Offer and if delisting is not contrary to the interests of the market, and in compliance with Euronext Paris' market rules. Euronext Paris could thus decide not to delist shares as requested by an issuer if such delisting would prejudice the fair, orderly and efficient functioning of the market. Euronext Paris may also make a delisting of the shares subject to any additional conditions it finds appropriate.

#### 1.1.2.4.6. Intentions concerning the dividend policy

The Offeror does not intend to implement a dividend distribution policy.

The Offeror cannot currently determine what the Company’s dividend distribution policy could be in the future, it being specified that the Company has not distributed dividends since its creation.

#### 1.1.2.4.7. Advantages of the transaction for the Company and shareholders

The Offer gives the holders of Shares the opportunity to obtain immediate liquidity of their Shares at a very attractive price. TxCell’s incorporation within a larger organisation will enable it to benefit from a more extensive development platform and more resources, and will give TxCell the possibility of continuing the development of the Treg cell-based cell immunotherapies and to experiment with them using gene editing technologies.

The Offer Price reflects premiums of 177.4% - 165.0% - 149.4% - 126.6% - 70.2% compared with the average price of the Shares (volume weighted average) for the periods of one, twenty, sixty, one hundred and twenty, and two hundred and fifty trading days until 20 July 2018 included, last trading day of TxCell Shares before the publication of a news release by Sangamo announcing the signature of the Purchase Agreement.

### 1.2. Agreement that could have a material impact on the assessment of the Offer or its outcome

An agreement relating to the Offer (the Tender Offer Agreement, as defined in section 1.1.1) was entered into on 20 July 2018 between the Company and the Offeror, establishing the main terms of the Offer.

With the exception of what was mentioned in this Offeror's Draft Prospectus, in particular concerning the Purchase Agreement, the Tender Offer Agreement and the Liquidity Contracts described in section 1.1.1, the Offeror is not party to any agreement likely to have a material impact on the assessment of the Offer or on its outcome.

More particularly, there is no agreement providing for the payment by the Offeror of acquisition earn-outs to Transferring Shareholders in connection with the Off-market Acquisition.

In addition, in the months following the completion of the Off-market Acquisition, the Offeror is expected to grant a total of 150,000 options to certain employees and managers of TxCell, including Stéphane Boissel, CEO of TxCell and François Meyer, Chairman of the board of directors of TxCell, in accordance with Sangamo's employee incentive policy, and providing for a progressive acquisition over time and subject to the continued presence of the beneficiaries. It is specified that this allocation does not constitute an additional price but is part of a policy of profit-sharing usual for employees of Sangamo group.

## 2. CHARACTERISTICS OF THE OFFER

### 2.1. Terms and conditions of the Offer

Pursuant to article 231-13 of the General Regulations of the AMF, the draft Offer was filed with the AMF by Alantra, on behalf of the Offeror, on 2 October 2018. A notice of filing was published by the AMF on its website (www.amf-france.org) on [•] under the number [•].

In accordance with article 231-16 of the General Regulations of the AMF, the Offeror's Draft Prospectus as filed with the AMF was put online on the AMF websites (www.amf-france.org) and of Sangamo (www.sangamo.com), and made available to the public free of charge by Alantra. Moreover, a press release relating to the terms and conditions of the Offer was disseminated by the Offeror on 2 October 2018.

The AMF will publish on its website a compliance statement endorsing the offer document after ensuring that the Offer complies with the legal and regulatory provisions applicable to it.

The offer document, having thus received the AMF's approval, and the document "other information" relating to the characteristics, including legal, financial and accounting, of the Offeror will be available on the websites of the AMF and Sangamo and will be made available to the public no later than the day before the opening of the Offer. Examples of these documents will also be available free of charge from Alantra. In accordance with articles 231-27 and 231-28 of the General Regulations of the AMF, a news release specifying the terms under which these documents will be made available will be published by the Offeror.

Prior to the opening of the Offer, the AMF will publish respectively a notice of opening and the calendar of the Offer, and Euronext Paris will publish a notice announcing the terms and conditions of the Offer and the calendar of the transaction.

### 2.2. Number and type of securities concerned by the Offer

Under the terms and conditions set out below, the Offer concerns all the shares of the Company issued or to be issued as a result of the exercise of the 50,000 warrants giving access to 50,000 shares of the Company and not held by the Offeror, with the exception of the 453.232 free shares acquired subject to a liquidity mechanism as mentioned in section 2.4 below[4], *i.e.* a total number of

[4] It is specified that 23,750 Free Shares also covered by the Liquidity Contract will be definitively acquired at a later date

11,528,635 Shares, it being specified that the holders of the warrants have undertaken to exercise said warrants and to contribute the shares thus subscribed to the Offer

With the exception of the above, the 50,000 BSAs and the 23,750 Free Shares not yet acquired at the date of the Offeror's Draft Prospectus, to the knowledge of the Offeror there are no other equity securities or other financial instruments that may give immediate or future access to the Company's share capital or voting rights.

As of the date of this Offeror's Draft Prospectus, the Offeror directly holds 13,519,036 shares and voting rights in the Company. In addition, it is specified that the Offeror acts alone and not in concert.

### 2.3. Situation of the holders of Free Shares

To the knowledge of the Offeror, the Free Shares on the date of the Offeror's Draft Prospectus are broken down as follows:

- 23.750 Free shares during the vesting period; and
- 453.232 Free shares already definitively acquired, including 122.100 Free Shares during the holding period;

The Free Shares are not covered by the Offer and are the object of Liquidity Contracts entered into between each of the beneficiaries of Free Shares and the Offeror, as mentioned in section 2.4 of this Offeror's Draft Prospectus.

The table below summarises the main characteristics of the current Free Share schemes implemented by the Company:

| **Scheme's reference** | **Free share grant plan 2016 T1** | **Free share grant plan 2016 T2** | **Free share grant plan 2016 T3** | **Free share grant plan 2017 T1A/T2** | **Free share grant plan 2017 T1BC** | **Free share grant plan 2018** |
|---|---|---|---|---|---|---|
| **Number of Free Shares** | 110.661 | 110.670 | 109.801 | 117.098 | 5.002 | 23.750 |
| **Grant date** | 02 May 2016 | 02 May 2016 | 02 May 2016 | 08 March 2017 | 08 March 2017 | 12 March 2018 |
| **Acquisition date** | All acquired at 02 May 2017 | All acquired at 02 May 2018 | All acquired at 01 October 2018 | All acquired at 08 March 2018 | All acquired at 01 October 2018 | All acquired at 12 March 2019 |
| **End date of the holding period** | 02 May 2018 | 02 May 2018 | 01 October 2018 | 08 March 2019 | 08 March 2019 | 12 March 2020 |

and are therefore not covered by the Offer either.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total Free Shares during vesting period** | 0 | 0 | 0 | 0 | 0 | 23,750 |
| **Total Free Shares during holding period** | 0 | 0 | 0 | 117,098 | 5,002 | N/A |

### 2.4. Liquidity contracts

If the Free Shares are not allocated and delivered to the beneficiaries or are not transferred by the beneficiaries during the opening period of the Offer, in accordance with the agreements entered into between the Offeror and the holders of Free Shares, a Liquidity Contract relating to the Free Shares has been concluded between each of the holders of Free Shares and the Offeror (see the terms and conditions of the Liquidity Agreement in section 1.1.1)

The Liquidity Contracts are governed by French law. Disputes to which a Liquidity Contract may give rise, or which may be the result or consequence thereof, and which cannot be settled amicably, shall be submitted, within the limits authorized by the applicable legal provisions, to the exclusive jurisdiction of the competent courts within the jurisdiction of the Paris Court of Appeal.

### 2.5. Terms of the Offer

The Offeror offers to pay the TxCell shareholders an amount in cash of €2.58 for each Share (the "**Offer Price**").

### 2.6. Conditions of the Offer

In accordance with article 234-2 of the General Regulations of the AMF, the Offer is not subject to any condition requiring that a minimum number of Shares must be tendered for the Offer to have a positive outcome.

The Offer is also not subject to any condition requiring that authorisation be obtained regarding merger control procedures or any condition under applicable regulations.

### 2.7. Procedure for tendering to the Offer

In accordance with articles 233-1 et seq. of the General Regulations of the AMF, Sangamo irrevocably offers to acquire from the TxCell shareholders, during a period of fifteen (15) trading days, the Shares that will be presented to it in the Offer.

Shareholders wishing to tender their Shares to the Offer must sell their Shares on the market and must submit to the financial intermediary depositary of their Shares an order to tender to the Offer in accordance with the model to be made available to them by this intermediary, no later than the closing date of the Offer as set out in paragraph 2.8.

Since the purchases will be made on the market, the payment-delivery of the Shares will be made as and when the orders are executed, within two trading days of each execution, trading charges, namely brokerage fees and related VAT being borne by the sellers and the Offeror, each for their own part. Louis Capital Markets, on behalf of Alantra, acting as a buying market member, will purchase, on behalf of the Offeror, all the Shares that will be included in the Offer.

In accordance with article 231-13 of the General Regulations of the AMF, the draft Offer was filed with the AMF on 2 October 2018 by Alantra, sponsoring institution of the Offer, acting on behalf of Sangamo and guaranteeing the content and the irrevocable nature of the commitments made by Sangamo in connection with the Offer.

Prior to the opening of the Offer, the AMF will publish a notice of opening and the timetable for the Offer, and Euronext Paris will publish a notice announcing the terms and conditions of the Offer and its calendar.

Shareholders whose Shares are held in pure registered form and who wish to tender them to the Offer must request that their shares be held in administered registered form with an authorised financial intermediary, unless they have previously requested conversion to bearer form, in which case they will lose the benefits attached to the registered nature of the shares.

The Shares included in the Offer shall be freely negotiable and free of all liens, pledges or restrictions of any kind that restrict the free transfer of their ownership. The Offeror reserves the right to rule out Shares included in the Offer that may not meet this condition.

The orders for tendering the Shares will be irrevocable.

### 2.8. Indicative Offer timetable

Prior to the opening of the Offer, the AMF will publish a notice of opening, a notice announcing the opening and the calendar of the Offer, and Euronext Paris will publish a notice announcing the terms and conditions of the Offer and the calendar of the transaction.

The timetable below is purely indicative.

| | |
|---|---|
| 2 October 2018 | Filing of the Offeror’s Offeror's Draft Prospectus with the AMF |
| 2 October 2018 | Filing of TxCell’s draft reply document with the AMF |
| [16 October] 2018 | Statement of compliance of the Offer by the AMF |
| [17 October] 2018 | Offeror’s offer document and TxCell’s reply document made available |
| [18 October] 2018 | Opening of the Offer |
| [7 November] 2018 | Close of the Offer |
| [12 November] 2018 | Publication of the outcome of the Offer by the AMF |
| As soon as possible from publication of the outcome of the Offer | Implementation of any squeeze-out procedure if the Shares not included in the Offer do not represent more than 5% of TxCell’s share capital or voting rights |

### 2.9. Costs and financing terms of the Offer

#### 2.9.1. Costs of the Offer

In the event that all the Shares that may be included in the Offer are effectively included in the said Offer, the maximum cash amount to be paid by the Offeror would amount to 29,743,878.30 euros in total (excluding fees and commissions).

Moreover, the fees borne by the Offeror relating to the Offer (including fees for external financial, legal and accounting advice, as well as for all other experts and consultants, and communication and publication expenses) are estimated at approximately 1,1 million euros.

#### 2.9.2. Financing of the Offer

Sangamo will finance the whole acquisition price using its own resources or funds that it can draw down immediately and without condition.

### 2.10. Restrictions concerning the Offer outside France

The Offer is made exclusively to all holders of Shares in France

This Offeror's Draft Prospectus is not to be disseminated in countries other than France.

The Offer has not been and will not be registered or the subject of any approval outside France. The holders of Shares outside France may not participate in the Offer unless the local law to which they are subject allows it. Accordingly, the dissemination of this document, the Offer, acceptance of the Offer and the delivery of the Shares may be the subject of a specific regulation or restrictions in certain countries. The Offer is not intended for persons that are subject to such restrictions, neither directly, nor indirectly, and is not likely to be the subject of any acceptance from a country where the Offer is the subject of restrictions. The persons in possession of this document must respect the restrictions in force in their countries. Failure to respect these conditions is likely to constitute a breach of the laws and regulations applicable to stock exchange transactions in one of these countries. The Offeror accepts no responsibility in the event of any breach by any person of the restrictions applying to it.

This document and the other documents relating to the Offer do not constitute an offer to sell, or the solicitation or an offer to buy securities in any other country in which such an offer or solicitation is illegal. The Offer has not been registered or been the subject of any formality or visa outside France.

In particular, concerning the United States, it is specified that the Offer is not made, directly or indirectly, in the United States or to persons having residence in the United States, and no acceptance of this Offer may come from the United States. Consequently, no copy of this offer document, and no other document relating to this Offeror's Draft Prospectus or to the Offer may be sent by post, or disseminated in the United States in any way whatsoever. Any acceptance of the Offer that can be presumed to breach these restrictions will be deemed null and void. No holder of Shares may tender its Shares to the Offer if it cannot represent (i) that it has not received in the United States a copy of this Offeror's Draft Prospectus or any other document relating to the Offer, and that it has not sent such documents to the United States, (ii) that it has not used, directly or indirectly, the postal services, means of telecommunication, other commercial instruments or the services of an exchange in the United States in relation with the Offer, (iii) that it was not in the territory of the United States when it accepted the terms of the Offer or sent its order to tender Shares to the Offer, and (iv) that it is neither an agent nor a representative acting for a principal that has communicated to it its instructions outside the United States. The authorised intermediaries may not accept Share tender orders that have not been made in accordance with the above provisions (unless otherwise instructed by the Offeror, at the Offeror’s discretion).

For the purposes of the foregoing paragraph, Unites States means the United States of America, their territories and possessions, or any one of these States, and the District of Columbia.

### 2.11. Tax treatment of the Offer

As French legislation currently stands, the following provisions summarize certain aspects of the tax treatment likely to apply to the shareholders of the company that will participate in the Offer.

The attention of the shareholders of the company that will participate in the Offer is however drawn to the fact that this information constitutes only a simple summary of the tax treatment in force and does not constitute a comprehensive analysis of all the tax effects likely to apply to a shareholder of the company, and that they should examine their specific situation with their usual tax adviser.

This summary is based on French legislation as it currently stands. It is therefore likely to be affected by any changes in French tax rules (accompanied, if applicable, by a retroactive effect) and in their interpretation by the French tax authorities and French courts.

The shareholders of the company that are not French residents must, moreover, comply with the tax legislation in force in their State of residence, by taking into account the application of any tax agreement between France and this State.

It should be noted that the entry into force of the withholding tax on income, scheduled for 1 January 2019, is not expected to change the tax rules set out below. Indeed, (i) income from movable capital and (ii) gains from the sale of securities and social rights as well as similar income and gains are outside the scope of the said reform. However, individuals resident for tax purposes in France who engage in stock exchange transactions under conditions similar to those which

characterise a business activity must contact their usual tax advisor to determine the consequences and methods of applying the withholding tax on income derived from such transactions.

### 2.11.1. Shareholders that are individuals, having their tax residence in France, acting in connection with the management of their private assets and not conducting stock market transactions on a regular basis

a) Ordinary-law arrangements

i). Income tax of individuals

As of 1 January 2018, in accordance with articles 200 A and 150-0 A et seq. of the French Tax Code (the "**CGI**"), net gains realised by individuals when they sell securities are subject, by operation of law, to a single fixed levy (the "**SFL**") of 12.8%. The SFL is based on the net gain, determined by the difference between the price offered in the Offer, net of fees and taxes paid by the transferor, and the taxable cost base of the Shares, remaining after deducting any losses and without applying allowances proportional to the time the Shares are held.

However, taxpayers have the possibility of exercising an express and irrevocable option when filing their tax return for the year in question, in order that the net gains are taken into account for the determination of the total net revenue subject to the progressive scale of income tax. This option leads to all revenues, net gains, profits and receivables for the year normally falling within the scope of the application of the SFL being subject to the progressive scale of income tax.

When this option is exercised, the net gains relating to the sale of Shares acquired before 1 January 2018 are reduced, depending on the case, by an allowance proportional to the time the Shares are held as provided for by article 150-0 D of the CGI equal to:

(i) 50% of their amount when the Shares have been held for at least two years and less than eight years, on the date of sale; and

(ii) 65 % of their amount when the Shares have been held for at least eight years, on the date of sale.

For this allowance to apply, the time of holding the Shares runs from the subscription or acquisition date to the date of transfer of the Shares

In accordance with article 150-0 D, 11 of the CGI, any losses incurred on the sale of securities in connection with the Offer are deducted solely from the gains of the same kind realised during the year of sale, before application, if applicable, of allowances for the holding period (if any).

If there is a positive balance, the remaining gains are reduced by any losses realised in previous years, up to the tenth year.

If there is a negative balance, the excess of losses is deducted from the gains of the following ten years.

Finally, the tendering of Shares to the Offer has the effect of ending any tax deferral that the shareholders could benefit from in connection with previous transactions with regard to the same Shares.

Shareholders potentially affected by these rules are recommended to consult their usual tax advisors to determine the consequences applicable to their particular situation.

ii). Social security deductions

Gains on sales of securities are also subject to social security deductions at the total rate of 17.2% without application (if applicable) of the aforementioned allowance.

The rate of social security deductions is broken down as follows:

- 9.9% by way of general social contribution / *contribution sociale généralisée* ("**CSG**"),
- 0.5% by way of contribution for the reimbursement of social debt/*contribution pour le remboursement de la dette sociale* ("**CRDS**"),

- 4.8% by way of social security levy/ *prélèvement social* (4.5%) and its additional contribution/*contribution additionnelle* (0.3%), and
- 2% by way of solidarity levy/ *prélèvement de solidarité*.

If the net gains are subject to the aforementioned SFL at the rate of 12.8%, these social security deductions are not deductible from the taxable income. In the event that taxpayers opt to be taxed based on the progressive scale of income tax, CSG will be partially deductible, up to 6.8%, from their total taxable income for the year it is paid; the remainder of these social security deductions not being deductible from taxable income.

iii). Other contributions

In accordance with article 223 *sexies* of the CGI, taxpayers liable for income tax are subject to an exceptional contribution on high incomes, applicable when the taxpayer's reference tax income, including gains realised by the taxpayer in question, exceeds certain limits. This contribution amounts to:

- 3% for the portion of the reference tax income between 250,001 and 500,000 euros for taxpayers who are single, widowed, separated or divorced, and for the portion between 500,001 and 1,000,000 euros for couples filing a joint tax return;
- 4 % for the portion of the reference tax income above 500,000 euros for taxpayers who are single, widowed, separated or divorced, and for the portion above 1,000,000 euros for couples filing a joint tax return.

In applying these rules, the tax household's reference tax income is defined in accordance with article 1417(1)(IV) of the CGI, without application of the quotient rules defined in article 163-0 A of the CGI.

The reference tax income includes the net gains on the sale of securities realised by the taxpayers in question, before deducting the allowance for holding period when the deduction is applicable in the aforementioned conditions, in the event that the taxpayer opts to be taxed based on the progressive scale of income tax.

b) Case of shares held in connection with a company savings scheme ("**CSS**")

Persons who hold Shares in connection with a CSS may participate in the Offer.

In certain conditions, the CSS entitles holders, (i) during the term of the CSS, to an exemption of income tax and social security deductions on the income and gains generated from investments made in connection with the CSS, provided that this income and these gains remain invested in the CSS and (ii) at the close of the CSS (if it occurs more than five years after the opening of the CSS, including owing to a partial withdrawal occurring after five years and before eight years) or when there is a partial withdrawal of funds from the CSS (if it occurs more than eight years after the opening date of the CSS), to an exemption of income tax on the net gain realised since the opening of the scheme.

This net gain is not taken into account when calculating the exceptional contribution on high incomes described above but remains, nonetheless, subject to social security contributions at the rate of 17.2% for gains realised on or after 1 January 2018. However, the applicable rate is likely to vary depending on the date on which this gain is realised for (i) gains acquired or recognised before 1 January 2018 and (ii) gains realised in the first five years following the opening of the CSS when this CSS was opened before 1 January 2018.

Shareholders who hold Shares in connection with a CSS are recommended to consult their usual banking institution or tax advisor to determine the consequences applicable to their particular situation.

### 2.11.2. Shareholders that are legal entities and French tax residents, and subject to corporate tax

a) Ordinary-law arrangements

The gains and losses realised on the sale of the Shares are, in principle, included in the income that is subject to corporate tax at the common law rate (set for financial years beginning on or after

1 January 2018 at 28% for the portion of profits not exceeding €500,000 and at 33 1/3% above €500,000, plus, where applicable, (i) the social security contribution of 3.3% (article 235 ter ZC of the CGI) based on the amount of corporate tax, less an allowance that cannot exceed €763,000 for each period of twelve months, (ii) an exceptional contribution equal to 15% of the corporate tax due (determined after deduction of tax losses, losses carried forward and application of allowances provided for by specific tax treatments, but before deduction of reductions, tax credits and tax receivables of any kind) in respect of financial years ending on or after 31 December 2017, and until 30 December 2018 for taxpayers with revenue of more than €1,000,000,000, and (iii) an additional contribution to the exceptional contribution equal to 15% in respect of financial years ending on or after 31 December 2017 until 30 December 2018 for taxpayers with revenue of more than €3,000,000,000. The 2018 Finance law also provided for a gradual reduction in the corporate tax rate to 25% in 2022.

Certain legal entities are likely, in the conditions provided for in articles 219-I b and 235 ter ZC of the CGI, to benefit from a reduction in the corporate tax rate at 15% within the limit of €38,120 and an exemption from the social security contribution of 3.3%.

Losses realised on the sale of the Shares of the Company in connection with the Offer will, in principle, be deducted from the profits subject to corporate tax at the common law rate of the legal entity.

It is further specified that tendering Shares to the Offer is likely to end any tax deferment from which legal entity shareholders could benefit in connection with past transactions.

b) Special regime for long-term capital gains with regard to the Shares (gains on sale of equity securities)

In accordance with article 219 I-a quinquies of the CGI, net gains realised on the sale of Shares that can enter in the tax and accounting category of equity securities and held for at least two years are exempt from corporate tax subject to the add-back, in the profits subject to corporate tax under the aforementioned conditions, of a portion of fees and expenses equal to 12% of the gross amount of gains thus realised.

Equity securities under article 219 I-a quinquies of the CGI are (a) shares that have this characteristic on an accounting basis, (b) the shares acquired in executing a tender offer or exchange by the company that initiates it, as well as (c) the securities giving a right to the parent-subsidiary tax regime (as provided for in articles 145 and 216 of the CGI) subject to holding at least 5% of the issuing company's voting rights, if these shares or securities are entered in the accounts as equity securities or to a special subdivision of another account of the balance sheet corresponding to their accounting qualification, except for securities in predominantly real estate companies and securities of companies established in a non-cooperative State or territory within the meaning of article 238-0 A of the CGI ("**NCST**"). The list of NCST is published by ministerial order and may be updated at any time.

The terms of use and deferral of long-term losses are subject to specific rules, and concerned shareholders are recommended to contact their usual tax adviser.

### 2.11.3. Non-residents of France for tax purposes

Subject to international tax treaties and specific rules that may apply, gains realised on the sale of their shares by persons that are not domiciled in France for tax purposes within the meaning of article 4 B of the CGI, or whose registered office is located outside France (without the ownership of the shares being attached to a fixed base or stable establishment subject to tax in France in the assets of which the Shares are recorded), are generally exempt from tax in France, provided (i) that the rights held, directly or indirectly by the transferor (individual or legal entity), with its spouse, their ascendants and descendants in the profits of the company, did not, at any time during the five years before the sale, exceed together 25% of these profits (articles 244 bis B and C of the CGI) and (ii) that the transferor is not domiciled, established or incorporated in an NCST.

In this last case, whatever the percentage of rights held in the profits of the company whose shares are sold, the gains realised on the sale of these shares are taxed at the fixed rate of 75%, subject to any applicable tax treaties.

The shareholders that are not residents of France for tax purposes are however recommended to

examine their tax situation with their usual tax adviser in consideration of the tax regime applicable in their country of tax residence

The sale of Shares in connection with the Offer will have the effect of ending any payment deferral from which individuals subject to an exit tax under article 167 bis of the CGI could benefit on transfer of their tax domicile outside France. The concerned shareholders are recommended to contact their usual tax adviser.

#### 2.11.4. Shareholders subject to different tax treatment

Shareholders of the company that are subject to tax treatment other than that mentioned above and that participate in the Offer, including (i) persons that conduct on a regular basis transactions in conditions similar to those characterising a professional activity that is more than just simple portfolio management, or (ii) persons that have recorded these Shares on the asset side of their balance sheet, or (iii) individuals that have acquired their Shares in connection with a company savings scheme or employee bonus scheme, are recommended to examine their tax situation with their usual tax adviser.

#### 2.11.5. Registration fees

In the event that the company is not a company whose market capitalisation is more than one billion euros at 1 December before the date of the transfer in connection with the Offer, the acquisition of the Shares will not be subject to the tax on financial transactions provided for in article 235 ter ZD of the CGI (currently at the rate of 0.3%).

In accordance with article 726 of the CGI, no registration fees are due in France on the sale of shares of a company whose shares are traded on a regulated market or on a multilateral trading facility, unless the sale is certified by a deed passed in France or abroad. In this case, the deed of assignment must be registered within one month of its date, and this registration must give rise to the payment of a transfer duty at the proportional rate of 0.1% based on the highest of the transfer price and the actual value of the securities.

#### 2.11.6. Tax treatment of the compulsory squeeze-out

In the event of a compulsory squeeze-out following the Offer, the tax treatment of Shares that have not been tendered to the Offer will be the same as the tax treatment of the Offer described in this section 2.11, subject to any amendment of the tax legislation in force and to the particular situation of any shareholder concerned.

## 3. APPRAISAL OF THE OFFER PRICE

The appraisal of the Offer Price was provided by Alantra in its capacity as sponsoring institution on behalf of the Offeror, using a multi-criteria approach based on usual valuation methods.

### 3.1. Company overview

#### 3.1.1. Business and market overview

##### 3.1.1.1. Business overview

TxCell S.A. is a biotechnology company that develops platforms for innovative, personalized T cell immunotherapies for the treatment of severe inflammatory and autoimmune diseases with high unmet medical need. TxCell is targeting transplantation as well as a range of autoimmune diseases (both T-cell and B-cell-mediated), such as multiple sclerosis, rheumatoid arthritis, inflammatory bowel diseases or inflammatory skin diseases.

The Company only develops antigen-specific regulatory T cells (Tregs) products. Founded on a

first-generation technology platform named ASTrIA, based on naturally antigen-specific Treg cells (Ag-Tregs), the Company has started the development of a new technology platform in 2015. Named ENTrIA, this platform is based on Treg cells modified by genetic engineering (CAR-Tregs).

In 2017, the Company completed the optimization of the ASTrIA manufacturing process, started in 2016 following the industrial difficulties encountered on this platform. As expected, the reduction in manufacturing costs and overall manufacturing lead time of the products through the new process may reach 50%. The new ASTrIA process is simple, robust and scalable. The Company has nevertheless made the decision, given its limited financial resources, to reduce its investments in the ASTrIA platform and focus fully on developing high-potential programs generated by the ENTrIA platform. The expertise and intellectual property developed in the context of the ASTrIA platform, in particular in manufacturing, are now devoted uniquely to the development of new genetically-modified Tregs. Consequently, the ASTrIA and ENTrIA denominations were replaced by a single, genetically-modified Tregs platform.

The Company's most advanced CAR-Treg product candidate, named TX200, is a CAR-Treg directed to the HLA-A2 antigen. It is composed of a subpopulation of CD4+ FoxP3 + genetically-modified Tregs. This candidate targets HLA-A2, an antigen frequently linked to donor/recipient transplant incompatibility. This product is being developed to prevent chronic rejection after organ transplantation. UBC, the Company’s academic partner on this program, published in 2017 additional preclinical proof-of-concept data obtained in a preclinical model of Graft-versus-Host Disease (GvHD).

In 2017, the Company also completed the development of its first generation of manufacturing process for its proprietary CAR-Treg technology. For its first CAR-Treg manufacturing process, the Company has isolated a subpopulation of Treg cells that have been found to be stable and have strong anti-inflammatory activity. Despite the scarcity of the selected sub-population, the process developed by the Company allows it to manufacture its CAR-Treg cellular product within two weeks (excluding post-production quality control). This process complies with GMP and is ready for the clinical entry of the TX200 product candidate.

To this end, the Company appointed Lentigen Technology, Inc. (LTI) in 2017 as CMO for the GMP manufacturing of the lentiviral vector and started in February 2018 the transfer of the CAR-Treg cell manufacturing process to Lonza, the CMO in charge of GMP production of TX200 for a first clinical study planned in 2019 to prevent chronic rejection after organ transplantation.

In addition, in vitro and in vivo studies conducted by the Company in 2017 show promising preliminary results of the CAR-Treg technology in relevant models of autoimmune diseases, such as multiple sclerosis. These results reinforce the Company's strategic choice to focus its development of its CAR-Treg platform.

#### 3.1.1.2. Ownership

TxCell’s shares are listed on the compartment C of Euronext Paris (ISIN: FR0010127662 – Mnemonic code TXCL) since April 14th, 2014.

On July 20th, 2018, the Offeror entered into a definitive agreement with Stéphane Boissel, François Meyer, Gilbert Gerber, Bpifrance (Large Venture, FCPR Innobio, FCPR BIOAM, FCPR BIOAM 1B), Auriga Partners (FCPR Auriga Ventures II) and Yorkville (YA II PN) to acquire their blocks of shares (representing 13,519,036 shares).

Upon completion of this agreement, control blocks granted ordinary representations and warranties to the Offeror as part of a block sale.

This acquisition was effectively completed on 1 October 2018, following clearance of all conditions precedent.

| **Share capital and voting rights (before the change of control)** | **Share capital and voting rights (after the change of control)** |
|---|---|

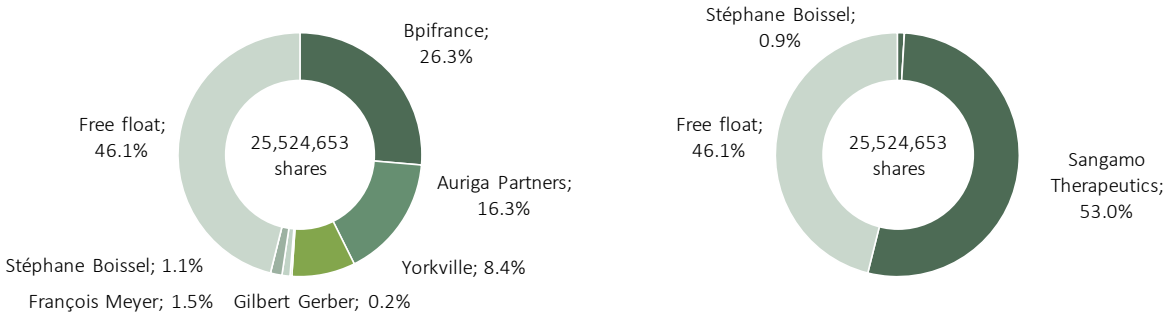


*Figure 1: Breakdown of share capital and voting rights pre and post-acquisition of control blocks (fully diluted version)*

#### 3.1.1.3. Legal structure

The Company is composed of a single legal entity at the date of this document.

TxCell is headquartered in Valbonne and is registered with the RCS of Grasse under number 435 361 209. It is located at Cardoulines – Allée de la Nertière – 06560 Valbonne.

#### 3.1.1.4. Market overview

##### 3.1.1.4.1. Overview

TxCell is active in the cellular immunotherapy market including the immune system and immunotherapy, regenerative medicine and cell therapy:

- The market for the immune system and immunotherapy is divided into two main categories according to their action mechanism: passive immunotherapy, which does not rest and does not proactively stimulate the body's immune system to initiate the attack against the disease, and active immunotherapy, which aims to activate or stimulate the body's own immune system to fight the disease. Active immunotherapies combine traditional approaches to antigenic T cell stimulation and cellular immunotherapies
- Regenerative medicine encompasses a range of technologies and therapeutic approaches designed to improve, repair, replace or regenerate organs and tissues, thus targeting the cause of a disease. Regenerative medicine is also separated in various segments such as cell therapy, gene therapy, tissue engineering, biological products and small molecules, stem cells used for the discovery of new drugs and bio banks
- Cell therapy products vary in several aspects such as the formulation (including association with a carrier or other non-cellular component), the genetic relationship between the injected cells and the patient (autologous, allogeneic, xenogenic) and the source of the cells. Cell therapy products are classified into two categories: stem cell products and mature cell products, which are functionally differentiated

##### 3.1.1.4.2. 2017 market: two CAR-T drugs approved for aggressive forms of blood cancers in the United States

In 2017, the first two CAR-T-based drugs approved in the United States were Kymriah® (tisagenlecleucel, CTL019), a Novartis product approved in August 2017 for the treatment of children and young adults with recurrent and refractory forms of acute lymphoblastic leukemia, and Yescarta® ('Axi-Cel', axicabtagene ciloleucel, KTE-C19), a Kite Pharma/Gilead CAR-T product approved in October 2017 for the treatment of aggressive, recurrent and refractory forms of non-Hodgkin's lymphoma. Kymriah® and Yescarta® have brought the field of immunotherapy up to date and strengthened confidence in cellular therapies.

##### 3.1.1.4.3. The competitive environment and the numerous acquisitions demonstrate the

**growing interest of major pharmaceutical companies in cellular immunotherapy**

2017 and the beginning of 2018 are marked by two major acquisitions: Kite Pharma by Gilead for €9.0bn in October 2017 and Juno by Celgene for €7.8bn in March 2018. Kite Pharma and Juno were the two main players in biotechnology in the field of CAR-T therapy.

Regenerative medicine is expected to keep growing as at the end of 2017, the Alliance for Regenerative Medicine (ARM) had 946 clinical trials worldwide in this sector, including 53% in oncology and nearly 10% in the cardiovascular field. Of these 946 clinical trials, 572 involved gene or cell-based therapies based on genetically modified cells (39 in Phase III) and 353 involved cell therapy products (38 in Phase III).

Within cell therapy, the T-cell-based immunotherapy segment is one of the most active, largely related to the paradigm shift in CAR-T cells. Roots Analysis estimates that the global market for T-cell-based cellular therapies will reach €5bn by 2025 and €25bn by 2030. Of these €25bn in 2030, almost half (€12.2bn) would relate to CAR-Ts.

### 3.1.2. Financial performance

#### 3.1.2.1. Historical Profit & Loss Analysis

| P&L<br>*€k* | 2015a<br>*31 Dec* | 2016a<br>*31 Dec* | 2017a<br>*31 Dec* | 2018LTM<br>*30 Jun* |
|---|---|---|---|---|
| Business revenue | 920 | - | - | - |
| *% growth* | *-* | *(100.0%)* | *-* | *-* |
| Total revenue | 4,637 | 2,947 | 2,234 | 1,989 |
| *% growth* | *-* | *(36.4%)* | *(24.2%)* | *(11.0%)* |
| EBITDA | (11,104) | (12,369) | (10,229) | (10,839) |
| *% of revenue* | *(239.5%)* | *(419.7%)* | *(457.9%)* | *(544.9%)* |
| EBIT | (11,312) | (12,784) | (10,499) | (11,196) |
| *% of revenue* | *(244.0%)* | *(433.8%)* | *(470.0%)* | *(562.9%)* |
| Net income | (11,297) | (13,571) | (10,911) | (12,235) |
| *% of revenue* | *(243.6%)* | *(460.5%)* | *(488.4%)* | *(615.1%)* |
| Net profit | (11,259) | (13,554) | (10,906) | (12,230) |
| *% of revenue* | *(242.8%)* | *(459.9%)* | *(488.2%)* | *(614.9%)* |

*Figure 2: Simplified historical Profit & Loss*

**Revenue and other income**

As the Company is still in the research and development phase, it does not market its products and does not generate any sales (2015 sales corresponding exclusively to the revenues generated by the collaboration, development, option and license agreement with Ferring/Trizell on Ovasave®, terminated since then). Other income mainly consists of:

- Grants in the amount of €66k in 2018LTM and €183k in 2017
- Research tax credit of €1,920k in 2018LTM and €1,945k in 2017

**EBITDA**

The Company carries out research and development activities to develop treatments for chronic and severe inflammatory and autoimmune diseases.

In accordance with IAS 38, development costs are recorded as intangible assets if all the following criteria are met:

- The technical feasibility study required to complete the development project is done
- The company intends to complete the project and launch it
- Ability to put the intangible asset into service
- Demonstration of the probability of future economic benefits associated with the asset
- Availability of adequate technical, financial and other resources to complete the project
- Reliable assessment of development expenditure

According to this standard, the Company has not capitalized research and development costs to date. All research and development costs have therefore been recorded as expenses. They amounted to €8,974k in 2018LTM and €8,462k in 2017 and mainly consist in, respectively:

- Rents, scientific fees and other expenses of €3,613k and €3,465k
- Salaries and social security expenses of €3,210k and €3,465k
- Purchase of raw materials of €1,825k and €1,464k

These research and development costs sharply decreased in 2017 (-24% vs. 2016), mainly due to a Company's strategic shift to focus on the development of the CAR-Treg platform:

- Reduction of the number of proprietary patent families
- Stop subcontracted activities to CRO[5] and CMO[6] related to the Company's first-generation platform (ASTrIA)

#### 3.1.2.2. Historical balance sheet analysis

| Balance sheet<br>*€k* | 2015a<br>*31 Dec* | 2016a<br>*31 Dec* | 2017a<br>*31 Dec* | 2018a<br>*30 Jun* |
|---|---|---|---|---|
| **Non-current assets** | **6,938** | **7,031** | **7,254** | **7,747** |
| Operating working capital | (1,604) | (889) | (874) | (1,085) |
| Non-operating working capital | (540) | (3,090) | (2,754) | (1,036) |
| **Working capital requirements** | **(2,144)** | **(3,979)** | **(3,628)** | **(2,121)** |
| Total economic assets | 4,794 | 3,052 | 3,626 | 5,626 |
| **Shareholder's equity** | **11,589** | **1,192** | **5,170** | **152** |
| Gross financial debt | 1,641 | 5,287 | 3,362 | 9,872 |
| Cash and cash equivalents | (9,208) | (3,482) | (4,910) | (4,402) |
| **Net financial debt / (cash)** | **(7,567)** | **1,805** | **(1,548)** | **5,470** |
| Provisions - current | 772 | 55 | 4 | 4 |
| Capital invested | 4,794 | 3,052 | 3,626 | 5,626 |

*Figure 3: Simplified historical balance sheet*

**Non-current assets**

As of June 30th, 2018, the non-current assets consist in:

- Intangible assets up to €5,946k
- Property, plant and equipment up to €807k
- Other property, plant and equipment under lease purchase agreement up to €889k
- Financial assets up to €105k

On December 2nd, 2015 the Company and Trizell entered into an agreement terminating the "collaboration, option, development and license agreement" and the "development agreement"

[5] Contract Research Organization
[6] Contract Manufacturing Organization

signed by them. In this agreement Trizell waived its option to obtain an exclusive worldwide license for the development, manufacture and marketing of Ovasave® to treat inflammatory bowel diseases (IBD), among which Crohn's disease. Trizell also transferred to the Company intellectual property rights which it and Ferring could hold over Ovasave®. In return, the Company undertook to pay Trizell up to €15m, including €6m fixed and €9m contingent on future revenues generated by Ovasave®. In 2015, the acquisition costs of these rights, of which the amount and maturity can be estimated with certainty, were capitalized and represented approximately €6m. These have not been depreciated since then, despite the Company's exit of the Ovasave® technology. As a reminder, in view of its limited financial resources, TxCell has since had to make arbitrations and has decided to focus fully on developing the programmes of its CAR-Tregs platform. As in previous years, an annual depreciation test was carried out on this asset as at 31 December 2017, which resulted in no depreciation, despite the suspension of product development (note: we remained conservative and included them in our valuation).

**Working capital requirement**

On June 30th, 2018, the WCR was composed of operational items (trade receivables and payables) in the amount of €(1,085)k and non-operational items (tax and social liabilities, other payables, accruals and deferred income, etc.) in the amount of €(1,036)k. The sharp decrease in working capital requirements between December 31th, 2017 and June 30th, 2018 is due to the decrease in fixed asset suppliers, corresponding to a €2m payment in the first quarter of 2018 related to the buyback of Trizell's rights on Ovasave®.

**Shareholders' equity**

On June 30th, 2018, shareholders' equity was mainly composed of:

- A share capital of €4,639k
- Issuance premiums of €25,673k
- Negative reserves of €(23,552)k
- Net loss for the year of €(6,608)k

**Net financial debt**

On June 30th, 2018, the net financial debt amounted to €5,469k, composed of:

- Cash and cash equivalents of €4,402k. Only composed of immediately available cash and short-term available-for-sale securities. They can be readily converted to known amounts of cash and are not exposed to any material risk of impairment. These consist in open-ended money market funds (SICAV monétaires). These cash and marketable securities are used to finance the Company's activities. Since its creation, the Company has financed its growth by strengthening its equity capital through successive capital increases, and by obtaining public grants for innovation and research tax credit payments
- Gross financial debt of €9,872k which comprised current and non-current financial debts of, respectively, €4,296k and €4,693k as well as current and non-current leasing debts of, respectively, €201k and €681k

| Net financial debt<br>*€k* | 2015a<br>*31 Dec* | 2016a<br>*31 Dec* | 2017a<br>*31 Dec* | 2018a<br>*30 Jun* |
|---|---|---|---|---|
| Current financial liabilities | - | 1,587 | 1,881 | 4,497 |
| Non-current financial liabilities | 1,641 | 3,700 | 1,481 | 5,375 |
| **Debts related to financial leases - current** | **1,641** | **5,287** | **3,362** | **9,872** |
| Short-term bank deposits | (3,201) | (474) | (305) | (1,333) |
| Open-ended money market funds (SICAV) | (6,007) | (3,008) | (4,604) | (3,070) |
| **Cash and cash equivalents** | **(9,208)** | **(3,482)** | **(4,910)** | **(4,402)** |
| **Net financial debt / (cash)** | **(7,567)** | **1,805** | **(1,548)** | **5,469** |

*Figure 4: Evolution of net financial debt / (cash)*

#### 3.1.2.3. Business plan

The business plan is based on the valuation of the two most advanced CAR-Treg programs; HLA-A2 (prevention of chronic rejection after organ transplantation) and CAR-MOG (treatment for multiple sclerosis), representing the most advanced programs of TxCell.

This business plan was prepared by Company's management over a period of 20 years (from financial year ended December 31th, 2019 to December 31th, 2038) and is based on the following operational assumptions.

Management has developed a business plan for each program (HLA-A2 and MOG). Each program has been risk-adjusted according to the specific success rates depending on the development phases achieved according to the Clinical Development Success Rates 2006-2015 - BIO, Biomedtracker, Amplion study. The Company's operational costs were then added to the sum of these business plans to reflect the Company's reality.

The tax calculation has been performed on the risk-adjusted consolidated business plan and includes the impact of the tax loss carry forward in accordance with French regulations.

It should be noted that this business plan depends on many assumptions that are difficult to estimate given the very early stage of the Company's research programs on emerging technologies.

**Sales**

- The sales forecasts assume that the Company will collaborate through licenses and partnerships. Sales therefore consists exclusively of royalties and payments dependending on the achievement of development phases for each of the HLA-A2 and MOG programs.
- The unit sales prices of the treatments are the same for HLA-A2 and MOG and change depending on the geography (USA, Europe and Japan). The estimated retail price in the US being assessed as being 50% higher than in Europe and Japan, based on commonly observed prices
- In the absence of a clearly established clinical development plan at this stage, target population has been broadly defined:
    - HLA A2: 25% of all organ transplants (HLA-A2 mismatch rate, according to Collins MM, Tang T, Slack R, Sintasath D, Hartzman RJ, Ng J, Hurley CK, Ng J, Hurley CK. Tissue Antigens. 2000 Jan; 55(1):48-52.)
    - MOG: people suffering from multiple sclerosis pathologies R-RMS, P-PMS and S-PMS in 2nd or 3rd line of specific treatment as the case may be
    - Target of a40% market share after 10 years post launch (linearly) for both HLA-A2 and MOG
    - 2.5% market growth for HLA-A2 only

**Gross margin**

- Gross margin has been estimated for each program and is subject to the achievement of development phases as well as royalties to be retroceded at the achievement of certain development phases, considering the Company's partnership/license assumption for each of the HLA-A2 and MOG programs

**D&A**

- The business plan does not forecast any depreciation & amortization

**EBIT**

- EBIT includes structural costs related to the development of the HLA-A2 and MOG programs, composed of:
    - R&D costs representing a cumulative amount of approximately €21.9m over the to date period
    - General & administration costs of approximately €21.5m over the 2019-2024 period
- The business plan does not forecast any marketing costs incurred by the Company

**Capital expenditures**

- The business plan does not forecast any capital expenditures incurred by the Company

**Working Capital Requirements (WCR)**

- The WCR for the HLA-A2 and MOG were modelled to represent 20% of the gross margin over the business plan horizon

**Development phase success rates**

- The clinical success rates are equal for HLA-A2 and MOG are detailed as follows:
    - Preclinical I: 85.0% (only for MOG)
    - Preclinical II: 70.0% (only for MOG)
    - Phase I: 65.7%
    - Phase II: 31.7%
    - Phase III: 62.2%
    - Filing: 86.0%
    - Market: 100.0%
        - HLA-A2: from 2027 onwards
        - MOG: from 2029 onwards
- The percentage of successful process development can be broken down as follows:
    - Phase I: 100.0% for HLA-A2 and 90.0% for MOG
    - Phase III: 80% for HLA-A2 and 90.0% for MOG
- These percentages are applied to all the financial aggregates listed above

**Corporate Income Tax**

- The retained tax rate complies with the latest French finance law in force; 34.4% in 2018, 31.0% in 2019, 28.0% in 2020, 26.5% in 2021 and 25,0% from 2022 onwards
- The impact of the tax loss carry-forward (€95.3m as of December 31th, 2017, assuming this amount is maintained as of December 31th, 2018) has been included in accordance with current regulations (deduction of past tax losses on net profits of €1m plus a 50% portion of the profit above this limit annually)

## 3.2. Offer price assessment

### 3.2.1. Main valuation work assumptions

#### 3.2.1.1. Accounting standards

The Company's consolidated financial statements are prepared in accordance with IFRS.

#### 3.2.1.2. Number of shares

The number of shares used in our work is 25,524,653, corresponding to the number of shares outstanding plus the exercise of in the money dilutive instruments (considering the Offer Price of €2.58 per share).

This number of shares results from the fully diluted number of shares as of June 30th, 2018 of 25,527,032 and the 2,379 free shares cancelled at the change of control related to resigning employees.

| Number of shares | 2015a<br>*31 Dec* | 2016a<br>*31 Dec* | 2017a<br>*31 Dec* | 2018a<br>*30 Jun* | Adjustments | 2018a<br>*01 Oct* |
|---|---|---|---|---|---|---|
| **Number of shares outstanding** | **12,887,326** | **19,422,552** | **21,941,413** | **23,195,394** | **3,387** | **23,198,781** |
| **Exercised dilutive instruments** | **3,220,996** | **10,040,237** | **5,042,863** | **2,331,638** | **(5,766)** | **2,325,872** |
| Free shares | 600,000 | 1,302,747 | 929,850 | 140,932 | (5,766) | 135,166 |
| Convertible bonds | 2,620,996 | 2,062,500 | 2,500,000 | 1,866,666 | - | 1,866,666 |
| Warrants | - | 6,674,990 | 1,613,013 | 324,040 | - | 324,040 |
| **Fully diluted number of shares** | **16,108,322** | **29,462,789** | **26,984,276** | **25,527,032** | **(2,379)** | **25,524,653** |

*Figure 5: Fully diluted number of shares*

#### 3.2.1.3. Enterprise Value to Equity Value bridge

The adjustment items from enterprise value to equity value have been prepared based on information provided by the Company as of June 30th, 2018.

Adjusted net financial debt amounted to €1,975k. We have included in the net financial debt presented above the following items resulting from the change of control:

- Provisions for pension liabilities for €3k (€4k after tax shield of 25%)
- The conversion of Yorkville's 28 convertible bonds into shares for 110% of the nominal value, reducing the debt balance by €2,868k.
- The cash flow resulting from the exercise of warrants for an amount of €(629)k.

It should be noted that the tax loss carry-forward has not been included in the adjusted net debt; its use over time is uncertain given the company's cash generation profile. However, this value pocket has been included in our valuation approach in the tax calculation and therefore the cash flows in the DCF method.

In addition, since the Company faces a development phase, normalization work has not been carried out on the WCR. Such items could have been considered as debt.

| Net financial debt<br>*€k* | 2015a<br>*31 Dec* | 2016a<br>*31 Dec* | 2017a<br>*31 Dec* | 2018a<br>*30 Jun* |
|---|---|---|---|---|
| Current financial liabilities | - | 1,587 | 1,881 | 4,497 |
| Non-current financial liabilities | 1,641 | 3,700 | 1,481 | 5,375 |
| **Debts related to financial leases - current** | **1,641** | **5,287** | **3,362** | **9,872** |
| Short-term bank deposits | (3,201) | (474) | (305) | (1,333) |
| Open-ended money market funds (SICAV) | (6,007) | (3,008) | (4,604) | (3,070) |
| **Cash and cash equivalents** | **(9,208)** | **(3,482)** | **(4,910)** | **(4,402)** |
| **Net financial debt / (cash)** | **(7,567)** | **1,805** | **(1,548)** | **5,469** |
| Provisions for pension liabilities | - | - | - | 3 |
| Yorkvill early repayment | - | - | - | (2,868) |
| Cash from warrants | - | - | - | (629) |
| **Net financial debt / (cash)** | **(7,567)** | **1,805** | **(1,548)** | **1,975** |

*Figure 6: Adjusted net financial debt / (cash)*

### 3.2.2. Methodology and valuation

#### 3.2.2.1. Discarded methods

##### 3.2.2.1.1. Net Asset Value

The Net Asset Value (NAV) method is a patrimonial method based on historical costs. It is generally used for the valuation of companies holding minority stakes. This method has therefore been ruled out.

As a reference, the Offer represents a premium of +43,202% on the NAV as of June 30th, 2018.

| NAV per share | 2015a<br>*31 Dec* | 2016a<br>*31 Dec* | 2017a<br>*31 Dec* | 2018a<br>*30 Jun* |
|---|---|---|---|---|
| NAV (€k) | 11,589 | 1,192 | 5,170 | 152 |
| / Number of shares | 16,108,322 | 29,462,789 | 26,984,276 | 25,524,653 |
| **NAV per share (€)** | **0.72** | **0.04** | **0.19** | **0.01** |
| *Offer implied premium* | *+259%* | *+6,277%* | *+1,247%* | *+43,202%* |
| **NAV per share** | **2015a**<br>*31 Dec* | **2016a**<br>*31 Dec* | **2017a**<br>*31 Dec* | **2018a**<br>*30 Jun* |
| NAV (€k) | 11,589 | 1,192 | 5,170 | 152 |
| / Number of shares | 16,108,322 | 29,462,789 | 26,984,276 | 25,524,653 |
| **NAV per share (€)** | **0.72** | **0.04** | **0.19** | **0.01** |
| *Offer implied premium* | *+259%* | *+6,277%* | *+1,247%* | *+43,202%* |

*Figure 7: Net Asset Value per share*

##### 3.2.2.1.2. Revalued Net Asset

Revalued Net Asset captures a theoretical equity value by conducting a revaluation of assets, liabilities and off-balance sheet items and is particularly relevant to the valuation of portfolio companies holding various participations. The method has therefore been ruled out.

#### 3.2.2.1.3. Discounted future dividends

This method involves valuing the equity of the Company by discounting, at the Company's cost of equity, estimated future flows of dividends paid to shareholders. This methodology has been ruled for the following reasons:

- The Company never paid dividends since IPO
- The Company does not expect to distribute dividends in the coming years

#### 3.2.2.1.4. Comparable transactions

Comparable transactions consist in applying the mean or median of multiples observed on precedent transactions to financial aggregates of the Company.

As TxCell did not generate any revenues from the sale of its products or profits in the past, it does not make sense to apply multiples of comparable companies to its aggregates. This method has therefore been ruled out.

However and as a reference point, we have identified recent transactions (i) in the field of T-Regs, (ii) in the field of biotechs as well as (iii) public tenders in the field of biotechs. Given the absence of revenues and negative profitability for most of these companies, multiples appear irrelevant. However, the last category identifying public tenders (though in the wider space of biotechs) displays the premiums paid on the pre-announcement spot price and therefore gives a sense of common premiums offered on biotechs. Observed average premium is 66.3% on the pre-announcement spot price, compared with a 177.4% premium offered for TxCell.

The application of an average market premium of 66.3% on the Company's pre-announcement price would imply a €1.55 price for TxCell. Therefore and as a reference, the Offer represents a premium of 66.8% based on the identified comparable transactions.

## Recent comparable transactions in the field of T-Regs

| Date | Target | Buyer | Type of deal | Financial terms | Technology | Indication | Phase |
|---|---|---|---|---|---|---|---|
| Mar 2018 | JUNO THERAPEUTICS | Celgene | Acquisition | €7.8bn | Chimeric antigen and T-cell receptor | Autoimmune diseases | Phase I |
| Oct 2017 | Kite | GILEAD | Acquisition | €9.0bn | Axicabtagene Ciloleucel (axi-cel) | Autoimmune diseases | Phase III |
| Sept 2017 | Seattle Children's | CASEBIA | Exclusive ww license<br>Research coll. | Overall: up to $12m | CRISPR-Cas9 gene edited Tregs | Autoimmune diseases | Preclinical |
| Aug 2017 | Topas Therapeutics | Lilly | R&D collaboration | Undisclosed | Nanoparticles | Immune tolerance | Preclinical |
| Jul 2017 | NEKTAR | Lilly | Co-development | Upfront: $150m<br>Milestones: up to $250m | IL-2 receptor agonist | Autoimmune diseases | Phase I |
| May 2017 | ILTOO PHARMA | SERVIER | Exclusive license option | Upfront: €8m<br>Milestones: up to €200m | Low-dose IL-2 | Lupus, autoimmune diseases | Phase II |
| Apr 2017 | PARVUS THERAPEUTICS INC | NOVARTIS | Exclusive ww license | Undisclosed | Nanoparticles | Type 1 diabetes | Preclinical |
| Jan 2017 | Delinia | Celgene | Acquisition | Upfront: $300m<br>Milestones: up to $475m | IL-2 receptor agonist | Autoimmune diseases | Preclinical |
| Sept 2016 | MD Anderson Cancer Center | Golden Meditech | Company creation: CELLENKOS | Initial investment: $10m<br>+ $10m in warrants | Umbilical cord-derived Treg cellular therapy | Autoimmune diseases | Clinical |

## Recent comparable transactions in the field of biotechs

| Date | Target | Country | Business description | Bidder | Country | EV (€m) | % |
|---|---|---|---|---|---|---|---|
| May-18 | **F-Star Gamma** | UK | UK-based company engaged in drug development | **Denali Therapeutics** | USA | 15 | 100% |
| May-18 | **Counsyl** | USA | US-based company which provides genetic testing and DNA analysis services | **Myriad Genetics** | USA | 322 | 100% |
| May-18 | **TGR BioSciences** | Australia | Australia-based biotechnology company providing innovative solutions for cell-based research applications | **Sygnis Pharma** | Germany | 10 | 100% |
| May-18 | **BeneVir Biopharm** | USA | US-based company engaged in developing oncolytic immunotherapies for advanced solid tumors | **Janssen Biotech** | USA | 864 | 100% |
| Apr-18 | **Bayer (additional crop science business)** | Germany | Germany-based further Crop Science businesses of Bayer AG | **BASF** | Germany | 1,679 | 100% |
| Apr-18 | **Wilson Therapeutics** | Switzerland | Sweden-based biopharmaceutical company that focuses on developing treatments for Wilson disease | **Alexion Pharmaceuticals** | USA | 591 | 100% |
| Apr-18 | **AveXis** | USA | US-based clinical-stage gene therapy company engaged in developing and commercializing novel treatments for patients suffering from rare and life-threatening neurological genetic diseases | **Novartis** | Switzerland | 6,808 | 100% |
| Apr-18 | **Element Genomics** | USA | US-based biotechnology company focused on genomics and diagnostics | **UCB** | Belgium | 24 | 100% |
| Apr-18 | **Astute Medical** | USA | US-based company in the identification and validation of protein biomarkers | **BioMerieux** | France | 73 | 100% |
| Mar-18 | **Shire** | Ireland | Ireland-based biopharmaceutical company | **Takeda** | Japan | 67,097 | 100% |
| Mar-18 | **Juno Therapeutics** | Germany | Germany-based biotechnology company engaged in development and the manufacturing cellular therapies | **Celgene Corporation** | USA | 7,799 | 90% |
| Feb-18 | **RHS** | Australia | Australia-based company engaged in development of advanced single cell genomic technologies | **PerkinElmer** | USA | 15 | 100% |
| Feb-18 | **Viralytics** | Australia | Australia-based pharmaceutical and medical research company | **Merck** | USA | 331 | 100% |
| Feb-18 | **Abac Therapeutics** | Spain | Spain-based company that develops precision antimicrobial agents | **Ferrer Internacional** | Spain | 16 | > 50% |
| Feb-18 | **Ignyta** | USA | US-based precision medicine biotechnology company engaged in discovering, acquiring, developing, and commercializing new drugs for cancer patients | **Roche Holding** | Switzerland | 1,515 | 100% |
| Feb-18 | **Advanced Accelerator Applications** | France | France-based radiopharmaceutical company that develops, produces and sells molecular nuclear medicine, diagnostic and therapeutic products | **Novartis** | Switzerland | 3,195 | 99% |
| Jan-18 | **Stat-Diagnostica & Innovation** | Spain | Spain-based company that develops and manufactures molecular and immunoassay diagnostic systems for clinical decentralized testing | **Qiagen** | Netherlands | 118 | 100% |
| Jan-18 | **Cascadian Therapeutics** | USA | US-based biotechnology company specializing in the development of innovative therapeutic products for the treatment of cancer | **Seattle Genetics** | USA | 400 | 100% |
| Jan-18 | **SIRTeX Medical** | Australia | SIRTeX markets SIR-Spheres(R), a product approved in the United States, Europe, Australia and portions of Asia for the treatment of liver cancer | **Varian Medical Systems** | USA | 940 | 100% |
| Jan-18 | **Ablynx** | Belgium | Belgium based biopharmaceutical company engaged in the discovery and development of therapeutic proteins | **Sanofi** | France | 3,679 | 100% |
| Jan-18 | **Concept Life Sciences** | UK | UK-based company engaged in international scientific laboratory and consultancy business | **Spectris** | UK | 186 | 100% |
| Jan-18 | **Bioverativ** | USA | US-based company focuses on the research, discovery, development and commercialization of therapies for the treatment of hemophilia and other blood disorders | **Sanofi** | France | 9,066 | 100% |
| Jan-18 | **Idera Pharmaceuticals** | USA | US-based pharmaceutical company focused on discovery and development of synthetic DNA and RNA-based compounds for the treatment of cancer, infectious diseases, autoimmune diseases, etc. | **BioCryst Pharmaceuticals** | USA | 355 | 100% |
| Jan-18 | **Biotest** | Germany | Germany-based company that researches and manufactures pharmaceutical, biotherapeutic and diagnostic products | **Creat Group** | China | 1,252 | 100% |
| Jan-18 | **Tigenix** | Belgium | Belgium-based biomedical company engaged in developing regenerative medicine | **Takeda** | Japan | 497 | 96% |
| Dec-17 | **Discuva** | UK | UK-based drug discovery company focused on the creation of Next Generation targeted antimicrobials against new emerging and drug-resistant bacterial pathogens | **Summit Therapeutics** | UK | 11 | 100% |
| Dec-17 | **Navya Biologicals** | India | India-based biotech research and development company | **Shilpa Medicare** | India | 10 | 100% |
| Dec-17 | **Cell Design Labs** | USA | US-based bio therapeutics company developing disruptive CAR-T and T cell receptor (TCR) therapies | **Gilead Sciences** | USA | 481 | 100% |

| Date | Target | Country | Business description | Bidder | Country | EV (€m) | % |
|---|---|---|---|---|---|---|---|
| Oct-17 | **Epicore BioNetworks** | USA | US-based biotechnology company with focus on environmental microbiology and animal nutrition manufactoring | **Neovia** | France | 20 | 100% |
| Oct-17 | **Bayer (Selected Crop Science businesses)** | Germany | Germany-based seed and non-selective herbicide businesses of Bayer | **BASF** | Germany | 5,900 | 100% |
| Oct-17 | **Symbiomix Therapeutics** | USA | US-based biopharmaceutical company developing innovative medicines for serious women's health infections | **Lupin** | USA | 127 | 100% |
| Oct-17 | **PSR Group** | Netherlands | Netherlands-based Clinical Research Organization(CRO) specialized in the development of drugs for orphan diseases and medicines for children | **Ergomed** | UK | 6 | 100% |
| Oct-17 | **Kite Pharma** | USA | A US-based clinical-stage biopharmaceutical company, focuses on the development and commercialization of novel cancer immunotherapy products | **Gilead** | USA | 8,979 | 100% |
| Sep-17 | **Dimension Therapeutics** | USA | US-based gene therapy company focused on developing novel treatments for rare diseases | **Ultragenyx Pharmaceutical** | USA | 93 | 100% |
| Sep-17 | **IFM Therapeutics** | USA | US-based biopharmaceutical company engaged in developing a portfolio of first-in-class small molecules targeting the innate immune system | **Bristol-Myers Squibb** | USA | 253 | 100% |
| Aug-17 | **Evoxx Technologies** | Germany | Germany-based biotechnology company | **Advanced Enzyme Technologies** | India | 8 | 100% |
| Aug-17 | **Aptuit** | USA | US-based drug development and pharmaceutical services company conducting research, development and manufacturing on a global contract basis for both large and small innovators | **Evotec** | Germany | 256 | 100% |
| Aug-17 | **CellRight Technologies** | USA | US-based biotech company specializing in regenerative medicine and dedicated to the development of innovative osteoinductive and wound care scaffolds that enhance healing opportunities of defects created by trauma and disease | **Tissue Regenix Group** | UK | 26 | 100% |
| Aug-17 | **Confluence Life Sciences** | USA | US-based biotechnology company | **Aclaris Therapeutics** | USA | 16 | 100% |
| Jun-17 | **True North Therapeutics** | USA | US-based biotechnology company that develops humanized antibodies | **Bioverativ** | USA | 356 | 100% |
| Jun-17 | **NanoSphere Health Sciences** | USA | US-based biotechnology company | **Corazon Gold** | Canada | 14 | 100% |
| Apr-17 | **Virttu Biologics** | UK | UK-based biotechnology company engaged in the development of oncolytic viruses for treating cancer | **TNK Therapeutics** | USA | 23 | 100% |
| Apr-17 | **Nexvet Biopharma** | Ireland | Ireland-based company that develops biological drugs for companion animals, specifically cats, dogs and horses | **Zoetis** | USA | 56 | 100% |
| Apr-17 | **Idorsia** | Switzerland | Switzerland-based bio-pharmaceutical firm specialized in the discovery and development of small molecules, to provide innovative therapeutic options | **Actelion Pharmaceuticals** | Switzerland | 694 | 100% |
| Apr-17 | **Essen BioScience** | USA | US-based provider of life science research tools and services | **Sartorius** | Germany | 304 | 100% |
| Apr-17 | **Merrimack Pharmaceuticals (Oncology business)** | USA | US-based Oncology assets including ONIVYDE | **Ipse** | France | 544 | 100% |
| Mar-17 | **Laboratoires Eurobio** | France | France-based company that develops, manufactures and markets reagents used for research and biomedical diagnosis | **Diaxonhit** | France | 29 | 100% |
| Mar-17 | **CoLucid Pharmaceuticals** | USA | US-based biotechnology company focusing on therapies for central nervous system (CNS) disorders | **Eli Lilly** | USA | 810 | 100% |
| Feb-17 | **Delinia** | USA | US-based company engaged in developing novel therapeutics for the treatment of autoimmune diseases | **Celgene** | USA | 723 | 100% |
| Jan-17 | **GenVec** | USA | US-based biopharmaceutical company engaged in the development of gene-based therapeutic drugs and vaccines | **Intrexon** | USA | 10 | 100% |
| Jan-17 | **Multiplicom** | Belgium | Belgium-based company develops, manufactures and commercializes molecular diagnostic assays, provided as kits, which enable personalized medicine | **Agilent Technologies** | USA | 65 | 100% |
| Jan-17 | **Ziarco Pharma** | UK | UK-based biotechnology company that develops therapeutic agents for treating inflammatory and allergic diseases | **Novartis** | Switzerland | 403 | 100% |
| Jan-17 | **Ariad Pharmaceuticals** | USA | US-based biotechnology company focusing on discovery, development and commercialization of small-molecule drugs to treat cancers | **Takeda** | Japan | 4,642 | 100% |
| Dec-16 | **Apollo Endosurgery** | USA | US-based medical device company focused on less invasive therapies for the treatment of obesity and other gastrointestinal disorders | **Lpath** | USA | 146 | 100% |
| Dec-16 | **Ganymed Pharmaceuticals** | Germany | Germany based pharmaceutical company engaged in developing monoclonal antibody therapeutics against solid tumors | **Astellas Pharma** | Japan | 422 | 100% |
| Dec-16 | **Cyprotex** | UK | UK-based pharma services provider | **Evotec** | Germany | 57 | 100% |

| Date | Target | Country | Business description | Bidder | Country | EV (€m) | % |
|---|---|---|---|---|---|---|---|
| Nov-16 | **Kolltan Pharmaceuticals** | USA | US-based biopharmaceutical company focused on the development of novel biologics targeting receptor tyrosine kinases | **Celldex Therapeutics** | USA | 57 | 100% |
| Nov-16 | **Actelion Pharmaceuticals** | Switzerland | Switzerland-based biopharmaceutical company that focuses on the discovery, development and marketing of treatments to serve unmet medical needs | **Johnson & Johnson** | USA | 25,322 | 100% |
| Nov-16 | **Chase Pharmaceuticals** | USA | US-based company engaged in engaged in the identification and clinical development of medications for the treatment of neurologic and psychiatric diseases | **Allergan** | Ireland | 118 | 100% |
| Nov-16 | **Selexys Pharmaceuticals** | USA | US-based company that is developing drugs to treat inflammatory and thrombotic diseases | **Novartis** | Switzerland | 627 | 100% |
| Nov-16 | **Atopix Therapeutics** | UK | UK-based company enagaged in research and development of pharmaceutical solutions focusing on respiratory diseases | **Chiesi Farmaceutici** | Italia | 75 | 100% |
| Oct-16 | **Vitae Pharmaceuticals** | USA | US-based pharmaceutical company engaged in discovery, development and commercialization of drugs in the therapeutic areas such as cardiovascular disease, metabolic disease (diabetes and obesity), CNS (Alzheimer's) and inflammation | **Allergan** | Ireland | 498 | 100% |
| Sep-16 | **ForSight Visions** | USA | US-based company that develops non-invasive products that replace eye drops and provide sustained therapy for major eye diseases including glaucoma, dry eye and allergy | **Allergan** | Ireland | 85 | 100% |
| Sep-16 | **Tobira Therapeutics** | USA | US-based biopharmaceutical company engaged in the discovery, development and commercialization of antidote-controlled therapeutics | **Allergan** | Ireland | 1,517 | 100% |
| Sep-16 | **Raptor Pharmaceutical** | USA | US-based development-stage biopharmaceutical company | **Horizon Pharma** | Ireland | 791 | 100% |
| Sep-16 | **RetroSense Therapeutics** | USA | US-based biotechnology company that develops gene therapies designed to restore vision in patients suffering from blindness due to retinitis pigmentosa and advanced dry age-related macular degeneration | **Allergan** | Ireland | 54 | 100% |
| Sep-16 | **Cepheid** | USA | US-based molecular diagnostics company that develops, manufactures and markets fully integrated systems for testing in the clinical market, and for application in its original non-clinical market | **Danaher** | USA | 3,640 | 100% |
| Aug-16 | **Macrocure** | Israel | Israeli-based clinical-stage biotechnology company | **Leap Therapeutics** | USA | 6 | 100% |
| Aug-16 | **Telesta Therapeutics** | Canada | Canada-based biotechnology company, focuses on the licensing/acquisition and development of transformational therapeutics for the treatment of serious human diseases | **ProMetic Life Sciences** | Canada | 15 | 100% |
| Aug-16 | **Medivation** | USA | US-based biopharmaceutical company focused on rapid development of novel therapies to treat serious diseases (rostate cancer and for breast cancer) | **Pfizer** | USA | 11,560 | 100% |
| Jul-16 | **ViroCyt** | USA | US-based company engaged in developing life science instrumentation and essay products for the analysis of viruses and microorganisms | **Sartorius** | Germany | 14 | 100% |
| Jul-16 | **MiaMed** | USA | US-based pre clinical biotechnology company | **Amicus Therapeutics** | USA | 6 | 100% |
| Jun-16 | **Transition Therapeutics** | Canada | Canada-based biopharmaceutical company with a focused and extensive drug development program exploring novel therapeutics in multiple disease indications | **OPKO Health** | USA | 37 | 100% |
| Jun-16 | **IntelliCyt** | USA | US-based develops cell- and bead-based screening solutions using high throughput flow technology for use in drug discovery, antibody discovery and immunology | **Sartorius** | Germany | 82 | 100% |
| May-16 | **Celator Pharmaceuticals** | USA | US-based oncology-focused biopharmaceutical company | **Jazz Pharmaceuticals** | Ireland | 1,115 | 100% |
| May-16 | **Anacor Pharmaceuticals** | USA | US-based biopharmaceutical company focused on discovering, developing and commercializing small molecule therapeutics derived from its boron chemistry platform to treat infectious and inflammatory diseases | **Pfizer** | USA | 3,958 | 100% |
| May-16 | **NanoSphere Health Sciences** | USA | US-based biotechnology company | **Luminex** | USA | 45 | 100% |
| May-16 | **Ariad Pharmaceuticals** | Luxembourg | Luxembourg-based company through its subsidiaries enagaged in commercialization of Iclusig drug in the European union | **Incyte** | USA | 123 | 100% |
| Feb-16 | **Sinovac Biotech** | China | China-based biopharmaceutical company that focuses on the research, development, manufacture and commercialization of vaccines that protect against human infectious diseases | **Consortium for Sinovac Biotech** | China | 342 | 70% |
| Jan-16 | **BioTie Therapies** | Finland | Finland-based biopharmaceutical company engaged in discovery and development of drugs focused on neurodegenerative and psychiatric disorders | **Acorda Therapeutics** | USA | 295 | 100% |
| | | | | **Average** | | **2,284** | |
| | | | | **Median** | | **275** | |

**Recent public tenders in the field of biotechs (since 2016)**

| Date | Target | Transaction value (€m) | Buyer | Premium (spot) |
|---|---|---|---|---|
| 04/05/18 | Sirtex Medical | 1,198 | CDH Investments | +20.7% |
| 27/04/18 | NeuroSearch | 13 | Gefion | +29.9% |
| 19/04/18 | Shire | 66,828 | Takeda | +30.6% |
| 11/04/18 | Wilson Therapeutics | 637 | Alexion Pharmaceuticals | +70.3% |
| 09/04/18 | AveXis | 7,057 | Novartis | +88.1% |
| 26/02/18 | RHS | 16 | PerkinElmer | +100.0% |
| 21/02/18 | Viralytics | 320 | Merck Sharp & Dohme | +177.8% |
| 31/01/18 | Cascadian Therapeutics | 501 | Seattle Genetics | +69.5% |
| 29/01/18 | Ablynx | 3,863 | Sanofi | +21.2% |
| 22/01/18 | BioCryst Pharmaceuticals | 562 | Idera | +14.0% |
| 22/01/18 | Juno Therapeutics | 7,594 | Celgene | +28.3% |
| 22/01/18 | Bioverativ | 9,364 | Sanofi | +63.8% |
| 05/01/18 | TiGenix | 560 | Takeda | +81.5% |
| 22/12/17 | Ignyta | 1,663 | Roche | +73.6% |
| 30/10/17 | Advanced Accelerator Applicati | 3,149 | Novartis | +12.5% |
| 16/10/17 | Epicore BioNetworks | 24 | Neovia | +25.0% |
| 19/09/17 | Glory Biotech | 7 | glac Biotech | +4.9% |
| 18/09/17 | Dimension Therapeutics | 143 | Ultragenyx Pharmaceutical | +42.9% |
| 28/08/17 | Kite Pharma | 9,377 | Gilead Sciences | +29.4% |
| 13/04/17 | Nexvet Biopharma | 90 | Zoetis | +65.9% |
| 29/03/17 | Biotest | 1,286 | Tiancheng International | +2.7% |
| 26/01/17 | Actelion | 27,991 | Johnson & Johnson | +23.4% |
| 24/01/17 | GenVec | 14 | Intrexon | +44.5% |
| 18/01/17 | CoLucid Pharmaceuticals | 899 | Eli Lilly | +33.2% |
| 09/01/17 | ARIAD Pharmaceuticals | 5,159 | Takeda | +74.7% |
| 20/10/16 | MediRox | 5 | Ahead Global Investment | (5.4%) |
| 20/09/16 | Tobira Therapeutics | 1,524 | Allergan | +498.1% |
| 14/09/16 | Vitae Pharmaceuticals | 506 | Allergan | +159.3% |
| 12/09/16 | Raptor Pharmaceuticals | 781 | Horizon Pharma | +20.8% |
| 06/09/16 | Cepheid | 3,921 | Danaher | +54.0% |
| 29/08/16 | Macrocure | 29 | Leap Therapeutics | +48.5% |
| 24/08/16 | Telesta Therapeutics | 30 | ProMetic Life Sciences | +100.0% |
| 22/08/16 | Medivation | 12,659 | Pfizer | +21.4% |
| 30/06/16 | Transition Therapeutics | 54 | OPKO Health | +124.8% |
| 17/06/16 | Ceres | 16 | Land O'Lakes | +81.3% |
| 15/06/16 | Aegerion | 270 | Novelion Therapeutics | +10.0% |
| 31/05/16 | Celator | 1,383 | Jazz Pharmaceuticals | +72.6% |
| 16/05/16 | Nanosphere | 103 | Luminex | +118.0% |
| 16/05/16 | Anacor | 4,090 | Pfizer | +55.0% |
| 28/03/16 | Gene Techno Science | 91 | Noritsu Koki Bio | +10.3% |
| 04/02/16 | Sinovac Biotech | 452 | Shandong Sinobioway Biomedi | +29.7% |
| 19/01/16 | Biotie Therapies | 313 | Acorda Therapeutics | +212.4% |
| 11/01/16 | Baxalta | 33,255 | Shire | +13.9% |
| | | | **Average** | **+66.3%** |

#### 3.2.2.1.5. Trading comparables

Trading comparables consists in applying the mean or median of valuation multiples observed on listed companies considered as comparables to financial aggregates of the Company.

As TxCell did not generate any revenues from the sale of its products or profits in the past, it does not make sense to apply multiples of comparable companies to its aggregates. This method has therefore been ruled out.

### 3.2.2.2. Retained methods

The multi-criteria approach used to value the Company is based on the methods described below.

As a main reference

- Recent significant transactions on Company's equity
- Discounted Cash Flows (DCF)

For information purposes

- Share price analysis
- Analysts' target price

## 3.2.3. Valuation based on retained methods

### 3.2.3.1. Recent significant transactions on Company's equity

This method values the Company based on significant recent transactions on its shares.

The acquisition of a block representing 53% of the Company's share capital and voting rights by Sangamo on 1 October 2018 at a €2.58 share price represents the main reference used in this valuation exercise. This block acquisition is the result of a competitive intermediated sale process (indicative and binding offers after due-diligence work). In addition, it should be noted that this concerns a majority block and therefore includes a control premium.

In addition, the Company carried out a capital increase by issuing new shares with stock subscription convertible bonds attached (ABSA) for an amount of €11m in February 2017. The latter led to the creation of 5,549,300 ABSAs at a unit price of €2.00.

It should also be noted that Oddo BHF Asset Management acquired 1,150,000 shares at a price of €2.33 during the pre-offer period, and indicated (AMF declaration 218C1343):

*"We are acting on our own initiative, the shares were acquired following the announcement of the public tender offer by Sangamo Therapeutics. We plan to tender them as part of the offer. To date, we plan to continue these acquisitions."*

Finally, it is reminded that the Offer price is higher than the price of any share acquired by the Offeror during the 12 months before the announcement of the Offer.

#### 3.2.3.2. Discounted Cash Flows (DCF)

This method consists in valuing the Company by discounting its future cash flows at the Weighted Average Cost of Capital (WACC).

##### 3.2.3.2.1. Weighted Average Cost of Capital (WACC)

The Company's risk profile makes the calculation of WACC by analytical method quite irrelevant (gearing target estimated at 0% given the Company's very limited ability to obtain debt financing – it should be noted that the only debt recorded by the Company correspond to grants and subsidized loans as well as convertible bonds subscribed by Yorkville and considered as equity-like products).

Consequently, we have retained the WACC used by the Company in its internal valuation work, i.e. 12.5%. The latter corresponds to the WACC used by the analyst Edison in its reports. Finally, the table below presents the most recent public WACCs used by the Company and analysts.

The WACC used in our approach thus appears conservative as it represents the lowest WACC of this list.

| Analysts/Company | WACC | Date |
|---|---|---|
| Edison | 12.5% | 28/10/2016 |
| TxCell | 12.5% | 31/12/2017 |
| SGCIB | 15.0% | 19/02/2018 |
| Kepler | 20.0% | 01/06/2018 |
| Retained WACC | 12.5% | |

*Figure 8: Latest WACCs used by the Company and analysts*

#### 3.2.3.2.2. Discounted cash flows

Discounted Cash Flows (DCF) valuation method is based on the business plan established by the Company. The perpetual growth rate used is in line with IMF's 1.5% GDP growth forecast for Europe.

Given the progress of the year, the discounted cash flows are based on December 31th, 2018 (discounting period of 1.00 for 2019, 2.00 for 2020, etc.).

For the sake of consistency, the net debt considered to bridge from enterprise value to equity value should be forecasted at December 31th, 2018. The latter was assessed based on the adjusted net financial debt of €1,975k as of June 30th, 2018 presented above, plus:

- A cash burn projection of €8m during the second half of 2018 corresponding to a monthly operating cash requirement of €1m and the payment of €2m for Ovasave® rights (management assumption)
- Ovasave® rights in the amount of €6 million (amount recorded in the Company's assets)
- The discounted tax loss carry-forward not already used at the end of the business plan (€12.7m in 2038), representing €0.3 million as of December 31th, 2018 (conservative assumption corresponding to the total use of the carry-forward loss in 2038, while it will be used over several years after 2038)

The terminal value is calculated on a post-extrapolation normative cash flow and a 1.5% perpetual growth rate according to Gordon Shapiro's method.

The discounted cash flows at the WACC gives the following results:

| Valuation as of (31/12/2018) | Perpetual growth rate (1.5%) | |
|---|---|---|
| | €m | % |
| Sum of discounted FCF | 15.3 | 49.8% |
| Terminal value | 15.4 | 50.2% |
| **Enterprise value** | **30.7** | **100.0%** |
| Net debt as of 30/06/18 | (2.0) | (6.4%) |
| Cash burn S2 2018 | (8.0) | (26.0%) |
| Ovasave | 6.0 | 19.5% |
| Tax loss carry-forward | 0.3 | 1.0% |
| **Net debt as of 31/12/18** | **(3.7)** | **(11.9%)** |
| **Equity value** | **27.1** | **88.1%** |
| / Number of shares (fully diluted) | 25,524,653 | |
| **Implied share price (€)** | **1.06** | |

*Figure 9: Implied valuation and share price*

We performed a sensitivity analysis on the WACC and perpetual growth rate (+/- 0.5%). Share prices resulting from this analysis are presented in the following table:

| *Implied share price (€)* | | Perpetual growth rate | | | | |
|---|---|---|---|---|---|---|
| | | 0.5% | 1.0% | 1.5% | 2.0% | 2.5% |
| WACC | 11.5% | 1.32 | 1.36 | 1.40 | 1.44 | 1.49 |
| | 12.0% | 1.15 | 1.18 | **1.22** | 1.26 | 1.30 |
| | 12.5% | 1.00 | **1.03** | 1.06 | **1.09** | 1.13 |
| | 13.0% | 0.87 | 0.89 | **0.92** | 0.95 | 0.98 |
| | 13.5% | 0.75 | 0.77 | 0.79 | 0.82 | 0.84 |

*Figure 10: WACC and perpetual growth rate sensitivity analysis*

The offer represents a premium of 143.2%, 180.6% and 111.7% on, respectively, central, min and max values resulting from this method.

### 3.2.3.3. Share price analysis (for information purposes)

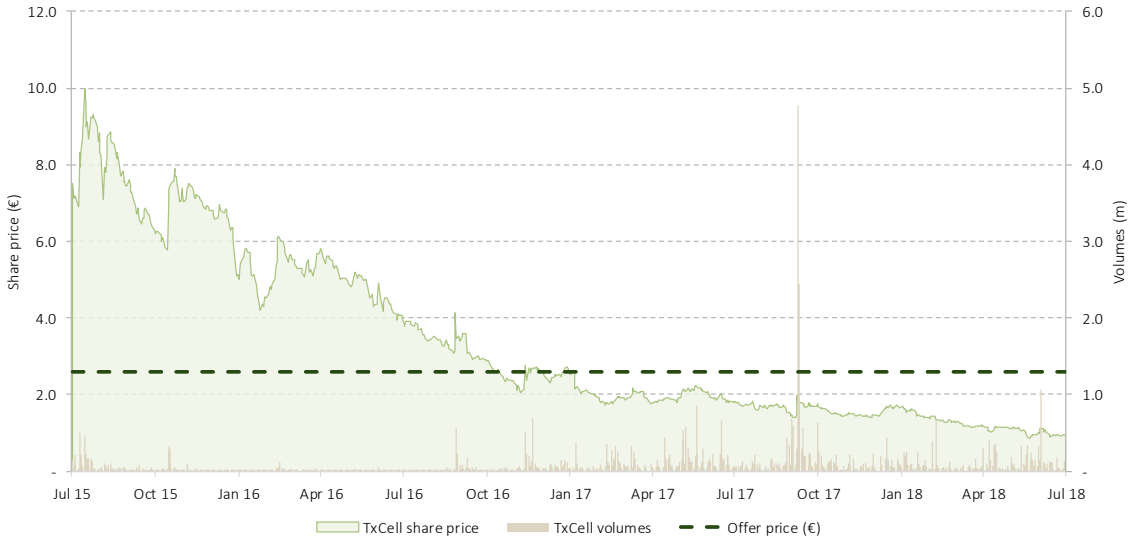


*Figure 11: Share price evolution over the last 3 years*

TxCell's shares are listed on the compartment C of Euronext Paris (ISIN: FR0010127662 – Mnemonic code TXCL) since April 14th, 2014.

The share price analysis is only used for information purposes given the Company's risk profile.

The table below shows the implied premiums by the Offer Price on:

- The closing price of July 20th, 2018 (the last day of quotation before the Offer announcement)
- The Volume Weighted Average Price (VWAP) on different periods of time until the Offer announcement
- The highest and lowest closing prices on different periods of time until the Offer announcement

The table also highlights the average daily volume traded and accumulated trading volume on the different periods of time until the Offer announcement.

| In € | 20-07-18 | 20 days | 60 days | 120 days | 250 days |
|---|---|---|---|---|---|
| **VWAP** | **0.93** | **0.97** | **1.03** | **1.14** | **1.52** |
| *Offer implied premium* | *+177.4%* | *+165.0%* | *+149.4%* | *+126.6%* | *+70.2%* |
| **Min** | | **0.90** | **0.86** | **0.86** | **0.86** |
| *Offer implied premium* | | *+188.3%* | *+200.7%* | *+200.7%* | *+200.7%* |
| **Max** | | **1.12** | **1.17** | **1.61** | **1.98** |
| *Offer implied premium* | | *+130.4%* | *+120.5%* | *+60.0%* | *+30.3%* |
| **Average daily volumes (# shares)** | **28,559** | **63,318** | **113,112** | **95,025** | **137,131** |
| **Aggregated volumes over the period (# shares)** | **28,559** | **1,266,353** | **6,786,717** | **11,402,972** | **34,282,808** |
| *% of shares* | *0.1%* | *5.5%* | *29.3%* | *49.2%* | *147.8%* |
| *% of float* | *0.2%* | *11.0%* | *59.1%* | *99.3%* | *298.7%* |
| **In €** | **20-07-18** | **20 days** | **60 days** | **120 days** | **250 days** |
| **VWAP** | **0.93** | **0.97** | **1.03** | **1.14** | **1.52** |
| *Offer implied premium* | *+177.4%* | *+165.0%* | *+149.4%* | *+126.6%* | *+70.2%* |
| **Min** | | **0.90** | **0.86** | **0.86** | **0.86** |
| *Offer implied premium* | | *+188.3%* | *+200.7%* | *+200.7%* | *+200.7%* |
| **Max** | | **1.12** | **1.17** | **1.61** | **1.98** |
| *Offer implied premium* | | *+130.4%* | *+120.5%* | *+60.0%* | *+30.3%* |
| **Average daily volumes (# shares)** | **28,559** | **63,318** | **113,112** | **95,025** | **137,131** |
| **Aggregated volumes over the period (# shares)** | **28,559** | **1,266,353** | **6,786,717** | **11,402,972** | **34,282,808** |
| *% of shares* | *0.1%* | *5.5%* | *29.3%* | *49.2%* | *147.8%* |
| *% of float* | *0.2%* | *11.0%* | *59.1%* | *99.3%* | *298.7%* |

*Figure 121: Share price and volumes analysis (trading days)*

The Offer Price represents a premium of 177.4% on the closing price of July 20th, 2018 (last quotation before Offer announcement) and premiums of 165.0%, 149.4%, 126.6% et 70.2% respectively on VWAP on the last twenty, sixty, one hundred twenty and two hundred fifty last trading days before the Offer announcement on July 20th, 2018.

It should be noted that, over the last 250 trading days, the Company's shares have been effectively traded and therefore the 250 last trading days correspond to Company's 250 quotation days.

#### 3.2.3.4. Analysts' target price (for information purposes)

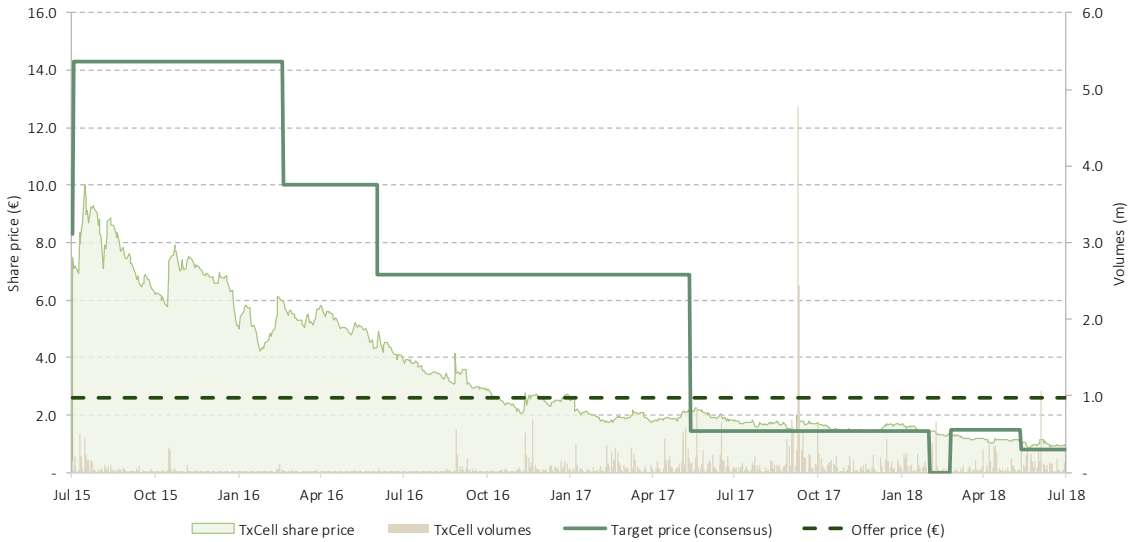


*Figure 13: Analyst's target price evolution*

LifeSci Capital and Edison Investment Research cover the Company but do not publish a target price.

Societe Generale terminated its coverage of the Company on February 19th, 2018. Its last target price was €1.44 and dated from June 6th, 2017 with a sell recommendation.

Kepler Cheuvreux initiated the coverage of the Company on March 15th, 2018 at a target price of €1.50 with a hold recommendation and then revised the target price on June 1st, 2018 to €0.80.

It should be noted that Invest Securities advised investors on July 24th, 2018 to tender their shares to the Offer.

Given the limited number of analysts following the Company as well as the irregularity of their coverage, this valuation method has been retained for information purposes only.

### 3.3. Offer price assessment summary

The Offer Price is higher than:

- The closing price of the last day of quotation before the Offer announcement (€0.93)
- The highest analysts' target price before the Offer announcement (€0.80)
- The maximum of the price range resulting from the discounted cash flows method (from €0.92 to €1.22 with a central value of €1.06)

In addition, the Offer Price is equal to:

- Price offered by the Initiator for the acquisition of a majority block representing 53% of the Company's share capital and voting rights resulting from a competitive sale process and including a control premium

| Method | Implied share price (€) | Offer implied premium |
|---|---|---|
| **Retained valuation methods** | | |
| **Recent transactions on the Company's capital** | | |
| Block sale (Bpifrance, Auriga, Belsize, Management) | 2.58 | - |
| €11m capital increase by ABSA issuance in February 2017 | 2.00 | +29.0% |
| Acquisition of shares by Oddo BHF during the pre-offer period | 2.33 | +10.7% |
| **Discounted cash flows (DCF)** | | |
| Min | 0.92 | +180.6% |
| Average | 1.06 | +143.2% |
| Max | 1.22 | +111.7% |
| **Share price analysis (for information purposes)** | | |
| VWAP spot (20/07/2018) | 0.93 | +177.4% |
| VWAP 20 days | 0.97 | +165.0% |
| VWAP 60 days | 1.03 | +149.4% |
| VWAP 120 days | 1.14 | +126.6% |
| VWAP 250 days | 1.52 | +70.2% |
| 52 week high | 1.98 | +30.3% |
| 52 week low | 0.86 | +200.7% |
| **Analyst's target price (for information purposes)** | 0.80 | +222.5% |
| **Discarded methods** | | |
| **Net Asset Value (NAV)** | | |
| NAV per share as of 30/06/2018 | 0.01 | +43,202.3% |
| **Transaction comparables** | 1.55 | +66.8% |
| **Trading comparables** | n.r. | n.r. |

*Figure 14: Offer Price assessment summary*

### 3.4. Appendices

#### 3.4.1. Glossary

- EV: Enterprise Value
- LTM: Late Twelve months
- VWAP: Volume Weighted Average Price
- WACC: Weighted Average Cost of Capital
- WCR: Working Capital Requirement

#### 3.4.2. Sources

This document and the analyses it contains rely on the following sources:

- Company
- Annual and half-year Company reports
- Press releases and articles
- Broker notes
- Capital IQ (mainly stock market data)
- Mergermarket (mainly transaction comparables)
- Q&A sessions with the management of the Company

## 4. TERMS OF THE PROVISION OF INFORMATION RELATING TO THE OFFEROR

In accordance with article 231-28 of the General Regulations of the AMF, the information relating to the characteristics, including legal, financial and accounting, of the Offeror will be the subject of a specific document filed with the AMF and made available to the public in accordance with specific terms to effectively disseminate all the information the day before the opening of the Offer at the latest.

## 5. PERSONS ASSUMING RESPONSIBILITY OF THE OFFER DOCUMENT

### 5.1. For the Offeror

*"To my knowledge, the information contained in this offer document is accurate and does not include any omissions that might alter the contents thereof."*

Sangamo Therapeutics, Inc.
Represented by Alexander D. Macrae

### 5.2. For the sponsoring institutions of the Offer

*"In accordance with article 231-18 of the General Regulations of the AMF, Alantra, sponsoring institution of the Offer, declares that to its knowledge, the presentation of the Offer, examined on the basis of information provided by the Offeror, and the criteria for determining the proposed price are in accordance with the facts and nothing has been omitted which could affect the scope thereof."*

Alantra
Represented by Olivier Guignon