UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 1, 2018

SANGAMO THERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	000-30171	68-0359556
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer ID Number)

501 Canal Blvd., Richmond, California 94804
(Address of principal executive offices) (Zip Code)

(510) 970-6000
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

As previously disclosed, on July 20, 2018, Sangamo Therapeutics, Inc. (the “Company”) entered into a Share Purchase Agreement (the “SPA”) with certain shareholders of TxCell S.A., a French *société anonyme* (“TxCell”), and the Company and TxCell entered into a Tender Offer Agreement (the “TOA”), pursuant to which the Company, directly or through a subsidiary, agreed to acquire 100% of the equity interests of TxCell. Also as previously disclosed, on October 1, 2018, the Company completed the acquisition of 13,519,036 ordinary shares of TxCell (“TxCell Ordinary Shares”), representing approximately 53% of the outstanding share capital and voting rights of TxCell, pursuant to the SPA (the “Block Transaction”).

On November 6, 2018, the Company filed a Current Report on Form 8-K (the “Original Form 8-K”) reporting that, on November 1, 2018, pursuant to the TOA, the Company commenced a cash tender offer (the “Offer”) to acquire all of the TxCell Ordinary Shares not held by the Company or any subsidiary of the Company for the same per share price paid in the Block Transaction (€2.58 per share) (the “Offer Price”) and that pursuant to the Block Transaction, open market purchases and the Offer, the Company had acquired a total of 20,203,733 TxCell Ordinary Shares as of November 1, 2018. Subsequent to the filing of the Original Form 8-K, the Offer was completed and the Company initiated compulsory squeeze-out procedures applicable to French public companies to acquire the remaining TxCell Ordinary Shares for the Offer Price. As of the date of filing of this Current Report on Form 8-K/A, the Company had acquired a total of 25,047,671 TxCell Ordinary Shares pursuant to the Block Transaction, open market purchases, the Offer and the squeeze-out procedures, representing approximately 98.2% of the outstanding share capital and voting rights of TxCell.

The Company also entered into arrangements with the holders of approximately 475,000 “free shares” of TxCell pursuant to which the Company has the right to purchase such shares from the holders thereof and such holders have the right to sell to the Company such shares from time to time through mid-2021 (the “Free Shares Options”). The purchase price for each such free share acquired by the Company upon exercise of a Free Shares Option will be based on the performance of the Company’s stock price from the announcement of the transactions contemplated by the SPA and TOA through the time of purchase (as of November 1, 2018, the Free Shares Options purchase price was valued at €2.58 per share or approximately $2.99 per share using an exchange rate of 1.160). For example, if the Company’s stock price increases during that time period, the Free Shares Options purchase price per share will proportionately increase. However, if the Company’s stock price decreases, the Free Shares Options purchase price is limited to a minimum purchase price of €2.58 per share, subject to certain exceptions.

In September 2018, the Company also provided TxCell with a $5.2 million loan that was deemed to be part of the purchase consideration for accounting purposes. This loan, together with the cash paid to acquire the TxCell Ordinary Shares (approximately $75.0 million) and the estimated fair value of the Free Shares Options ($190,000), comprise the aggregate purchase consideration of approximately $80.4 million (such transactions, collectively, the “Acquisition”).

This Current Report on Form 8-K/A amends the Original Form 8-K to provide the financial statements of TxCell pursuant to Item 9.01(a) of Form 8-K and the requisite pro forma financial information pursuant to Item 9.01(b) of Form 8-K that were excluded from the Original Form 8-K in reliance on the instructions to such Items.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The audited financial statements of TxCell as of and for the year ended December 31, 2017, and the notes related thereto, are filed as Exhibit 99.1 to this Current Report on Form 8-K/A and are incorporated herein by reference. The consent of Ernst & Young Audit, TxCell’s independent auditor, is filed herewith as Exhibit 23.1.

The unaudited financial statements of TxCell as of September 30, 2018 and December 31, 2017 and for the nine months ended September 30, 2018 and 2017, and the notes related thereto, are filed as Exhibit 99.2 to this Current Report on Form 8-K/A and are incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2018 and for the year ended December 31, 2017, each giving effect to the Acquisition, and the unaudited pro forma condensed combined balance sheet as of September 30, 2018, giving effect to the Acquisition, and the notes related thereto, are included as Exhibit 99.3 to this Current Report on Form 8-K/A and are incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description
2.1*	Share Purchase Agreement dated July 20, 2018, among the Company and the Sellers (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2018, File No. 000-30171)
2.2*	Amendment Agreement to the Share Purchase Agreement dated October 1, 2018, among the Company and the Sellers (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the SEC on November 6, 2018, File No. 000-30171)
2.3*	Tender Offer Agreement dated July 20, 2018, between the Company and TxCell (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2018, File No. 000-30171)
2.4*	Amendment No. 1 to the Tender Offer Agreement dated October 1, 2018, between the Company and TxCell (incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K filed with the SEC on November 6, 2018, File No. 000-30171)
23.1	Consent of Ernst & Young Audit, TxCell's independent auditor
99.1	Audited financial statements of TxCell as of and for the year ended December 31, 2017, and the notes related thereto
99.2	Unaudited financial statements of TxCell as of September 30, 2018 and December 31, 2017 and for the nine months ended September 30, 2018 and 2017, and the notes related thereto
99.3	Unaudited pro forma condensed combined financial information for the year ended December 31, 2017 and as of and for the nine months ended September 30, 2018, and the notes related thereto

* Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted exhibits and schedules upon request by the SEC; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934 for any exhibits or schedule so furnished. A list identifying the contents of all omitted exhibits and schedules can be found in Exhibits 2.1, 2.2, 2.3 and 2.4.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SANGAMO THERAPEUTICS, INC.

By:	/s/ KATHY Y. YI
Name:	Kathy Y. Yi
Title:	Senior Vice President and Chief Financial Officer

Dated: January 4, 2019

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statements (Forms S-8 No. 333-166220, 333-189621, 333-206173, 333-221827, and 333-225552) pertaining to the Amended and Restated 2013 Stock Incentive Plan, 2010 Employee Stock Purchase Plan, and 2018 Equity Incentive Plan of Sangamo Therapeutics, Inc., and

2. Registration Statements (Forms S-3 No. 333-218294 and 333-224418) and related prospectuses of Sangamo Therapeutics, Inc.;

of our report dated December 7, 2018, with respect to the audited financial statements of TxCell S.A. included in this Current Report on Form 8-K/A of Sangamo Therapeutics, Inc. dated January 4, 2019.

/s/ ERNST & YOUNG Audit

Paris-La Défense
January 3, 2019

Report of Independent Auditor

To Board of Directors of TxCell S.A.,

We have audited the accompanying financial statements of TxCell S.A., which comprise the statement of financial position as of December 31, 2017, and the related statements of operations and comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

As discussed in Note 2, the financial statements of TxCell S.A. do not include the full comparative financial information as of and for the year ended December 31, 2016 required under IFRS (IAS 1.38).

Opinion

In our opinion, except for the effects of the matter described above, the financial statements referred to above present fairly, in all material respects, the financial position of TxCell S.A. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with IFRS as issued by the International Accounting Standards Board.

ERNST & YOUNG Audit

Paris-La Défense
December 7, 2018

TXCELL S.A.
A French limited liability company (*société anonyme*) with a share capital of €5,100,180.60
Registered office: Les Cardoulines, Allée de la Nertière,
06560 Valbonne –Sophia Antipolis
Grasse Trade and Companies Register n° 435 361 209

TXCELL S.A.
FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. TXCELL S.A. STATEMENT OF FINANCIAL POSITION

1.1 Assets

Assets (in thousands of euros)	Note	As of December 31, 2017
Intangible assets	3	5,935
Property, plant and equipment	4	625
Other property, plant and equipment under finance leases	4	416
Financial assets	5	278
Total non-current assets		**7,254**
Other current assets	6	2,620
Cash and cash equivalents	8	4,910
Total current assets		**7,530**
Total assets		**14,784**

1.2 Liabilities

Liabilities (in thousands of euros)	Note	As of December 31, 2017
Share capital	9	4,363
Issue premiums		33,905
Accumulated deficit		(22,214)
Other Comprehensive Income / (Loss)		27
Net loss for the year		(10,911)
Total shareholders' equity		**5,170**
Financial debt - non current	10	1,161
Debts related to finance leases - non-current	10	321
Total non-current liabilities		**1,481**
Financial debt - current	10	1,788
Trade and other payables	12	874
Other current liabilities	12	5,374
Debts related to finance leases - current	10	93
Provisions - current	11	4
Total current liabilities		**8,133**
Total liabilities		**14,784**

2. TXCELL S.A. STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

Statement of operations (in thousands of euros)	Note	For the Year Ended December 31, 2017
Revenue	13	-
Other income	13	2,234
Revenue and other income		**2,234**
Research and development expenses	15	(8,642)
General and administrative expenses	15	(4,092)
Current operating profit / (loss)		**(10,500)**
Other operating expenses		-
Other operating income		-
Operating profit / (loss)		**(10,500)**
Income from cash and cash equivalents	17	0
Cost of gross financial debt	17	(96)
Cost of net financial debt		**(96)**
Other financial income	17	6
Other financial expenses	17	(322)
Net loss before tax		**(10,911)**
Income taxes	18	-
Net loss		**(10,911)**
Basic and diluted loss per share (in €)	21	(0.52)

Items of other comprehensive income / (loss):

Net loss (in thousands of euros)	Note	(10,911)
Non-recyclable elements in statement of operations:		
Revaluations of net liabilities arising from defined benefit schemes	11	5
Items of other comprehensive income / (loss)		**5**
Comprehensive loss		**(10,906)**

3. TXCELL S.A. STATEMENT OF CHANGES IN EQUITY

In thousands of euros	NOTES	NUMBER OF SHARES	SHARE CAPITAL	ISSUE PREMIUMS	ACCUMULATED DEFICIT	OTHER COMPREHENSIVE INCOME / (LOSS)	NET LOSS FOR THE YEAR	TOTAL
Balances as at January 1, 2017		13,873,252	2,775	32,724	(20,759)	22	(13,570)	1,192
Allocation of net loss for the previous period				(12,140)	(1,431)		13,570	0
Exercise of listed warrants		4,233	1	10				11
Subscription of BSA 03-17 warrants				32				32
Vesting of free shares		120,372	24	0				24
Capital increase through the issue of new shares with warrants attached		5,549,300	1,110	9,989				11,099
Conversion of convertible notes		2,266,150	453	2,847				3,300
Allocation of unamortized redemption premiums on the date of conversion				(14)				(14)
Allocation of capital increase costs				(1,057)				(1,057)
Expenses related to share-based payments				1,099				1,099
Liquidity Contract - Treasury shares				(131)				(131)
Actuarial gains and losses						5		5
Fair value of convertible notes				546				546
Reserves for allocation of free shares					(24)			(24)
Net loss for the year							(10,911)	(10,911)
Balances as at December 31, 2017		21,813,307	4,363	33,905	(22,214)	27	(10,911)	5,170

4. TXCELL S.A. STATEMENT OF CASH FLOWS

In thousands of euros	For the Year Ended December 31, 2017
Net loss	**(10,911)**
Eliminations of items with no impact on cash and cash equivalents	
Depreciation and amortization	317
Provisions	(46)
Share-based payment	1,099
Financial expenses arising from bonds	262
Other eliminations with no impact on cash and cash equivalents	4
OPERATING CASH FLOW BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS	(9,274)
Change - non-current	**19**
Other eliminations of non-current items with no impact on cash and cash equivalents	28
Change in other non-current liabilities	(9)
Change - current	**(497)**
Change in trade receivables	4
Change in other current assets	(344)
Change in trade payables	(19)
Change in other current liabilities (excluding fixed asset suppliers)	(138)
CHANGE IN WORKING CAPITAL REQUIREMENTS	(478)
Change to net cash used in operating activities	**(9,752)**
Acquisition of intangible assets	(32)
Acquisition of property, plant and equipment	(164)
Proceeds from sale of property, plant and equipment	39
Change in property, plant and equipment supplier account	116
Acquisition of non-current financial assets	(87)
Change to net cash used in investing activities	**(128)**
Capital increases or contributions	10,084
Repayments of loans	(170)
Increase of financial debt linked to research tax credit prefinancing	1,450
Finance leases payments	(57)
Change to net cash provided by financing activities	**11,307**
NET CASH FLOWS	1,427
OPENING CASH & CASH EQUIVALENTS	3,483
CLOSING CASH & CASH EQUIVALENTS	4,910

5. TXCELL S.A. NOTES TO THE FINANCIAL STATEMENTS

Note 1 : The Company

TxCell S.A. (the "**Company**") is a biotechnology company, listed on Euronext Paris, which develops innovative personalized cellular immunotherapies for the treatment of severe inflammatory and autoimmune diseases with high unmet medical need. TxCell S.A. targets graft rejections, as well as various autoimmune diseases (T-cell or B-cell), including multiple sclerosis, renal lupus and bullous pemphigoid.

Significant events during the period

On February 22, 2017, the Company announced the completion of its capital increase through the issue of 5,549,300 new shares with warrants attached (ABSA), for a gross amount of €11.1 million, which may be supplemented by a gross amount of €10.8 million if all of the warrants issued are exercised by February 26, 2018 (Events subsequent to the reporting period are presented in Note 23).

On October 25, 2017, the Company announced the signature of an amendment with Yorkville Advisors Global LP modifying the financing agreement through the issuance of convertible notes ("OCA") with share subscription warrants (“BSA”) (together, "OCABSA"), which was entered into on June 17, 2016, to reduce its cost and dilutive impact for shareholders and meet the Company's future cash needs, even if the listed share warrants (BSA) issued in February 2017 had not been fully exercised before February 26, 2018 (Events subsequent to the reporting period are presented in Note 23).

Note 2 :Accounting principles and methods

The financial statements are presented in thousands of euros, except share and per share amounts.

Figures have been rounded up or down when calculating certain financial items and other information contained in the financial statements. Consequently, the totals given in certain tables may not be the exact sum of the figures that precede them.

Note 2.1 : Basis of preparation of the financial statements

These financial statements were approved on November 16, 2018 by the board of directors.

The accounting principles used to prepare the 2017 annual financial statements comply with the International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board (IASB). As they were prepared for the purpose of allowing Sangamo Therapeutics, Inc. (Sangamo) (see Note 23) to comply with its Securities and Exchange Commission (SEC) filing requirements under SEC Regulation S-X Rule 3.05 (SEC Rule 3.05) and Sangamo determined that only the 2017 (i.e., one year of) audited financial statements of TxCell are required under SEC Rule 3.05’s significance test, these financial statements do not include the 2016 comparatives that are required under IAS 1.

The Company applied the following new standards and amendments to rules and interpretations which are mandatory as of January 1, 2017:

- the amendment to IAS 7 “Disclosure Initiative”;
- the amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”;
- the annual improvements of the IFRS: 2014-2016 cycle.

The application of these amendments and standards had no significant impact on the financial statements.

Furthermore, the Company decided not to proceed with the early application of new standards, amendments, revisions and interpretations if their application was compulsory after December 31, 2017. Management is currently assessing the impacts of the first application of these new standards but currently does not expect that they will have a significant impact on the Company’s financial statements.

Principle of preparation of the financial statements

The financial statements have been prepared on a historical-cost basis, with the exception of financial assets and liabilities, which are measured at fair value, in accordance with the IFRS provisions. The categories concerned are mentioned in the following notes.

Use of judgments and estimates

Preparing the financial statements in accordance with IFRS requires the formulation of estimates and assumptions that affect the amounts and disclosures contained therein. Actual results may differ significantly from these estimates, depending on the different conditions and assumptions used, and where such differences are material, sensitivity analysis may be carried out as applicable. The main judgments and estimates are described below:

- valuation of stock option subscription plans, warrants, free shares and notes convertible into shares (see Notes 2.9 and 9.3);
- recognition of deferred taxes on loss carryforwards (see Notes 2.15 and 18);
- valuation of provisions for risks and charges (see Notes 2.11.1 and 11);
- valuation of rights capitalized under the license acquired (see Note 3).

Note 2.2 : Going-concern principle

The going-concern principle was adopted in light of the following factors:

- the Company's historical loss-making position is the result of the innovative nature of its products, which require several years of research and development;
- at December 31, 2017, the Company had €4.9 million in cash, after partial pre-financing of the 2017 Research Tax Credit (RTC) in the amount of €1.4 million. It also secured a zero-interest innovation loan of €1.2 million, which was received in February 2018;
- the Company has a OCABSA financing program in place with Yorkville, which was entered into in June 2016 and amended in October 2017 giving it, provided that certain contractual conditions[1] are met on the date the financial statements are approved, access to monthly drawdowns to cover its projected monthly cash requirements. These drawdowns may be for a nominal amount of up to €1.8 million for the first tranche, then up to €1.2 million for subsequent tranches, up to a maximum total of €15 million.

The Company estimates, based on its growth plan and the additional funding described above, that it is not exposed to any short-term liquidity risk for the next 12 months following the reporting date (refer to Events subsequent to the reporting period presented in Note 23).

Note 2.3 : Intangible assets

In accordance with International Accounting Standard (IAS) 38 “Intangible Assets”, acquired intangible assets are recognized at acquisition cost on the statement of financial position. Annual impairment tests

[1] The main contractual conditions are as follows:

- no material adverse changes occurred;
- the closing price of TxCell S.A. shares on the day before the Request is equal to or greater than 120% of the TxCell S.A. shares' par value, i.e. €0.24 (compared with €2.80 in the initial version of the contract);
- no cases of default or events which would be considered defaults if not remedied existed on the day of the Request; default means delisting TxCell S.A. shares and certain cases of change in Company control;
- the Company has a number of shares authorized and available equal to at least (i) twice the number of shares to be issued in the event of conversion of the convertible notes to be issued and in circulation (based on the conversion price applicable on the day of the Request) plus (ii) 1 time the number of shares to be issued upon exercise of the BSA warrants to be issued and in circulation.

are performed on intangible, non-amortizable assets and intangible assets in progress. The method currently used for this valuation is the discounted cash flow (DCF) method.

Note 2.3.1 : Research and development expenses

Research costs are recognized as an expense when incurred.

In accordance with IAS 38, development costs are recognized in intangible assets only if the Company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditures during its development.

Pursuant to this standard, the Company recognizes all its research and development costs as expenses. The Company considers that the technical feasibility of its development projects is not demonstrated until the required marketing authorizations are issued, which also corresponds to the time at which virtually all of the development costs have been incurred.

Note 2.3.2 : Patents

Costs associated with filing patents, and incurred by the Company before those patents are secured, are recognized in expenses, consistent with the approach used for research and development costs.

Note 2.3.3 : Software

The costs of acquiring software licenses are recorded in assets, based on the costs incurred to acquire and use the software concerned.

Software is amortized on a straight-line basis over its estimated useful life, which is generally three years.

The software amortization charge is recognized in the "Research and development expenses" or "General and administrative expenses" category depending on the use of the software.

Note 2.3.4 : Other intangible assets

The acquisition costs of other intangible assets are recorded in assets when they can be measured reliably.

Other intangible assets are recognized as in progress up until the date when they satisfy the conditions to be used.

Note 2.4 : Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost. Costs arising from major renovation and improvement work are capitalized. Costs arising from repairs, maintenance and other renovation work are expensed as they are incurred.

Assets not yet put into service are recognized as assets in progress and are not depreciated. Once they have been put into service, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

The following useful lives are applicable:

Nature of property, plant and equipment	Duration
Fixtures and fittings on third-party land	10 years
Component : Major construction work	20 years
Component : Miscellaneous fixtures and fittings	5 to 8 years
Component : Plumbing	8 to 10 years
Component : Air conditioning	8 to 10 years
Component : Electricity	15 years
Laboratory fittings	4 to 5 years
Laboratory equipment	5 to 6 years
IT equipment	3 to 5 years
Office furniture	3 to 10 years

The property, plant and equipment amortization charge is recognized in the "Research and development expenses" or "General and administrative expenses" category depending on the use of the assets held.

Note 2.4.1 : Finance leases

Leased property that meets the conditions to be classified as a finance lease is capitalized at the purchase value as at the date of the lease. Each lease payment is broken down between the payable (capital amortization) and the financial cost so as to determine a constant interest rate on the remaining amounts due. The present value of lease payments is reported as finance leases liabilities. The part of the lease payment corresponding to the interest is reported under expense over the duration of the finance lease. Property, plant and equipment acquired under a finance lease is amortized over the duration of use. Lease payments due in more than one year's time are reported as Debts related to finance leases - non-current; those due in under one year are reported as Debts related to finance leases - current.

Note 2.5 : Financial assets

Financial assets include security deposits, other receivables and cash held under a liquidities contract.

Financial assets and liabilities are measured and recognized in accordance with IAS 39 "Financial Instruments": Recognition and Measurement".

Loans and receivables:

This category includes loans as well as deposits and guarantees recognized under non-current financial assets.

These are recognized initially at fair value and subsequently at amortized cost, calculated using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount except where the application of an implied interest rate has a material effect. The effective interest rate matches the expected future cash inflows to the current net book value of the asset in order to determine its amortized cost.

Loans and receivables are monitored for objective indications of impairment. A financial asset is impaired when an impairment test establishes that its carrying amount is higher than its estimated recoverable amount. The resulting impairment loss is recognized in the statement of operations.

In accordance with the IAS 32 "Financial instruments", treasury shares held under a liquidity contract are deducted from equity and the losses and profits realized on the sale of a part of the shares are offset in the statement of operations.

Note 2.6 : Recoverable value of non-current assets

Impairment testing takes place on tangible and intangible assets with a finite useful life if doubt is cast on the recoverability of their book value by an internal or external index.

Impairment tests are carried out at the close of the financial year on non-amortized assets (irrespective of whether there is an indication of an impairment loss). An impairment test involves comparing the asset's net carrying amount tested with its recoverable value. The test was carried out at cash-generating unit ("CGU") level, which is the smallest asset group and includes assets whose continued use generates cash inflows largely independent of those generated by other assets or asset groups. The concept of a CGU was assessed at the level of the Company taken as a whole.

Impairment is recognized up to the excess of the book value over the asset's recoverable value. The asset's recoverable value is the higher of the fair value less costs to sell and the value in use.

The fair value less exit costs is the amount which can be obtained from the sale of an asset via a transaction conducted under normal competitive conditions between well-informed, consenting parties, less exit costs.

The value in use is determined each year in accordance with IAS 36 "Impairment of Assets": it is the discounted value of the estimated future cash flows expected from the continued use of an asset and of its exit at the end of its useful life. The value in use is determined using cash flows estimated on the basis of five-year plans or budgets, with flows being further extrapolated by applying a constant or declining growth rate, and updated using the long-term market rates after tax which reflect market estimates of the time value of money and the risks specific to the assets. The residual value is determined using discounting to infinity from the last cash flows of the test (see Note 3).

Note 2.7 : Cash, cash equivalents and other financial assets

Cash and cash equivalents consist of immediately available cash and short-term available-for-sale securities. Cash equivalents are held for the purpose of covering short-term liquidity requirements rather than for investment or other purposes. They can be readily converted to known amounts of cash and are not exposed to any material risk of impairment.

They are measured at fair value, and any changes in value are recorded in financial income and expense.

For the purposes of the statement of cash flows, net cash includes cash and cash equivalents as defined above.

Note 2.8 : Capital

Classification under shareholders' equity depends on the specific analysis of the features of each instrument issued. On the basis of this analysis, it was possible to classify shares as equity instruments.

Additional costs directly attributable to share issues or options are recognized in equity as deductions against the proceeds of those issues. Moreover, in the absence of clarification on IAS 32 "Financial Instruments – Presentation", the Company has chosen to recognize these costs by deducting them from shareholders' equity prior to the operation if a year-end takes place between the date the services were rendered and the transaction when the planned transaction is considered highly likely. If the transaction does not subsequently take place, these costs would be recorded under charges for the following financial year.

Note 2.9 : Share-based payments

The Company has implemented several share-based payment plans in the form of share subscription options, share warrants (BSA) or free share awards to its employees, executive officers, members of the board of directors and members of the scientific advisory board (SAB).

In accordance with IFRS 2, the cost of equity-settled transactions is expensed with an increase in equity over the vesting period of the equity instruments in question.

The fair value of share warrants granted to employees is determined using Monte Carlo or Black Scholes simulation techniques, as described in Note 16.

These models require the Company to use certain calculation assumptions which can differ for each plan, such as the expected volatility of the share, the price of the share used, the risk-free rate, the turnover rate, the non-transferability discount and the acquisition assumption for these plans if applicable.

Note 2.10 : Measurement and recognition of financial liabilities

Note 2.10.1 : Financial liabilities at amortized cost

Borrowings and other financial liabilities are measured initially at fair value and subsequently at amortized cost, calculated using the effective interest method.

Transaction costs directly attributable to the acquisition or issue of a financial liability are deducted from the value of said liability. These costs are then amortized over the life of the liability, using the effective interest method. The effective interest rate matches the expected future cash payments to the current net book value of the liability in order to determine its amortized cost.

Note 2.10.2 : Liabilities at fair value through the statement of operations

Liabilities at fair value through profit and loss are measured at fair value each reporting period.

Note 2.10.3 : Fair value

The fair value of financial instruments traded on an active market, such as available-for-sale securities, is based on their market price at the reporting date. The market prices used for financial assets held by the Company are the market bid prices at the valuation date.

In line with the amendments to IFRS 7 "Financial instruments: disclosures", the financial instruments are presented according to three categories based on a hierarchization of the methods used to determine the fair value:

- level 1: fair value determined based on the prices quoted on the asset markets for identical assets or liabilities;
- level 2: fair value determined based on the observable data for the asset or liability concerned, either directly or indirectly;
- level 3: fair value determined using measurement techniques based wholly or partially on non-observable data; an unobservable parameter is one whose value is derived from assumptions or correlations based neither on transaction prices observable on the markets for the same instrument on the valuation date, nor on observable market data available on the same date.

The nominal amount of current receivables and payables, less any impairment losses, is presumed to approximate the fair value of those items.

Note 2.11 : Provisions

Note 2.11.1 : Provisions for risks and charges

Provisions for risks and charges correspond to financial commitments arising from various risks and legal proceedings, of an uncertain maturity and amount, which the Company may face in the course of its business.

A provision is recognized where the Company has a legal or constructive obligation to a third party resulting from a past event where it is probable or certain that payment to said third party will arise from the obligation (with no equal or greater payment expected to be received from said third party), and where future payments can be reliably estimated.

The amount recognized as a provision is management's best estimate of the amount of the expense needed to settle the liability, discounted at the reporting date as applicable.

Note 2.11.2 : Retirement benefits

The Company's employees are entitled to statutory French retirement benefits:

- a lump sum paid by the Company upon their retirement (defined benefit scheme);
- a pension paid by the social security authorities and funded by employer and employee contributions (national defined contribution scheme).

The cost of retirement benefits in a defined benefit scheme is estimated using the projected unit credit method pursuant to revised IAS 19 “Employee Benefits”.

Under this method, the cost is recorded in the statement of operations in such a way as to spread it evenly over the employee's career at the Company. Past-service costs, however, are recognized immediately in expenses (increase in benefits allocated) or in income (decrease in benefits allocated) as soon as a new scheme is implemented or an existing one is modified. Actuarial gains or losses are recognized immediately and in full under equity in items of other comprehensive income.

Retirement obligations are measured at the present value of estimated future payments, using the market rate based on long-term investment grade corporate bonds with a duration equal to the estimated length of the scheme.

The Company's payments under defined contribution schemes are recorded as expenses in the statement of operations for the period to which they relate.

More details on retirement obligations can be found in Note 11.

Note 2.12 : Revenue and other income

Note 2.12.1 : Revenue

Revenue which the Company is likely to generate can come from the signature of strategic partnerships and include various components, such as amounts payable upon entering into the agreement; amounts payable upon reaching certain predefined development, sales and production targets, as well as one-off payments to fund research and development costs; and royalties on future product sales.

Amounts payable upon signature of the contracts which are non-refundable are recognized over the estimated duration of the Company's involvement in future developments of the object of the contract.

The amounts which are payable upon reaching certain predefined development, sales and production targets, are the amounts received by partners when certain scientific, regulatory or sales milestones are reached. The Company recognizes this revenue when the milestone has passed and there is no risk of repaying these amounts.

License revenues are gradually recorded over the whole period of the agreement.

Note 2.12.2 : Other income

Other income is recognized in accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” as follows:

Grants:

Since its creation, and on account of its innovative nature, the Company has received grants and aid from French national and local government aimed at funding its operations or specific recruitment drives.

Grants are recognized where there is a reasonable assurance that:

- the Company will meet the conditions of the grant; and
- the conditions of their receipt have been met.

Grants are recognized under other income (see Note 13) as the associated expenses are committed and independently of the receipts, in line with the principle of linking expenses to income.

Grants receivable either as compensation for expense or losses already incurred, or as immediate financial aid with no related future costs, are recognized in income in the year in which they become receivable.

Research tax credit (RTC):

The French government awards RTC to companies to encourage them to conduct technical and scientific research. Companies that can demonstrate expenditure meeting the required criteria are eligible for a tax credit that can be offset against corporate income tax in respect of the year in which the expenditure is incurred and the following three years, or refunded where applicable (i.e. where it exceeds the amount of corporate income tax payable). Since the Company has not paid any corporate income tax since its formation, every year it receives payment of the RTC relating to the previous year from the French Treasury.

These amounts are recognized in other income for the year in which the corresponding expenses are incurred.

Note 2.13 : Research and development contracts

Note 2.13.1 : Services contracts

Service contracts are recognized as they progress according to management's best estimate. Expenses can be estimated according to the period over which a service is provided or according to certain objective criteria, such as the number of patients recruited or the number of visits completed.

Any amounts payable upon the attainment of certain targets representing technical success milestones for the service provider are recorded as expenses when the milestone is reached.

Note 2.13.2 : Research and development agreements

Research agreements are recognized as they progress according to management's best estimates based on the information provided by external partners corroborated by internal analyses.

Development agreements can include various components, such as the amounts payable upon signature and amounts payable when certain growth targets are reached. When the concept of continued service can be determined, development agreements are recognized as they progress according to management's best estimates based on the contractual information provided by external partners corroborated by internal analyses.

Otherwise, the non-refundable amounts payable upon signature of the contracts are recorded immediately under expense and the amounts payable upon attainment of certain targets representing scientific or regulatory milestones are recorded under expenses once the milestone has been reached.

Note 2.14 : Lease agreements

Finance leases within the meaning of IAS 17 “Leases” are recorded under “Other property, plant and equipment under finance leases” upon signature, in exchange for a financial payable. Each year, amortization is allocated to the statement of operations, and the lease payments paid are allocated to financial expenses at the rate stated in the contract to offset the financial payable on the statement of financial position (see Note 2.4.1 for more details).

Lease agreements where a significant portion of the risks and benefits is retained by the lessor are classified as operating leases. Net of any incentive, payments under an operating lease are recognized in expenses in the statement of operations on a straight-line basis over the duration of the lease.

Note 2.15 : Income tax

The Company is subject to corporate income tax in France in connection with its activities.

Deferred taxes are recognized using the comprehensive asset and liability method, for all timing differences arising from the difference between the tax base and accounting base of assets and liabilities shown in the financial statements. The Company’s main timing differences relate to tax loss carryforwards. Deferred taxes are calculated based on the tax rates enacted in law at the reporting date.

Deferred tax assets mainly corresponding to tax loss carryforwards are recognized only to the extent that it is probable that future taxable profits will be available. The Company must use its judgment to determine the probability that future taxable profits will be available.

Note 2.16 : Segment information

The Company considers that it operates in a single segment: the conduct of research and development for pharmaceutical products with a view to future commercialization.

The whole of the Company's research and development activity is located in France. All the Company's tangible assets are located in France. The main operational decision-makers measure the Company's performance in terms of the cash burn rate of its activities. This is why the Company's management believes it is not appropriate to break its internal reports down into separate business segments.

Note 2.17 : Items of other comprehensive income / (loss)

Any components of income and expense for the period that are recognized directly in equity are posted under items of other comprehensive income (loss). This item, for the period presented, includes the impacts of changes in actuarial assumptions for provisions for retirement indemnities.

Note 3 : Intangible assets

Changes to intangible assets break down as follows:

In thousands of euros	01/01/2017	Increases	Decreases	12/31/2017
Acquisition cost				
Software	15	7	(3)	19
Intangible assets in progress	5,902	25	-	5,927
Gross intangible assets	**5,917**	**32**	**(3)**	**5,946**
Amortiz ation				
Software	7	7	(3)	11
Amortiz ation of intangible assets	**7**	**7**	**(3)**	**11**
Net total intangible assets	**5,911**	**25**	**-**	**5,935**

On December 2, 2015, the Company and Trizell concluded an agreement terminating their collaboration, development, option and license agreement on Ovasave. Under this agreement the Company recovered all Trizell's rights over Ovasave in return for paying amounts which could reach €15 million, €6 million of which is fixed and €9 million of which is conditional on the future revenues generated by Ovasave. In 2015, the acquisition costs for these rights, for which the amount and maturity can be fixed definitely, were recognized as an asset, i.e. €6 million. These acquisition costs were discounted in accordance with IAS 38. The 10-year French Government bond rate (*taux* OAT) as at December 31, 2015 of 0.995% was used as the discount rate. The repurchase of these rights after discounting therefore totals €5.9 million. This intangible asset is recognized as in progress insofar as it has not yet satisfied the conditions for being put into service as of December 31, 2017.

The annual impairment test was performed on this asset on December 31, 2017, and found no impairment loss.

Sensitivity analysis

Among the assumptions used in the discounted cash-flow – DCF model, three have a particular impact on the valuation of the asset:

- the discount rate, set at 12.5%;
- the likelihood of success of the next clinical efficacy study, at 31.7%; and
- market share peak on the target market, at 50%.

Sensitivity tests have been carried out by varying each of these assumptions individually and collectively as follows:

- for the discount rate: +5%;
- for the likelihood of success of the next clinical efficacy study: -5%; and
- for market share peak: -25%.

These tests show that the deterioration presented above of each assumption individually or of all the assumptions together does not result in an impairment of this asset at December 31, 2017.

During 2017, the Company entered into a global exclusive license agreement with the CRTI, a research unit affiliated to both Inserm and to the Nantes University, relating to two patent families covering a new type of regulatory T lymphocyte (Treg) carrying the CD8 marker. The acquisition cost of these rights, whose amount and maturity can be estimated with certainty, was recognized in assets at €25 thousand. This intangible asset is recognized as in progress insofar as it has not satisfied the conditions for being put into service as of December 31, 2017.

Note 4 : Property, plant and equipment

Changes to property, plant and equipment break down as follows:

In thousands of euros	01/01/2017	Increases	Decreases	12/31/2017
Acquisition cost				
Fixtures and fittings	844	22	(20)	846
Laboratory equipment	2,114	17	(166)	1,965
Office and IT equipment	306	18	(81)	242
Other property, plant and equipment in progress	-	107	-	107
Gross property, plant and equipment	**3,263**	**164**	**(267)**	**3,160**
Amortization				
Fixtures and fittings	709	40	(20)	729
Laboratory equipment	1,572	164	(125)	1,612
Office and IT equipment	247	29	(81)	195
Amortization of property, plant and equipment	**2,528**	**233**	**(225)**	**2,535**
Net total property, plant and equipment	**736**	**(69)**	**(42)**	**625**
Acquisition cost				
Other property, plant and equipment under a finance lease	63	409	-	472
Amortization				
Other property, plant and equipment under a finance lease	0	56	-	56
Net total property, plant and equipment under a finance lease	**63**	**353**	-	**416**

The main investments in 2017 were:

- purchase of laboratory equipment for manufacturing process development programs; most of these investments were in the form of finance leases (see Note 10.1);
- renovations of premises, underway at December 31, 2017, with the dual aim of grouping the two existing sites into the head office premises, and the creation of level 2 laboratories for *in vivo* developments of the CAR-Treg platform.

The decrease in property, plant and equipment and amortizations are mainly the result of the sale and scrapping of laboratory and computer equipment which had not been used and had been largely depreciated.

Note 5 : Financial assets

In thousands of euros	01/01/2017	Increases	Decreases	12/31/2017
Other	5	-	-	5
Deposits and guarantees	89	0	-	90
Other long-term receivables	172	278	(292)	159
Liquidity contract	55	100	(131)	24
Total non-current financial assets	**322**	**379**	**(423)**	**278**

Non-current financial assets include the main following items:

- security deposits for €90 thousand, mainly corresponding to commercial leases;
- other long-term receivables for €159 thousand, corresponding to the guarantee deductions in 2017 relating to the pre-financing of the Company's 2016 RTC (see Note 6). The guarantee deductions are made up of the following:

- an individual part to cover the individual risk inherent to the Company's debt, which is returned once one of the following events takes place, whichever happens first: (i) payment of the RTC by the French government, (ii) the end of the tax inspection on said credit, potentially after any adjustments are allocated, or (iii) the end of the taxation limitation period for the credit concerned (December 31 of the third year after the year in which the RTC declaration was made); and
- a collective part to cover the collective risk of the receivables recorded in the portfolio of the pre-financing fund, returnable upon closure of the pre-financing fund.

- The cash balance of the liquidities contract in place with Kepler Cheuvreux since August 2016, is €24 thousand. In the first half of 2017, the Company made an additional contribution of €100 thousand to the liquidity contract. Under this liquidity contract, 99,318 treasury shares were recognized as a reduction in shareholders' equity at December 31, 2017.

Note 6 : Other current assets

Other current assets break down as follows:

In thousands of euros	As of December 31, 2017
Receivables from suppliers, advances and downpayments	8
Staff costs and related accounts	(0)
Grants receivable	2
Competitiveness and employment tax credit	53
VAT	168
Other receivables	1,997
Prepaid expenses	392
Total other current assets	2,620

- **Other receivables**

Since 2016, the Company has been assigning its RTC to Predirec Innovation 2020, a mutual securitization fund. In exchange, the Company benefits, subject to it meeting prior contractual conditions, from pre-financing lines for its RTC.

At December 31, 2017, the 2017 RTC assigned appears under other receivables for €1.9 million. It was partially pre-financed in the amount of €1.4 million (see Note 10.4).

- **Prepaid expenses**

Prepaid expenses are mostly operating expenses. Of particular note is €142 thousand related to research and development subcontracting agreements.

Note 7 : Financial instruments recorded on the statement of financial position and their impact on net profit/(loss)

Accounting standards relating to financial instruments have been applied to the following items:

As of 12/31/2017 (in thousands of euros)	Note	Carrying amount	Fair value by result (1)	Loans and receivables	Liabilities at amortized cost
Financial assets	5	278	-	278	-
Other current assets	6	2,620	-	2,620	-
Cash and cash equivalents	8	4,910	4,910	-	-
Total financial instrument assets		**7,807**	**4,910**	**2,898**	**-**
Financial debt - non current	10	1,161	-	-	1,161
Financial debt - current	10	1,788	-	-	1,788
Trade and other payables	12	874	-	-	874
Other current liabilities	12	5,374	-	-	5,374
Total financial instrument liabilities		**9,196**	**-**	**-**	**9,196**

(1) The fair value level of the instruments is presented in Note 7.1.

<u>Note 7.1 :</u> <u>Measurement of fair value</u>

Note 7.1.1 : *Levels of fair value*

As of 12/31/2017 (in thousands of euros)	Fair value by result Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Cash and cash equivalents	4,910	-	-	4,910
Total financial instrument assets at fair value	**4,910**	**-**	**-**	**4,910**

(1) Level 1: the fair value of the items at fair value through the statement of operations corresponds to the market value of these assets.
(2) Level 2: the fair value of the items at fair value through the statement of operations corresponds to an average market value of these assets and liabilities.
(3) Level 3: no assets or liabilities were measured at level 3 fair value.

Note 7.1.2 : *Transfers between levels of fair value*

There were no transfers between fair value measurement levels in 2017.

Note 8 : Cash and cash equivalents

"Cash and cash equivalents" consist of immediately available cash and short-term available-for-sale securities.

These deposits satisfy the cash and cash equivalents classification criteria described in Note 2.7.

Cash and cash equivalents break down as follows:

In thousands of euros	As of December 31, 2017
Cash	305
Cash equivalents	4,604
Total cash and cash equivalents	**4,910**

Note 9 : Capital

<u>Note 9.1 :</u> <u>Issued capital</u>

At December 31, 2017, the share capital was €4,362,661.40. It is divided into 21,813,307 shares, subscribed and fully paid up, with a par value of €0.20.

This number does not include instruments convertible to Company equity which have not yet been exercised or acquired, as applicable.

The change in share capital over the period breaks down as follows:

Changes over the period (in thousands of euros)	Number of shares	Capital (in thousands of euros)	Par value (in euros)	Issue premium per share (in euros)
Balance as at January 1, 2017	13,873,252	2,775		
02/24/2017 - ABSA Capital increase	5,549,300	1,110	0.20	1.80
03/31/2017 - Exercise of listed warrants	1,956	0	0.20	2.40
04/30/2017 - Exercise of listed warrants	66	0	0.20	2.40
05/02/2017 - Vesting of free shares	120,372	24	0.20	0.00
05/23/2017 - Conversion of convertible notes	299,401	60	0.20	1.47
05/31/2017 - Conversion of convertible notes	299,401	60	0.20	1.47
05/31/2017 - Exercise of listed warrants	15	0	0.20	2.40
06/14/2017 - Conversion of convertible notes	101,522	20	0.20	1.77
06/30/2017 - Exercise of listed warrants	729	0	0.20	2.40
07/31/2017 - Exercise of listed warrants	1,350	0	0.20	2.40
08/09/2017 - Conversion of convertible notes	62,111	12	0.20	1.41
08/09/2017 - Conversion of convertible notes	124,223	25	0.20	1.41
09/12/2017 - Conversion of convertible notes	129,870	26	0.20	1.34
09/26/2017 - Conversion of convertible notes	241,935	48	0.20	1.04
09/27/2017 - Conversion of convertible notes	241,935	48	0.20	1.04
10/09/2017 - Conversion of convertible notes	232,558	47	0.20	1.09
10/31/2017 - Exercise of listed warrants	111	0	0.20	2.40
11/30/2017 - Conversion of convertible notes	151,515	30	0.20	1.12
11/30/2017 - Exercise of listed warrants	3	0	0.20	2.40
12/27/2017 - Conversion of convertible notes	381,679	76	0.20	1.11
12/31/2017 - Exercise of listed warrants	3	0	0.20	2.40
Balance as at December 31, 2017	21,813,307	4,363		

The board of directors, at its meeting of January 20, 2017 decided on a capital increase with shareholders' preferential subscription rights, by issuance of 5,549,300 new shares with warrants attached (ABSA) at a unit price of €2.00 including the issue premium. This capital increase in the nominal amount of €1,109,860.00 (€11,098,860.00 including issue premiums) was executed on February 24, 2017, the day of settlement and delivery of the new shares.

The board of directors, at its meeting of May 17, 2017 noted the vesting of 114,206 shares allocated free of charge to the Company's personnel on May 2, 2016. The board of directors approved on May 2, 2017 the allocation of 120,372 new shares, a capital increase of €24,074.40 in par value, in view of the calculation adjustment determined by the board of directors on February 21, 2017 as a result of the capital increase with preferential subscription rights of February 2017.

During 2017, 5,644 BSA warrants issued as a result of the capital increase with preferential subscription rights of February 2017 were exercised, resulting in a total of 4,233 new shares being issued, for a total nominal amount of €846.60.

During 2017, 33 convertible notes issued as a result of the optional equity financing line arranged with Yorkville were converted, resulting in the issue of 2,266,150 new shares for an overall nominal amount of €453,230.00.

Note 9.2 : Treasury shares

Pursuant to the liquidities contract with Kepler Cheuvreux in place since August 2016, the Company held 99,318 treasury shares at December 31, 2017. These treasury shares were recognized as a reduction in shareholders' equity in the financial statements established pursuant to IFRS standards, for a total amount of €276 thousand at December 31, 2017.

Note 9.3 : Securities convertible to equity

At December 31, 2017, securities convertible to Company equity are as follows:

Note 9.3.1 : Stock option subscription plans

Description of the plan	2014 T1 Options	2014 T2 Options	SB 2015 Options	2015 Options	TOTAL
Date of meeting	03/07/2014	03/07/2014	03/07/2014	03/07/2014	-
Date of the board of directors' decision	03/07/2014	03/07/2014	04/27/2015	04/27/2015	-
Total number of stock options authorized	2,400,000	2,400,000	2,400,000	2,400,000	-
Total number of stock options attributed	203,211	720,000	300,000	137,968	**1,361,179**
including number of stock options for corporate officers	-	*455,000*	*300,000*	*10,000*	*765,000*
Corporate officers in exercice concerned:					
Stéphane Boissel	-	-	300,000	-	**300,000**
Number of non-corporate-officer beneficiaries	20	30	-	64	-
Option exercise start date	(1)	(2)	(3)	(2)	-
Option expiry date	03/07/2024	03/07/2024	04/27/2025	04/27/2025	-
Subscription price	5.58 €	5.58 €	5.56 €	5.56 €	-
Exercise methods (4)	(1)	(2)	(3)	(2)	-
Total number of options subscribed	203,211	716,400	300,000	137,968	**1,357,579**
Stock options outstanding at January 1, 2017	**153,043**	**341,001 (6)**	**300,000**	**64,154**	**858,198**
Number of canceled or voided stock options during the period	65,261	115,733	-	35,155	216,149
Number of shares subscribed during the period	-	-	-	-	-
Stock options outstanding at December 31, 2017	**87,782**	**225,268**	**300,000**	**28,999**	**642,049**
Total number of shares that can be subscribed by exercising the stock options outstanding at December 31, 2017 (5)	92,523	237,433	316,200	30,565	**676,721**

(1) All 2014 T1 Options are exercisable for a ten-year period, starting from their allocation by the board of directors. Should the beneficiary leave the Company he or she has, from the time he or she ceases to be an eligible beneficiary, six months to exercise the Options that would be exercisable at the date of leaving, after which the Options are void.

(2) The 2014 T2 and the 2015 Options are exercisable by a third at the end of each year from their allocation by the board of directors, provided that the beneficiary is still an employee and/or corporate officer of the Company or one of its affiliates. Should the beneficiary leave the Company he or she has, from the time he or she ceases to be an eligible beneficiary, six months to exercise the Options that would be exercisable at the date of leaving, after which the Options are void.

(3) The SB 2015 Options can be exercised by a third at the end of each year from their allocation by the board and are subject to performance conditions, the fulfillment of which will be established by the board of directors, provided that Stéphane Boissel remains a corporate officer of the Company or one of its affiliates. Should he leave the Company, Stéphane Boissel has, from the time he ceases to be an eligible beneficiary, six months to exercise the SB 2015 Options that would be exercisable at the date of leaving, after which the Options are void.

(4) Notwithstanding the above, in case of a change of control of the Company, all Options will immediately become exercisable by the beneficiary before the completion of such change of control, and the board of directors will have the choice of deciding that any Option not exercised before the completion of such change of control will automatically be void.

(5) This number takes into account, where applicable, the par value adjustment decided by the board of directors on February 21, 2017 in connection with the capital increase of February 2017, for the protection of the interests of holders of warrants, stock options and free shares.

Note 9.3.2 : *Warrants ("BSA")*

At December 31, 2017, the BSA share warrant plans allocated to the Company's employees and corporate officers and members of its Scientific Advisory Board (SAB) break down as follows:

Description of the plan	BSA 03-14	BSA 05-14	BSA 03-15	BSA 05-16	BSA 09-16	BSA 03-17	BSA 07-17	TOTAL
Date of meeting	03/07/2014	03/07/2014	03/07/2014	04/21/2016	04/21/2016	04/21/2016	04/27/2017	-
Date of the board of directors' decision	03/07/2014	05/22/2014	03/30/2015	05/02/2016	09/21/2016	03/08/2017	07/20/2017	-
Number of warrants authorized	2,400,000	2,400,000	2,400,000	500,000	500,000	500,000	500,000	-
Number of warrants issued	260,000	20,000	70,000	40,000	210,000	50,000	274,040	924,040
Number of warrants subscribed	260,000	20,000	70,000	30,000	210,000	50,000	274,040	914,040
including those which can be subscribed by corporate officers	*260,000*	*20,000*	*70,000*	-	*200,000*	*50,000*	*274,040*	874,040
Corporate officers in exercise concerned:								
François Meyer	260,000	-	50,000	-	200,000	-	274,040	784,040
Marie-Yvonne Landel Meunier	-	20,000	-	-	-	20,000	-	40,000
David Horn Solomon	-	-	20,000	-	-	20,000	-	40,000
Number of non-corporate-officer beneficiaries	-	-	-	-	1	1	1	-
Warrant exercise start date	(2)	(3)	(4) (5)	(6)	(7) (8)	(9)	(10)	-
Warrant expiry date	03/07/2024	05/22/2024	03/30/2025	05/02/2026	09/21/2026	03/08/2027	07/20/2027	-
Warrant issue price	0.28 €	0.30 €	0.30 €	0.28 €	0.18 €	0.09 €	0.10 €	-
Warrant strike price	5.58 €	5.94 €	5.97 €	5.57 €	3.59 €	1.84 €	1.96 €	-
Exercise methods (1)	(2)	(3)	(5) (6)	(6)	(7) (8)	(9)	(10)	-
Number of warrants outstanding at January 1, 2017	**260,000**	**20,000**	**70,000**	**30,000**	**210,000**	**-**	**-**	**590,000**
Number of shares subscribed during the period	-	-	-	-	-	-	-	-
Number of warrants voided or canceled during the period	260,000	-	-	-	-	-	-	260,000
Number of warrants outstanding at December 31, 2017	**-**	**20,000**	**70,000**	**30,000**	**210,000**	**50,000**	**274,040**	**654,040**
Total number of shares that can be subscribed by exercising the warrants outstanding at December 31, 2017 (11)	-	21,080	73,780	31,620	221,340	50,000	274,040	671,860

(1) In case of a change of control of the Company, all warrants allocated to any beneficiary will immediately become exercisable by such beneficiary before the completion of such change of control, and the board of directors will have the choice of deciding that any warrant not exercised before the completion of such change of control will automatically be void.

(2) The BSA 03-14 warrants allocated to François Meyer were canceled following his formal waiver of his right to exercise them on August 15, 2017, due to the allocation of BSA 07-17 warrants.

(3) The BSA 05-14 warrants allocated to Marie-Yvonne Landel-Meunier can be exercised by a third at the end of each year from their allocation by the board of directors, subject to the beneficiary's continuous presence on the board of directors over the vesting period.

(4) The BSA 03-15 warrants allocated to David Horn Solomon can be exercised by a third at the end of each year from their allocation by the board of directors, subject to the beneficiary's continuous presence on the board of directors over the vesting period.

(5) The BSA 03-15 warrants allocated to François Meyer can be exercised by a third at the end of each year from their allocation by the board of directors, provided he is Chairman of the board of directors on the exercise date.

(6) The BSA 05-16 warrants have been allocated to the Scientific Advisory Board (SAB) members. The BSA 05-16 warrants may be exercised in full, provided that, on the date of exercise, the beneficiary meets one of the following criteria: (i) is a member or observer of the board of directors of the Company or of one of its subsidiaries, or (ii) is bound by a services or consultancy contract to the Company or to one of its subsidiaries, or (iii) is a member of one of the board's committees.

(7) The BSA 09-16 warrants have been allocated to a member of the Company's Scientific Advisory Board (SAB). The BSA 09-16 warrants may be exercised in full, provided that, on the date of exercise, the beneficiary meets one of the following criteria: (i) is a member or observer of the board of directors of the Company or of one of its subsidiaries, or (ii) is bound by a services or consultancy contract to the Company or to one of its subsidiaries, or (iii) is a member of one of the board's committees.

(8) The BSA 09-16 warrants allocated to François Meyer are exercisable on the following schedule: 100,000 BSA warrants on the first anniversary of their allocation, 50,000 BSA warrants on the second anniversary of their allocation, and 50,000 BSA warrants on the third anniversary of their allocation. The exercise of these BSA warrants is fully subject to performance conditions, the meeting of which is to be decided by the board of directors, and provided that, on the exercise date, the beneficiary meets one of the following criteria: (i) is a member or observer of the board of directors of the Company or of one of its subsidiaries, or (ii) is bound by a services or consultancy contract to the Company or to one of its subsidiaries, or (iii) is a member of one of the board's committees.

(9) The board of directors on March 8, 2017 allocated 50,000 BSA warrants. 10,000 were allocated to one of the Company's clinical boards, 20,000 to Marie-Yvonne Landel-Meunier and 20,000 to David Horn Solomon. The BSA 03-17 warrants may be exercised by third parties at the end of each year following their assignment by the board of directors, provided that, on the exercise date, the beneficiary meets one of the following criteria: (i) is a member or observer of the board of directors of the Company or of one of its subsidiaries, or (ii) is bound by a services or consultancy contract to the Company or to one of its subsidiaries, or (iii) is a member of one of the board's committees.

(10) The board of directors on July 20, 2017 allocated 274,040 BSA warrants to François Meyer, on the condition precedent that he waives all rights and shares under BSA 03-14 warrants granted to him. Having noted that the condition precedent had been met, the BSA 07-17 warrants were fully subscribed by François Meyer. The BSA 07-17 warrants may be exercised according to the following schedule: 137,020 BSA warrants immediately, and 137,020 as of January 1, 2019. All of the BSA warrants may be exercised provided that, on the exercise date, the beneficiary meets one of the following criteria: (i) is a member or observer of the board of directors of the Company or of one of its subsidiaries, or (ii) is bound by a services or consultancy contract to the Company or to one of its subsidiaries, or (iii) is a member of one of the Board's committees. The exercise of the second half of the BSA warrants is dependent on performance conditions being met, as decided by the board of directors.

(11) This number takes into account, where applicable, the par value adjustment decided by the board of directors on February 21, 2017 in connection with the capital increase of February 2017, for the protection of the interests of holders of warrants, stock options and free shares.

Note 9.3.3 : Free shares (AGA)

Description of the plan	2016 AGA employees (without performance conditions)	2016 AGA employees (with performance conditions)	2016 AGA management (with performance conditions)	AGA 2017	TOTAL
Date of meeting	04/21/2016	04/21/2016	04/21/2016	04/21/2016	-
Date of the board of directors' decision	05/02/2016	05/02/2016	05/02/2016	03/08/2017	-
Number of free shares authorized	750,000	750,000	750,000	750,000	-
Number of free shares allocated	130,000	320,000	150,000	137,000	737,000
including those allocated to corporate officers	-	-	*150,000*	*80,000*	*230,000*
Corporate officers in exercise concerned:					
Stéphane Boissel	-	-	150,000	80,000	230,000
Date of share acquisition (5)	(1)	(1)	(2)	(4)	-
End date of retention period	(3)	(3)	(3)	(4)	-
Free shares outstanding at January 1, 2017	**92,650**	**200,000**	**150,000**	**-**	**442,650**
Number of shares vested over the period	30,873	33,333	50,000	-	114,206
Number of voided or canceled free shares during the period	5,436	100,000	-	2,700	108,136
Free shares outstanding at December 31, 2017	**56,341**	**66,667**	**100,000**	**134,300**	**357,308**
Total number of shares that can be issued upon vesting of free shares (6)	59,385	70,267	105,400	134,300	369,352

(1) The 2016 AGA employees are acquired by a third at the end of each year from their allocation by the board of directors, provided that the acquisition is subject to a condition of presence, and, for some employees, to performance conditions, linked to the realization of annual objectives by the beneficiary, as determined by the board of directors.

(2) The 2016 AGA management are acquired by a third at the end of each year from their allocation by the board of directors, provided that the acquisition is subject to a condition of presence, and to performance conditions, linked to the realization of annual objectives by the beneficiary (i.e. financing, progress on research and development programs, signature of strategic partnerships), as determined by the board of directors.

(3) The first third of the allocated free shares is subject to a one-year holding period from the date of acquisition, i.e. until May 2, 2018. No holding period was set for the two other thirds, subject to the provisions applicable in case of a change of control as described in (5) below.

(4) Following the recognition of the performance conditions set out in its management contract, the board of directors of March 8, 2017 has granted Stéphane Boissel with 80,000 free shares 2017 AGA, the acquisition of which will be definitive, subject to a presence condition, at the expiration of a period of one year from their allocation by the board of directors.

The same board of directors granted 57,000 2017 AGA to employees, of which 30,000 will be vested at the end of a period of one year from their allocation and 27,000 will be acquired by a third at the end of each year following their allocation, it being specified that the acquisition is subject to a presence condition.

(5) In the event of a change in the Company's control, all AGAs allocated to a beneficiary will be immediately vested at one of these times, whichever happens the latest: (i) the 1st anniversary of the date of award (the attendance condition is then removed and the vesting period, plus a holding period which ends on the 2nd anniversary of the date of award and (ii) the date of the change in control (this date marks the end of the vesting period), potentially extended by a holding period which runs until the 2nd anniversary of the date of award.

(6) This number takes into account, where applicable, the par value adjustment decided by the board of directors on February 21, 2017 in connection with the capital increase of February 24, 2017, for the protection of the interests of holders of warrants, stock options and free shares.

Note 9.3.4 : Other dilutive instruments

Note 9.3.4.1 : PACEO® optional equity line financing

On December 22, 2015 the Company announced that it had entered into an optional equity financing line ("PACEO®") with Société Générale involving the issuance of up to 1,150,000 new shares over the 24 months following the subscription date of the warrants, using the delegation of authority granted to the board of directors under the 15th resolution of the combined general shareholders' meeting held on May 26, 2015.

On January 25, 2016 the Company obtained the AMF's visa on the prospectus required to set up the optional equity financing line (PACEO®) with Société Générale signed on December 22, 2015. On January 27, 2016, Société Générale therefore subscribed for 1,150,000 share warrants for an overall price of €115.

At December 31, 2017, none of this equity financing line had been drawn down; 1,150,000 share warrants thus remain outstanding.

Note 9.3.4.2 : Warrants giving access to notes convertible into shares with share subscription warrants attached (Warrants or OCABSA)

The Company set up a reserved issue of 200 warrants giving access to notes convertible into shares with share subscription warrants attached (Warrants or OCABSA) to an investment fund managed by the US management company Yorkville Advisors Global LP (Yorkville), which fully subscribed them. These warrants, exercisable until August 3, 2019, require their bearer at the Company's request and provided that certain conditions are met, to subscribe for up to 200 notes convertible into shares (OCA), each with a par value of €100,000, for an overall nominal value of €20 million, to which up to €10 million may be added in the event that all of the attached share subscription warrants (BSA) are exercised. A prospectus regarding this operation was made available to the public and was approved by the AMF on July 27, 2016 (approval number 16-356).

In 2016, 50 Warrants were exercised on the request of the Company which then issued 50 OCA to Yorkville for a total nominal amount of €5 million, from which 686,350 BSA warrants were detached, which, if fully exercised, would generate an additional equity contribution of €2.5 million for the Company.

At December 31, 2017, the 50 OCA had been converted into shares and no BSA warrants had been exercised by Yorkville. The Company is under no obligation to draw on this line.

On October 25, 2017, the Company also signed an amendment to the initial contract of June 17, 2016, modifying some conditions attached to the 150 Warrants not yet exercised, with a view to reducing any cost to the Company as well as the dilutive impact on its shareholders.

Note 9.3.4.2.1 : Notes convertible into shares (OCA)

At December 31, 2017, the features of the convertible notes (OCA) issued by the Company were as follows:

Description of the plan	OCA 08-16	OCA 11-16	TOTAL
Date of meeting	08/01/2016	08/01/2016	-
Date of the board of directors' decision	08/03/2016	11/03/2016	-
Number of convertible notes authorized	200	200	-
Number of convertible notes issued	30	20	50
Number of convertible notes subscribed	30	20	50
Total number of shares that can be subscribed:	(1)	(1)	-
including those which can be subscribed by corporate officers	-	-	-
Number of non-corporate-officer beneficiaries	1	1	-
Nominal value of one convertible bond	100.000	100.000	-
Interest rate of convertible notes	(3)	(3)	-
Maturity date of convertible notes	10/03/2017	01/03/2018	-
Conversion methods	(1)	(1)	-
Total number of convertible notes converted as at December 31, 2016	17	-	17
Total number of convertible notes reimbursed as at December 31, 2016	-	-	-
Number of outstanding notes as at January 1, 2017	**13**	**20**	**33**
Total number of convertible notes converted over the period	13	20	33
Total number of convertible notes reimbursed during the period	-	-	-
Number of outstanding notes as at December 31, 2017	**-**	**-**	**-**

(1) The OCA may be converted into new ordinary Company shares at the request of the bearer, at any time from their issue and for a period of 14 months as of this date (inclusive) or if the notes convertible into shares are not exercised on their maturity date, according to the conversion rate determined using the formula below:

N = Vn / P, where:

a. "N" is the number of ordinary new TxCell S.A. shares to be issued upon conversion of an OCA;

b. "Vn" is the note which the OCA represents (par value of an OCA);

c. "P" is 93% of the lowest volume-weighted average daily price of TxCell S.A. shares (as published by Bloomberg) over the ten (10) trading days immediately prior to the date a notice of conversion for the OCA concerned is sent. Trading days on which the holder of the note convertible into shares sold TxCell S.A. shares shall not be included. However, P cannot be less than the par value of a TxCell S.A. share, i.e. €0.20 on the date of the discount.

(2) Notes convertible into shares do not carry interest. However, in the event of default, each OCA in force shall bear interest equal to 15% per annum (redeemed in cash as of the occurrence of the default until the date (i) the default is remedied or (ii) the note convertible into shares is redeemed or converted).

Note 9.3.4.2.2 :Share subscription warrants (BSA)

At December 31, 2017, the features of the BSA warrants detached from the OCA issued were as follows:

Description of the plan	BSA OCA 08-16	BSA OCA 11-16	TOTAL
Date of meeting	08/01/2016	08/01/2016	-
Date de décision du conseil d'administration	08/03/2016	11/03/2016	-
Number of warrants authorized	50,000,000	50,000,000	-
Number of warrants issued	349,650	336,700	**686,350**
Number of warrants subscribed	349,650	336,700	**686,350**
Total number of shares that can be subscribed:	349,650	336,700	**686,350**
including those which can be subscribed by corporate officers	-	-	-
Number of non-corporate-officer beneficiaries	1	1	-
Warrant exercise start date	08/03/2016	11/03/2016	-
Warrant expiry date	08/03/2021	11/03/2021	-
Warrant issue price	0.00 €	0.00 €	-
Warrant strike price	4.29 €	2.97 €	-
Exercise methods	(1)	(1)	-
Number of warrants outstanding at January 1, 2017	**349,650**	**336,700**	**686,350**
Number of shares subscribed during the period	-	-	-
Number of warrants voided or canceled during the period	-	-	-
Number of warrants outstanding at December 31, 2017	**349,650**	**336,700**	**686,350**
Total number of shares that can be subscribed by exercising the warrants outstanding at December 31, 2017	352,097	339,056	**691,153**

(1) BSA OCA 08–16 and BSA OCA 11-16 are fully exercisable.

(2) This number takes into account the par value adjustment decided by the board of directors on February 21, 2017 in connection with the capital increase of February 2017, for the protection of the interests of holders of warrants, stock options and free shares.

Note 10.3.4.3. Other share warrants

In connection with the capital increase of February 2017, 5,549,300 listed BSA warrants were detached from the new shares issued. At any time up to February 26, 2018 (included), 4 warrants will entitle holders to subscribe for 3 TxCell S.A.'s new shares at a subscription price of €2.60 per new share.

At December 31, 2017, 5,644 BSA warrants had been exercised, resulting in the issue of 4,233 shares, representing a subscription for a total of €11,005.80 including the issue premium. 5,543,656 listed BSA warrants remained in circulation at December 31, 2017.

Note 10 :Loans and financial payables

In thousands of euros	As of December 31, 2017
Financial debt - non current	1,161
Debts related to finance leases - non-current	321
Total non current financial payables	**1,481**
Financial debt - current	1,788
Debts related to finance leases - current	93
Total current financial payables	**1,881**
Total financial payables	**3,362**

The table below shows the breakdown of financial payables by type and by maturity:

In thousands of euros	Gross amount	Less than one year	Between one and five years	Over 5 years
Zero Interest Innovation Loan	1,499	338	1,161	-
RTC pre-financing	1,450	1,450	-	-
Total loans and financial payables	**2,948**	**1,788**	**1,161**	**-**
Finance leases	414	93	321	-
Debts related to finance leases	**414**	**93**	**321**	**-**
Total financial payables	**3,362**	**1,881**	**1,481**	**-**

Changes in loans and financial payables broke down as follows:

In thousands of euros	As of January 1, 2017	Cash from financing activities		Changes with no impact on cash			As of December 31, 2017
		Increases	Decreases	Acquisition	Change in fair value	Other changes with no impact on cash	
Zero Interest Innovation Loan	1,655	-	(170)	-	14	-	1,499
Convertible notes	3,570	-	-	-	(270)	(3,300)	-
RTC pre-financing	-	1,450	-	-	-	-	1,450
Sub-total loans and financial payables	**5,225**	**1,450**	**(170)**	**-**	**(256)**	**(3,300)**	**2,948**
Finance leases	63	-	(57)	409	-	(0)	414
Sub-total debts related to finance lease	**63**	**-**	**(57)**	**409**	**-**	**(0)**	**414**
Total financial payables	**5,288**	**1,450**	**(227)**	**409**	**(256)**	**(3,300)**	**3,362**

Note 10.1 : Finance leases

Finance leases entered into by the Company are for laboratory equipment. These contracts are for a period of 5 years.

Note 10.2 : Zero-interest innovation loan

In 2014, the Company obtained a zero-interest innovation loan (*Prêt à Taux Zéro innovation* - PTZI) from Bpifrance Financement in the gross amount of €1.7 million. This sum was paid within the scope of the Phase IIb clinical trial for Ovasave, which started in December 2014. The zero-interest innovation loan is repayable over a period of eight years, with a deferred repayment of three years. The contract provides for several scenarios of early repayment, mainly relating to curtailment or suspension of the financed project without prior information from Bpifrance Financement or the occurrence of a major legal or financial event which has a significant impact on the Company's operations. The Company has notified Bpifrance Financement of the stoppage of the Phase Ilb Ovasave clinical study. As at the reporting date, the Company was not aware of any early repayment request. In 2017, the Company repaid €170 thousand in accordance with the contractual repayment schedule.

In accordance with Note 2.10, the repayment flows for the zero-interest innovation loan are discounted on the closing date. The 10-year French Government bond rate (*taux* OAT) at December 31, 2014 of

0.837% was used to discount these flows. The discounting proceeds are processed as a grant within the meaning of IAS 20 and linearized over the duration of the project to which the loan is attached. The impact of the accretion expense of the debt is recognized as a financial expense.

Note 10.3 : Note issue

In 2016, the Company issued 50 notes convertible into shares (OCA) to Yorkville (see Note 9.3.4.2) for a total nominal amount of €5 million. Through December 31, 2017, the 50 OCA were converted by Yorkville.

OCA do not bear interest: as such they are either converted or, failing this, reimbursed upon maturity at their par value. However, in the event of default, each OCA in force shall bear interest equal to 15% per annum (redeemed in cash as of the occurrence of the default until the date (i) the default is remedied or (ii) the OCA is redeemed or converted).

In accordance with IAS 32, OCA are financial instruments measured at fair value through the statement of operations.

At the time of issue, OCA are recognized at nominal (par) value. They are subscribed at 98% of par. The remaining 2% is recognized under other financial expenses.

At each conversion, the difference between the carrying amount of the OCA and their fair value, calculated using the average volume-weighted TxCell S.A. share price for the last ten trading days prior to the conversion, is recognized under other financial expenses.

OCA not converted at year-end are revalued at fair value through the statement of equity under other financial expenses, using the average volume-weighted TxCell S.A. share price for the last ten trading days prior to year-end. This is a level 2 measurement (see Note 7.1).

During the 2017 financial year, financial expenses relating to OCA of €262 thousand were reported.

Share subscription warrants (BSA) are recognized as zero, as the fair value of these instruments cannot be reliably measured given the very many criteria to be taken into account and their uncertainty.

Note 10.4 : Pre-financing of the RTC

During the 2017 financial year, the Company secured partial pre-financing for its 2017 RTC in the amount of €1.4 million.

Note 11 :Provisions

In thousands of euros	01/01/2017	Expenses	Reversals used	Reversals not used	12/31/2017
Provisions for risks	0	0	(0)	-	0
Provisions for expenses	55	0	(37)	(14)	4
Total current provisions	**55**	**0**	**(37)**	**(14)**	**4**

At December 31, 2017, provisions for expenses were solely for retirement benefits of €4 thousand, compared to €7 thousand at January 1, 2017. By applying the IAS 19 standard, the negative impact on income is €2 thousand for 2017. The actuarial differences relating to the variation in the discount rates and other assumptions are recognized as items of other comprehensive income (see Note 2.12.2), constituting income of €5 thousand at December 31, 2017. The assumptions used to calculate retirement indemnities for the Company's employees, defined in the collective bargaining agreement for the pharmaceutical industry, are as follows:

Valuation date	12/31/2017
Retirement method	*For all employees:* voluntary departure at 67 years
Rate of social security charges	49.00%
Discount rate	1.017%
	Indice Bloomberg : F66710Y IND Euros Composite Zéro coupon yield AA)
Life table	TGH05 - TGF05
Rate of increase in salaries (inflation included)	1.5%
Turnover rate	17.5%

Note 12 : Trade payables and other current liabilities

Note 12.1 : Trade payables and related accounts

In thousands of euros	As of December 31, 2017
Trade payables	874
Total	**874**

No discounting has been applied to this item, since none of the amounts in question were more than a year old at the end of each reporting period.

Note 12.2 : Other current liabilities

In thousands of euros	As of December 31, 2017
Social security payables	1,168
Tax payables	24
Deferred income	13
Other payables	70
Capital expenditures suppliers	4,098
Total other current liabilities	**5,374**

Social security payables mainly include social security, retirement and pension expenses, as well as provisions for paid leave and bonuses.

Deferred income corresponds to the advance measurement of grants for collaborative research projects.

Capital expenditures suppliers mainly covers the purchase of Trizell's rights to Ovasave of which the initial €6 million cost was subject to a first payment of €2 million upon signature of the termination agreement on December 2, 2015. The €4 million balance was contractually payable on the issue of invoices due on December 2, 2017 for €2 million and December 2, 2018 for the remaining €2 million. As the invoice from Trizell maturing on December 2, 2017 was only received by the Company in 2018, this payment could only be paid in the first quarter of 2018.

Note 13 : Revenue and other income

In thousands of euros	For the Year Ended December 31, 2017
Business revenue	-
Revenue	**-**
Grants	183
Research tax credit	1,945
Other income	106
Other income	**2,234**
Revenue and other income	**2,234**

The Company did not generate any business revenue in 2017.

Other income mainly comprises:

- grants in the amount of €183 thousand;
- the 2017 RTC of €1,945 thousand

Note 14 : Staff costs

In thousands of euros	For the Year Ended December 31, 2017
Salaries	3,235
Social security expenses	1,479
Expenses related to share-based payments	1,099
Retirement benefits	2
Total staff costs	**5,816**

Average headcount was as follows:

Category	For the Year Ended December 31, 2017
VP	6
Directors	6
Managers and Scientists	14
Technicians and workers	20
Average headcount	**45**

The expenses relating to share-based payments are described in Note 16.

Note 15 : Breakdown of expenses by function

Note 15.1 : Research and development

Research and development expenses for 2017 mainly come from:

- programs to develop manufacturing processes, improve the ASTrIA process and develop a ENTrIA process;
- the ENTrIA CAR-Treg research programs, conducted internally or under research and development agreements, to generate preclinical proof-of-concept data.

Research and development expenses break down as follows:

R&D (in thousands of euros)	For the Year Ended December 31, 2017
Purchase of raw materials	1,464
Rent, fees and other expenses	3,465
Salaries and social security expenses	3,294
Depreciation, amortization and provisions	237
Retirement benefits	2
Expenses related to share-based payments	180
Total research and development expenses	**8,642**

The rent, scientific fees and other expenses item breaks down as follows:

In thousands of euros	For the Year Ended December 31, 2017
Cost of acquiring patents	471
Property leases	353
Fees and studies	1,872
Other	769
Total rent, fees and other expenses	**3,465**

Note 15.2 : General and administrative expenses

General and administrative expenses are presented as follows:

G&A (in thousands of euros)	For the Year Ended December 31, 2017
Rent, fees and other expenses	1,719
Salaries and social security expenses	1,420
Depreciation, amortization and provisions	33
Retirement benefits	0
Expenses related to share-based payments	919
Total general and administrative expenses	**4,092**

The rent, fees and other expenses item breaks down as follows:

In thousands of euros	For the Year Ended December 31, 2017
Property leases	39
Fees	701
Other	979
Total rent, fees and other expenses	**1,719**

Note 16 :Share-based payments

The Company allocated share warrants (BSA), share subscription options (Options) and free shares (AGA) to employees, executive officers, members of the board of directors and members of the Scientific Advisory Board (SAB).

The measurement methods used to determine the fair value of plans for instruments convertible to Company equity since 2014 are as follows:

- the share price on the allocation date is equal to the strike price;
- the risk free rate is determined from the average lifespan of the instruments, based on the borrowing rates of the GRFN index;
- volatility was determined on the basis of a sample of listed companies in the biotechnology sector, both at the date on which the instruments are subscribed and over a period equivalent to the life of the options;
- the price discount linked to the non-transferability of the share subscription options compared to equivalent options without transfer restrictions has been calculated using the "forward price" model at the estimated borrowing rate;
- the Black Scholes model was used to measure the fair value of the plans for instruments convertible to Company equity.

The parameters used to estimate and value the share subscription options are outlined below:

Description of the plan	Options 2014 T1	Options 2014 T2	Options 2015	Options SB 2015
Allocation date	03/07/2014	03/07/2014	04/27/2015	04/27/2015
Price on the allocation date (in €)	5.58	5.58	5.56	5.56
Strike price (in €)	5.58	5.58	5.56	5.56
Average maturity used	5.79	5.79	6.00	6.00
Average risk free rate used	1.28%	1.28%	0.18%	0.18%
Number of valued options	199,611	720,000	137,968	300,000
Dividend	0	0	0	0
Volatility	45%	45%	45%	45%
Vesting hypothesis	N/A	N/A	N/A	65%
Subscription price	0	0	0	0
Probabilized value of the plan before discount (in thousand of euros)	**457**	**1,507**	**268**	**451**
Non-transferability discount (in thousand of euros)	18	59	1	
Probabilized value of the plan (in thousand of euros)	**439**	**1,449**	**267**	**451**

The parameters used to estimate and value the share warrant plans are outlined below:

Description of the plan	BSA 03-14	BSA 05-14	BSA 03-15	BSA 05-16	BSA 09-16	BSA 03-17	BSA 07-17
Allocation date	03/07/2014	05/22/2014	03/30/2015	05/02/2016	04/21/2016	03/08/2017	07/20/2017
Price on the subscription date (in €	5.58	5.94	5.97	3.44 (1)	2.37 (1)	2.04 (1)	1.57 (1)
Strike price (in €)	5.58	5.94	5.97	5.57	3.59	1.84	1.96
Average maturity used	5.34	5.79	6.00	5.00	5.57	5.72	5.13
Average risk free rate used	1.13%	0.84%	0.14%	-0.10%	-0.11%	-0.12%	-0.07%
Number of valued options	260,000	20,000	70,000	30,000	210,000	50,000	274,040
Dividend	0	0	0	0	0	0	0
Volatility	45%	45%	45%	45%	45%	45%	45%
Vesting hypothesis	N/A	N/A	N/A	N/A	47%	N/A	100%
Subscription price	0.28	0.30	0.30	0.28	0.18	0.09	0.10
Probabilized value of the plan before discount (in thousand of euros)	**510**	**42**	**118**	**16**	**52**	**32**	**63**
Non-transferability discount (in thousand of euros)	40		1				
Probabilized value of the plan (in thousand of euros)	**470**	**42**	**118**	**16**	**52**	**32**	**63**

(1) This price corresponds to the weighted average price on the actual subscription date by each beneficiary.

The parameters used to estimate and value the new free share allocation plans are as follows:

Description of the plan	2016 AGA employees (without performance conditions)	2016 AGA employees (with performance conditions)	2016 AGA management (with performance conditions)	AGA 2017
Allocation date	02/05/2016	02/05/2016	02/05/2016	03/08/2017
Price on the allocation date (in €)	5.49	5.49	5.49	1.76
Vesting period	1 to 3 years	1 to 3 years	1 to 3 years	1 to 3 years
Free share value	(1)	(1)	(1)	1.76
Free share value after discount	(2)	(2)	(2)	(2)
Dividend	0	0	0	0
Vesting hypothesis	N/A	32.33%	32.33%	N/A
Number of valued instruments	130,000	320,000	150,000	137,000
Probabilized value of the plan before discount (in thousand of euros)	585	350	164	225
Non-transferability discount (in thousand of euros)	0	0	0	-
Probabilized value of the plan (in thousand of euros)	585	350	164	225

(1) For the first third of the AGA, the closing price used is the one on the date of the allocation, i.e. €5.49. For the second and final thirds of the AGA, the closing price used is the one prevailing at December 31, 2016, i.e. €3.42.

(2) No non-transferability discount was applied to the AGAs; the value of the free share after discount is thus identical to the value of the free share.

The annual charges recognized are shown below:

Periods (in thousands of euros)	For the Year Ended December 31, 2017
Options 2014 T2	(11)
BSA 03-14	12
BSA 05-14	5
BSA 03-15	33
BSA05-16	-
BSA 09-16	56
BSA 03-17	14
BSA 07-17	52
Options 2015	4
Options SB 2015	182
AGA salariés 2016	305
AGA dirigeants 2016	278
AGA 2017	170
TOTAL	1,099

Pursuant to IFRS 2, the expenses recognized take into account the adjustment of expenses on options which were not vested on the beneficiaries' departure date.

Note 17 : Financial income and expenses

Financial income and expense (in thousands of euros)	For the Year Ended December 31, 2017
Foreign exchange gains	6
Sub-total other financial income	**6**
Gains on cash and cash equivalents	0
Interest on cash and cash equivalents	-
Sub-total income from cash and cash equivalents	**0**
Total financial income	**7**
Financial interests on leases	(2)
Financial interests	(93)
Sub-total cost of gross financial debt	**(96)**
Foreign exchange losses	(6)
Other financial expense	(316)
Sub-total other financial expense	**(322)**
Total financial expense	**(418)**
Total financial income and expense	**(411)**

Income from cash and cash equivalents corresponds to accrued interest and short-term gains on investment securities.

Financial interest corresponds to interest on credit lines to pre-finance the RTC in place since August 2016.

"Other financial expenses" amounted to €316 thousand and corresponded to:

- €14 thousand in accretion of finance flows linked to the zero-interest innovation loan (see Note 10);
- €38 thousand in accretion of the trade payable assets (see Note 12.2); and
- €262 thousand from the fair value recognition through profit and loss of the note issues (see Note 10.3).

Note 18 : Tax charge

Based on current legislation, as at December 31, 2017 the Company has tax losses amounting to €95.3 million which can be carried forward indefinitely.

In France, losses can be carried forward against future profits with no time limit, but the amount that can be offset against profit in the financial year is capped at €1 million plus 50% of the taxable income exceeding €1 million in that financial year.

Net deferred tax assets from timing differences have not been recognized because they are not probable, in accordance with the principles described in Note 2.15.

Note 19 : Commitments

Note 19.1 : Obligations arising from operating leases

On December 22, 2015, the Company signed an amendment to renew the commercial lease expiring on June 30, 2016, for an annual rent of €147 thousand (the initial index-linked rent, which is now indexed annually to the quarterly service businesses index). This commercial lease is granted for a term of nine consecutive years, with the possibility of giving notice to quit every three years as well as, exceptionally, at the end of each of the first two years of the renewed lease.

Future rent and charges as at December 31, 2017 break down as follows:

- due in less than one year: €148 thousand;
- due in between one and five years: €74 thousand.

The Company entered into a lease which is exempt from the commercial leases regime with Genbiotech SAS, which took effect on February 1, 2016. The lease was entered into for a duration of two years (from February 1, 2016 to January 31, 2018), with an annual rent of €209 thousand before tax the first year and €198 thousand before tax the second year. This lease will not be renewed when it expires.

Future rent and charges as at December 31, 2017 break down as follows:

- due in less than one year: €17 thousand;
- due in between one and five years: €0 thousand.

The rents recognized under expenses during the year ended December 31, 2017 amount to €347 thousand for these two rental agreements.

<u>Note 19.2 :</u> <u>Obligations under the termination agreement with Trizell</u>

On December 2, 2015, the Company and Trizell entered into an agreement terminating their collaboration, development, option and license agreement on Ovasave, signed on December 12, 2013 and modified by an amendment dated March 30, 2015. Under this agreement, the Company recovers all of Trizell's rights over Ovasave in return for paying amounts which could reach €15 million including:

- a set €6 million for which the Company paid €2 million upon signature of the termination agreement on December 2, 2015. The €4 million balance was contractually payable on the issue of an invoice due on December 2, 2017 for €2 million and December 2, 2018 for the remaining €2 million. As the invoice from Trizell maturing on December 2, 2017 was only received by the Company in 2018, this payment could only be made in the first quarter of 2018;
- a conditional €9 million on any future revenue generated by Ovasave, which will be recognized if the contractual conditions are met.

<u>Note 19.3 :</u> <u>Obligations under the note-issue and equity line financing</u>

Under the OCABSA issue contract of June 17, 2016, the Company made a contractual commitment not to draw on the PACEO® optional equity line financing for as long as all notes convertible into shares (OCA) already issued to Yorkville had not been converted or redeemed (see Note 9.3.4.1). However, at December 31, 2017, this commitment had no effect, as all of the convertible notes issued had been converted.

<u>Note 19.4 :</u> <u>Obligations pursuant to intellectual property contracts</u>

Note 19.4.1 : *Obligations pursuant to contracts for the purchase of rights over licenses*

Generally, contracts for the purchase of rights over licenses make the Company responsible for patent filing, examination and extension costs, as well as costs relating to their protection; they also make the Company accountable vis-a-vis the owner of the rights to lump sums and royalties as certain milestones are reached.

Note 19.4.2 : *Obligations pursuant to contracts for options over licenses*

Generally, contracts for options over licenses make the Company responsible for patent filing, examination and extension costs, as well as costs relating to their protection and may require payment of a lump sum in exchange for the option, will make the Company accountable vis-a-vis the owner of the rights to lump sums and royalties as certain milestones are reached.

Note 19.4.3 : Obligations resulting from joint ownership of intellectual property rights

Joint ownership agreements, which define the joint ownership rules and sub-licensing rules of certain intellectual property rights, generally make the Company responsible for patent filing, examination and extension costs, as well as costs relating to their protection and the payment of lump sums and royalties as certain milestones are reached as payment for the license granted by the co-owner on the rights which belong to it.

Note 20 : Related party transactions

Note 20.1 : Compensation and directors' attendance fees for executive corporate officers and members of the board of directors

The compensation presented below was granted to executive corporate officers and members of the board of directors:

In thousands of euros	For the Year Ended December 31, 2017
Salaries and other short-term benefits	738
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year	223
Directors' attendance fees	70
Total	**1,032**

Salaries and other short-term benefits break down as follows:

In thousands of euros		For the Year Ended December 31, 2017	
Name		Amount owed(1)	Amount due(2)
François Meyer – Chairman of the board of directors			
Fixed compensation (3)		260	260
Variable compensation (4)		54	10
Exceptional compensation (5)		27	-
	Total	**341**	**270**
Stéphane Boissel – Chief Executive Officer			
Fixed compensation (6)		301	301
Variable compensation (7)		81	93
Benefits in kind (8)		15	15
	Total	**397**	**409**
Total		**738**	**679**

(1) For the financial year. Variable compensation owed for one financial year is paid in the next financial year.

(2) During the financial year.

(3) The board of directors' meeting held on September 6, 2013 set François Meyer's gross annual compensation at €60 thousand, covering his functions as Chairman of the Board, as well as his general management support function. The board of directors' meeting held on February 10, 2015 revalued and revised the apportionment of François Meyer's compensation to make a distinction between his compensation as Chairman of the board of directors (€60 thousand gross per year) and the compensation for his specific mission (€24 thousand gross per year) effective February 1, 2015. At its meeting of September 21, 2016, the board of directors reviewed the specific assistance mission to general management for François Meyer, and decided to entrust to him the specific role of Head of Research

which involves managing the Company's entire research division and its programs. For this task, the fixed compensation paid to François Meyer was increased, with effect from August 1, 2016, to €80 thousand gross per year, along with variable annual compensation of 30% of said specific compensation according to the attainment of corporate targets set yearly by the board of directors. The board of directors, at its meeting of March 8, 2017, on the recommendation of the Nomination and Compensation Committee as regards the expertise and investments necessary, reviewed the annual fixed compensation paid to François Meyer specifically in respect of his role as "Head of Research" to €200 thousand gross as of January 1, 2017; 70% of the attached variable compensation of 30% would ultimately be dependent on Company targets being met, and the remaining 30% would be dependent on François Meyer meeting his own personal targets, as set each year by the board of directors.

(4) At its meeting of March 8, 2017, the board of directors, on the proposal of the nomination and compensation committee, decided to set the variable compensation to be paid to François Meyer at €10.3 thousand for the 2016 financial year in consideration of the attainment of corporate and individual targets. At December 31, 2017, the variable compensation to be paid to François Meyer was an estimate based on management assumptions, and amounted to €54 thousand.

(5) On March 12, 2018, the Board of Directors, on the recommendation of the nomination and compensation committee, decided to grant François Meyer an exceptional bonus of €27 thousand gross, in light of the scientific progress made. by the Company under its leadership in 2017. This remuneration was approved by the ordinary and extraordinary shareholders’ meeting of April 26, 2018.

(6) The Company entered into a management agreement with Stéphane Boissel following his appointment as the Company's CEO by the board of directors of April 27, 2015, with a view to determining the main terms and conditions of his duty as CEO. The signature of this management contract was authorized by the board of directors at its meeting held on April 27, 2015. As consideration for his duties, Stéphane Boissel will receive (i) a yearly fixed compensation of €275 thousand, (ii) variable compensation that may not exceed 30% of the said fixed compensation, based on the achievement of objectives set annually by the Company's board of directors, and (iii) in-kind benefits consisting of the payment of business travel expenses, an unemployment insurance policy for executives, and supplementary social security, healthcare and retirement protection. After noting the attainment of the performance conditions provided for in his management agreement, the board of directors at its meeting of March 8, 2017 amended the gross annual fixed compensation paid to Stéphane Boissel to €300 thousand as of January 1, 2017.

(7) The board of directors, at its meeting of March 8, 2017, on the proposal of the Nomination and Compensation Committee, set the variable compensation supplement to be paid to Stéphane Boissel in respect of 2015 at €66 thousand, in accordance with the management agreement amended by an amendment dated September 21, 2016, duly authorized by the board of directors on the same day, and his variable compensation for 2016 to €27 thousand. At December 31, 2017, the variable compensation to be paid to Stéphane Boissel was an estimate based on management assumptions, and amounted to €81 thousand.

(8) Mr. Stéphane Boissel's benefits in kind are, pursuant to the management agreement entered into with the Company on April 27, 2015, the provision of a vehicle and of unemployment insurance.

The possible allocation plans for deferred instruments convertible to equity, allocated over the financial year to the corporate officers break down as follows:

In thousands of euros		For the Year Ended December 31, 2017	
Name		Amount owed[(1)]	Amount due[(2)]
François Meyer – Chairman of the board of directors			
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)		63	N/A
	Total	**63**	**N/A**
Stéphane Boissel – Chief Executive Officer			
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)		136	N/A
	Total	**136**	**N/A**
Marie Yvonne Landel Meunier – Independent member			
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)		13	N/A
	Total	**13**	**N/A**
David Horn Solomon – Independent member			
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)		11	N/A
	Total	**11**	**N/A**
Total		**223**	**N/A**

(1) For the financial year. Variable compensation owed for one financial year is paid in the next financial year.

(2) During the financial year.

(3) Share-based payments correspond to the possible costs of allocation plans for instruments convertible to Company equity allocated during the financial year to the corporate officers, following deduction of the non-transferability discount linked to the shareholders; agreement in place on the date of the award.

Directors' attendance fees break down as follows:

In thousands of euros		For the Year Ended December 31, 2017	
Name		Amount owed[(1)]	Amount due[(2)]
Marie-Yvonne Landel Meunier – Independent member			
Director's attendance fees		35	35
	Total	**35**	**35**
David Horn Solomon – Independent member			
Director's attendance fees		35	35
	Total	**35**	**35**
Total		**70**	**70**

(1) For the financial year. Compensation owed for one financial year is paid in the next financial year.

(2) During the financial year.

Note 20.2 : Miscellaneous

As at December 31, 2017, to the Company's knowledge, there was no management and/or financial link between its main suppliers and the members of its board of directors.

Note 21 :Loss per share

The basic loss per share is calculated by dividing the net loss attributable to the Company's shareholders by the weighted average number of shares outstanding during the year.

Net loss par share	For the Year Ended December 31, 2017
Net loss (in thousands of euros)	(10,911)
Weighted average number of shares in circulation	20,860,507
Basic loss per share (in euros)	**(0.52)**

Diluted loss per share is calculated by dividing the net loss attributable to the Company's shareholders by the following:

- the weighted average number of shares outstanding during the financial year;
- plus the number of shares that may result from the conversion of instruments giving deferred access to the share capital, as soon as such instruments have been issued.

Instruments ultimately convertible to equity (BSA warrants, Options and AGA) are considered to be anti-dilutive as they result in higher earnings per share. As a result, diluted and basic loss per share are identical.

Diluted loss per share	For the Year Ended December 31, 2017
Net loss (in thousands of euros)	(10,911)
Weighted average number of potential shares *	27,545,464

* This average weighted number of shares includes shares issued as a result of exercising share warrants and stock option subscription plans, and assignments of free shares, from the time they are issued.

Note 22 :Management of financial risks

The main risks to which the Company is exposed are liquidity risk, currency risk, interest rate risk and credit risk.

Cash and cash equivalents constitute the principal financial instruments of the Company. These instruments are used to finance the Company's activities. It is the Company's policy not to use financial instruments for speculative purposes. The Company does not use derivative financial instruments.

Note 22.1 : Liquidity risk

Cash flow forecasts are produced by the finance department. Management uses these forecasts, which are regularly updated, to monitor the Company’s cash requirements and ensure that there is sufficient liquidity available to cover its operating needs.

These forecasts take into account the Company’s funding plans. Any surplus cash held by the Company is invested in short-term investment securities that are sufficiently liquid to meet the flexibility requirements set forth in the above-mentioned forecasts (see Note 2.7).

Since its creation, the Company has financed its growth by strengthening its equity through successive capital increases, and by obtaining public grants for innovation and RTC payments.

The Company has never resorted to bank loans, but has received a zero-interest innovation loan from Bpifrance Financement. The Company has also set up a reserved issue of convertible notes with warrants (OCABSA) to Yorkville, Ltd (see Note 9.3.4.2). Notes convertible into shares (OCA) have a maturity of 14 months as of their issue. Once matured, non-converted OCA must be redeemed by the Company, as well as, at the request of the OCA bearer, in the event that the OCA terms are not adhered to or in the event of default.

At December 31, 2017, the Company had €4.9 million in cash, after partially pre-financing the 2017 RTC, in the amount of €1.4 million. It also secured a zero-interest innovation loan of €1.2 million, which was received in February 2018. Finally, the Company has a OCABSA finance program in place with Yorkville entered into in June 2016, which was amended in October 2017 providing it with monthly drawdowns at its discretion for a total gross amount of €15 million. The Company estimates, based on its growth plan, that it is not exposed to any short-term liquidity risk for the next 12 months following the reporting date.

Note 22.2 : Foreign exchange rate risk

As at December 31, 2017 the Company does not consider itself exposed to a foreign exchange rate risk as only a small part of its supplies are obtained outside the Eurozone and invoiced in foreign currency, mainly in American dollars, Canadian dollars, pounds Sterling, and Swiss francs.

In view of the insignificant amounts in currency positions, at this stage of the development of its business, the Company has not made any hedging arrangements to protect its business against fluctuations in exchange rates.

However, the Company cannot rule out the possibility that a significant increase in its business could leave it more exposed to currency risk. Should this occur, the Company would put in place an appropriate policy to hedge this risk. For the year ended December 31, 2017, the Company considers that a 10% variation in exchange rates in either direction would not have a material impact.

Note 22.3 : Credit risk

The Company manages its cash and cash equivalents in a conservative manner. Cash and cash equivalents are cash and current financial instruments held by the Company (exclusively short-term investment securities that can be moved immediately).

In addition, credit risk relating to cash, cash equivalents and short-term financial instruments is not significant in view of the quality of the co-contracting financial institutions.

Note 22.4 : Interest rate risk

The only interest rate risk exposure concerns investments of cash and cash equivalents. Given the current low rate of return on this type of investment, the Company believes that any 1% increase or decrease would have no material effect on its net income in light of the losses generated by its operating activities.

The Company has not used bank loans to finance its growth and has no variable-rate liabilities. Loans and borrowings contracted by the Company are as follows:

- zero-interest innovation loan taken out on November 28, 2014 for €1.7 million with Bpifrance Financement. This loan bears no interest (see Note 10.2); At December 31, 2017, the balance of the Zero Interest Innovation Loan was €1.5 million, following the €170 thousand repayment in 2017;
- Optional convertible-note line financing with Yorkville. During the 2016 financial year, the Company drew down 50 convertible notes in the amount of €5 million. Notes convertible into shares (OCA) do not generate interest (except in cases of default) and have a maturity of 14 months as of their issue date. At December 31, 2017, the 50 convertible notes had been converted by Yorkville.

Therefore, the Company does not believe that it is exposed to a major interest rate change risk.

Note 23 : Events subsequent to the reporting period

The following events occurred after the closing date:

- on January 26, 2018, the 1,150,000 stock option subscription warrants under the PACEO® optional equity line financing with Société Générale expired;

- on February 2, 2018, the Company received a zero-interest loan from Bpifrance in the gross amount of €1.2 million;
- from January 1 to February 26, 2018, 14,678 BSA warrants issued as a result of the capital increase with preferential subscription rights of February 2017 had been exercised, resulting in the issue of a total of 11,008 new shares for a total nominal amount of €2,201.60 and a total issue premium of €26,418.48. On February 26, 2018, the 5,528,978 remaining listed BSA warrants from the issue as a result of the capital increase of February 2017 expired;
- During the first half of 2018, 66 Warrants were exercised on the request of the Company, which then issued 66 OCA to Yorkville for a total nominal amount of €6.6 million, of which 550,000 BSA warrants were detached. As at June 30, 2018, 10 OCA have been converted and no share warrant has been exercised by Yorkville. It is specified that the Company has no draw obligation.
- On May 17, 2018, the Company signed an amendment to the original agreement of June 17, 2016, amended on October 25, 2017, whereby the Company has the option, at any time and in its sole discretion, to redeem in cash up to 50% of notes not yet converted into shares upon the exercise of this call option, for a price equal to 110% of the nominal value of the said notes.
- On July 23, 2018, the Company announced the acquisition by Sangamo, subject to the fulfillment of conditions precedent, of approximately 53% of the Company's capital, and the intention of Sangamo, if applicable, to file a simplified cash tender offer for the remaining outstanding common shares of the Company at the same unit price of €2.58, representing an enterprise value of approximately €72 million on a basis without cash and without debt..
- On July 23, 2018, the Company also announced the renegotiation of its OCABSA financing program. Subject to the effective completion of Sangamo's proposed acquisition of a majority stake in the Company, the contract provides for (i) the repurchase by the Company of 50% of the 56 unconverted OCA for a total amount of €3,080,000 (i.e. 110% of their total nominal value of €2,800,000), (ii) Yorkville's conversion of the remaining 28 OCA into 1,866,666 new shares of the Company at a fixed unit price of €1.50, and (iii)) the repurchase by the Company of the 84 Tranche Warrants and the 1,236,350 BSA warrants currently held by Yorkville for the lump sum of one euro, with a view to their cancellation. For more information, see the press release of July 23, 2018.
- In order to cover for working capital expenses of the Company in the following months, Sangamo has granted a loan to the Company for €4.5 million pursuant to a loan agreement dated September 18, 2018. The loan has an annual interest rate of 2.5%, and is repayable after 6 months.
- On October 1, 2018, Sangamo acquired a controlling block of TxCell S.A. of around 53%.
- Sangamo Therapeutics, Inc. has confirmerd its intention to provide the necessary financial support to enable its subsidiary TxCell to continue its normal business over the next 12 months in compliance with the going-concern principle.
- The board of directors of October 1, 2018 has noted:
  - The conversion of 28 notes by Yorkville, which resulted in the issuance of 1,866,666 new shares for a total nominal value of €373,333.20;
  - The early redemption of the 28 remaining notes for €3,080,000;
  - The cancellation of the 84 outstanding Tranche Warrants, and 1,236,350 share warrants purchased to Yorkville for the lump sum of 1 euro;
  - The exercise of 274,040 BSA 07-17, which resulted in the issuance of 274,040 new shares for a total nominal value of €54,808.00;
  - The vesting of 104,175 free shares granted to employees of the Company in 2016 and 5,002 free shares granted to employees of the Company in 2017, which resulted in the issuance of respectively 109,801 and 5,002 new shares, i.e. a capital increase of €22,960.20 euros in nominal value, factoring in the arithmetic correction set by the board at its meeting of February 21, 2017

to take account of the capital increase with preferential subscription rights carried out in February 2017, for free shares granted in 2016;

- The cancellation of the 2014 T1 Options, 2014 T2 Options, SB 2015 Options, 2015 Options, BSA 03-15, BSA 05-14, BSA 05-16 and BSA 0916, following their renunciation by their respective holders.

TXCELL S.A.
A French limited liability company (*société anonyme*) with a share capital of €5,100,180.60
Registered office: Les Cardoulines, Allée de la Nertière,
06560 Valbonne –Sophia Antipolis
Grasse Trade and Companies Register n° 435 361 209

TXCELL S.A.
CONDENSED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. TXCELL S.A. STATEMENTS OF FINANCIAL POSITION

1.1 Assets

Assets (in thousands of euros)	Note	As of September 30, 2018	As of December 31, 2017
Intangible assets	3	5,977	5,935
Property, plant and equipment	4	757	625
Other property, plant and equipment under finance leases	4	843	416
Financial assets	5	134	278
Total non-current assets		**7,711**	**7,254**
Other current assets	6	2,071	2,620
Cash and cash equivalents	8	6,570	4,910
Total current assets		**8,642**	**7,530**
Total assets		**16,353**	**14,784**

1.2 Liabilities

Liabilities (in thousands of euros)	Note	As of September 30, 2018	As of December 31, 2017
Share capital	9	4,639	4,363
Issue premiums		25,696	33,905
Accumulated deficit		(23,579)	(22,214)
Other Comprehensive Income / (Loss)		27	27
Net loss for the period / year		(9,775)	(10,911)
Total shareholders' equity		**(2,992)**	**5,170**
Financial debt - non current	10	2,065	1,161
Debts related to finance leases - non-current	10	635	321
Total non-current liabilities		**2,700**	**1,481**
Financial debt - current	10	11,781	1,788
Trade and other payables	12	1,748	874
Other current liabilities	12	2,908	5,374
Debts related to finance leases - current	10	202	93
Provisions - current	11	4	4
Total current liabilities		**16,644**	**8,133**
Total liabilities		**16,353**	**14,784**

2. TXCELL S.A. STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Statement of operations (in thousands of euros)	Note	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Revenue	13	-	-
Other income	13	1,448	1,742
Revenue and other income		**1,448**	**1,742**
Research and development expenses	15	(7,368)	(6,312)
General and administrative expenses	15	(2,953)	(2,848)
Current operating profit / (loss)		**(8,872)**	**(7,418)**
Other operating expenses		-	-
Other operating income		-	-
Operating profit / (loss)		**(8,872)**	**(7,418)**
Income from cash and cash equivalents	17	0	0
Cost of gross financial debt	17	(52)	(62)
Cost of net financial debt		**(52)**	**(62)**
Other financial income	17	1	3
Other financial expenses	17	(852)	(402)
Net loss before tax		**(9,775)**	**(7,879)**
Income taxes	18	-	-
Net loss		**(9,775)**	**(7,879)**
Basic and diluted loss per share (in €)	21	(0.44)	(0.39)

Items of other comprehensive income / (loss):

Net loss (in thousands of euros)	Note	(9,775)	(7,879)
Non-recyclable elements in statement of operations:			
Revaluations of net liabilities arising from defined benefit schemes	11	1	1
Items of other comprehensive income / (loss)		**1**	**1**
Comprehensive loss		**(9,774)**	**(7,878)**

3. TXCELL S.A. STATEMENTS OF CHANGES IN EQUITY

In thousands of euros	NUMBER OF SHARES	SHARE CAPITAL	ISSUE PREMIUMS	ACCUMULATED DEFICIT	OTHER COMPREHENSIVE INCOME / (LOSS)	NET LOSS FOR THE PERIOD / YEAR	TOTAL
Balances as at January 1, 2017	13,873,252	2,775	32,724	(20,759)	22	(13,570)	1,192
Allocation of net loss for the previous period			(12,140)	(1,431)		13,570	0
Exercise of listed warrants	4,116	1	10				11
Subscription of BSA 03-17 warrants			32				32
Vesting of free shares	120,372	24	0				24
Capital increase through the issue of new shares with warrants attached	5,549,300	1,110	9,989				11,099
Conversion of convertible notes	1.500.398	300	2.000				2.300
Allocation of unamortized redemption premiums on the date of conversion			(12)				(12)
Allocation of capital increase costs			(1,057)				(1,057)
Expenses related to share-based payments			773				773
Liquidity Contract - Treasury shares			(67)				(67)
Actuarial gains and losses					1		1
Fair value of convertible notes			380				380
Reserves for allocation of free shares				(24)			(24)
Net loss for the period						(7,879)	(7,879)
Balances as at September 30, 2017	21,047,438	4,209	32,633	(22,214)	23	(7,879)	6,773
Exercise of listed warrants	117	0	0				0
Conversion of convertible notes	765.752	153	847				1.000
Allocation of unamortized redemption premiums on the date of conversion			(2)				(2)
Allocation of capital increase costs			(1)				(1)
Expenses related to share-based payments			326				326
Liquidity Contract - Treasury shares			(64)				(64)
Actuarial gains and losses					4		4
Fair value of convertible notes			166				166
Net loss for the period						(3,033)	(3,033)
Balances as at December 31, 2017	21,813,307	4,363	33,905	(22,214)	27	(10,911)	5,170
Allocation of net loss for the previous period			(9,592)	(1,319)		10,911	0
Exercise of listed warrants	11,008	2	26				29
Vesting of free shares	234,092	47	0				47
Conversion of convertible notes	1.136.987	227	773				1.000
Allocation of unamortized redemption premiums on the date of conversion			(15)				(15)
Allocation of capital increase costs			(29)				(29)
Expenses related to share-based payments			178				178
Liquidity Contract - Treasury shares			276				276
Actuarial gains and losses					1		1
Fair value of convertible notes			174				174
Reserves for allocation of free shares				(47)			(47)
Net loss for the period						(9,775)	(9,775)
Balances as at September 30, 2018	23,195,394	4,639	25,696	(23,579)	27	(9,775)	(2,992)

4. TXCELL S.A. STATEMENTS OF CASH FLOWS

In thousands of euros	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Net loss	**(9,775)**	**(7,879)**
Eliminations of items with no impact on cash and cash equivalents		
Depreciation and amortization	307	238
Provisions	1	(47)
Share-based payment	178	773
Financial expenses arising from bonds	624	352
Financial (gains) / losses on liquidity contract	192	-
Other eliminations with no impact on cash and cash equivalents	5	1
OPERATING CASH FLOW BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS	(8,467)	(6,562)
Change - non-current	**(21)**	**9**
Other eliminations of non-current items with no impact on cash and cash equivalents	(21)	19
Change in other non-current liabilities	-	(9)
Change - current	**1,059**	**(577)**
Change in trade receivables	-	4
Change in other current assets	549	(136)
Change in trade payables	874	111
Change in other current liabilities (excluding fixed asset suppliers)	(365)	(555)
CHANGE IN WORKING CAPITAL REQUIREMENTS	1,037	(567)
Change to net cash used in operating activities	**(7,430)**	**(7,129)**
Acquisition of intangible assets	(46)	(25)
Acquisition of property, plant and equipment	(310)	(47)
Proceeds from sale of property, plant and equipment	0	38
Change in property, plant and equipment supplier account	(2,116)	-
Acquisition of non-current financial assets	(147)	(337)
Sale of non-current financial assets	374	-
Change to net cash used in investing activities	**(2,244)**	**(371)**
Capital increases or contributions	(0)	10,085
Receipts from loans	5,700	-
Repayments of loans	(255)	(85)
Receipts of convertible notes	6,468	-
Increase of financial debt linked to research tax credit prefinancing	1,500	1,023
Decrease of financial debt linked to research tax credit prefinancing	(1,945)	-
Finance leases payments	(133)	(32)
Change to net cash provided by financing activities	**11,335**	**10,991**
NET CASH FLOWS	**1,661**	**3,491**
OPENING CASH & CASH EQUIVALENTS	**4,910**	**3,483**
CLOSING CASH & CASH EQUIVALENTS	**6,570**	**6,973**

5. TXCELL S.A. NOTES TO THE FINANCIAL STATEMENTS

Note 1 :The Company

TxCell S.A. (the "**Company**") is a biotechnology company, listed on Euronext Paris, which develops innovative personalized cellular immunotherapies for the treatment of severe inflammatory and autoimmune diseases with high unmet medical need. TxCell S.A. targets graft rejections, as well as various autoimmune diseases (T-cell or B-cell), including multiple sclerosis, renal lupus and bullous pemphigoid.

Highlights of the period

On February 2, 2018, the Company received a zero-interest loan from Bpifrance in the gross amount of €1.2 million as part of preclinical development and non-clinical pharmaceutical development of a CAR-Treg targeting HLA-A2 for the prevention of chronic rejection after organ transplantation.

On July 23, 2018, the Company announced the acquisition by Sangamo Therapeutics, Inc. ("Sangamo"), subject to the fulfillment of conditions precedent, of approximately 53% of the Company's capital, and the intention of Sangamo, if applicable, to file a simplified cash tender offer for the remaining outstanding common shares of the Company at the same unit price of €2.58, representing an enterprise value of approximately €72 million on a basis without cash and without debt.

On July 23, 2018, the Company also announced the renegotiation of its OCABSA financing program. Subject to the effective completion of Sangamo's proposed acquisition of a majority stake in the Company, the contract provides for (i) the repurchase by the Company of 50% of the 56 unconverted OCA for a total amount of €3,080,000 (i.e. 110% of their total nominal value of €2,800,000), (ii) Yorkville's conversion of the remaining 28 OCA into 1,866,666 new shares of the Company at a fixed unit price of €1.50, and (iii)) the repurchase by the Company of the 84 Tranche Warrants and the 1,236,350 BSA warrants currently held by Yorkville for the lump sum of one euro, with a view to their cancellation.

As at September 30, 2018, 66 Warrants have been exercised at the request of the Company which then issued 66 OCA to Yorkville for a total nominal amount of €6.6 million, from which 550,000 BSA were detached. As at September 30, 2018, there are therefore 120 Warrants in circulation. As at September 30, 2018, there are 56 outstanding notes convertible into shares (OCA) that remain to be converted, for a total nominal amount of €5.6 million.

Note 2 :Accounting principles and methods

The financial statements are presented in thousands of euros, except share and per share amounts.

Figures have been rounded up or down when calculating certain financial items and other information contained in the financial statements. Consequently, the totals given in certain tables may not be the exact sum of the figures that precede them.

Note 2.1 :Basis of preparation of the financial statements

These financial statements were approved on November 16, 2018 by the board of directors.

The condensed interim financial statements of the Company as at September 30, 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

They do not include all the information necessary for a complete set of financial statements in accordance with IFRS and must be read in addition to the Company's annual IFRS financial statements for the year ended December 31, 2017.

They include, however, a selection of notes explaining significant events and transactions with a view to understanding the changes in the Company's financial position and performance since the last annual IFRS financial statements for the year ended December 31, 2017.

The accounting principles used to prepare the accompanying condensed interim financial statements comply with the IFRS standards and interpretations as adopted by the International Accounting Standards Board (IASB). The accounting principles used are identical to those used to prepare the IFRS financial statements for the financial year ended December 31, 2017, with the exception of the application of the following new standards, amendments to standards and interpretations below and compulsory for fiscal periods after January 1, 2018:

- IFRS 15: "Revenue from Contracts with Customers",
- IFRS 9: "Financial Instruments",
- the annual improvements of the IFRS: 2014-2016 cycle;
- amendments to IFRS 1, IFRS 12 and IAS 28;
- amendments to IFRS 2: "Clarifications and classification and measurement of share-based payment transacations".

The application of these amendments and standards had no significant impact on the financial statements.

Furthermore, the Company decided not to proceed with the early application of new standards, amendments, revisions and interpretations if their application was compulsory after September 30, 2018, notably IFRS 16 "Leases". IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring a lessee to recognize right-of-use assets and lease liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 will be applicable for annual reporting periods beginning on or after January 1, 2019 and the Company is still in the process of assessing the impact on the financial statements.

Principle of preparation of the financial statements

The financial statements have been prepared on a historical-cost basis, with the exception of financial assets and liabilities, which are measured at fair value, in accordance with the IFRS provisions. The categories concerned are mentioned in the following notes.

Use of judgments and estimates

Preparing the financial statements in accordance with IFRS requires the formulation of estimates and assumptions that affect the amounts and disclosures contained therein. Actual results may differ significantly from these estimates, depending on the different conditions and assumptions used, and where such differences are material, sensitivity analysis may be carried out as applicable. The main judgments and estimates are described below:

- Valuation of stock option subscription plans, warrants, free shares and notes convertible into shares (see Notes 2.9 and 9.3);
- Recognition of deferred taxes on loss carryforwards (see Notes 2.15 and 18);
- Valuation of provisions for risks and charges (see Notes 2.11.1 and 11);
- Valuation of capitalized rights under the license acquired (see Note 3).

Note 2.2 :Going-concern principle

The September 30, 2018 financial statements were prepared in accordance with the going concern principle. Based on its development plan, the Company has taken into account the following factors:

- The Company's historical loss-making position is the result of the innovative nature of its products, which require several years of research and development;
- As at September 30, 2018, the cash and cash equivalents amounted to €6.6 million, after pre-financing of the 2018 Research Tax Credit (RTC) for €1.0 million, drawing of five monthly tranches of the amended financing program of notes convertible into shares with share

subscription warrants (OCABSA) for a nominal amount of €6.6 million and proceeds of €4.5 million loan granted by Sangamo.

The Company estimates, based on its growth plan and the cash and cash equivalent described above, that it is not exposed to any short-term liquidity risk for the next 12 months following the reporting date (refer to Events subsequent to the reporting period presented in Note 23).

Note 2.3 :Intangible assets

In accordance with International Accounting Standard (IAS) 38 "Intangible Assets", acquired intangible assets are recognized at acquisition cost on the statement of financial position. Impairment tests are performed on intangible, non-amortizable assets and intangible assets in progress at the end of each financial year. The method currently used for this valuation is the discounted cash flow (DCF) method.

Note 2.3.1 : Research and development expenses

Research costs are recognized as an expense when incurred.

In accordance with IAS 38, development costs are recognized in intangible assets only if the Company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditures during its development.

Pursuant to this standard, the Company recognizes all its research and development costs as expenses. The Company considers that the technical feasibility of its development projects is not demonstrated until the required marketing authorizations are issued, which also corresponds to the time at which virtually all of the development costs have been incurred.

Note 2.3.2 : Patents

Costs associated with filing patents, and incurred by the Company before those patents are secured, are recognized in expenses, consistent with the approach used for research and development costs.

Note 2.3.3 : Software

The costs of acquiring software licenses are recorded in assets, based on the costs incurred to acquire and use the software concerned.

Software is amortized on a straight-line basis over its estimated useful life, which is generally three years.

The software amortization charge is recognized in the "Research and development expenses" or "General and administrative expenses" category depending on the nature of the use of the software.

Note 2.3.4 : Other intangible assets

The acquisition costs of other intangible assets are recorded in assets when they can be measured reliably.

Other intangible assets are recognized as in progress up until the date when they satisfy the conditions to be used.

Note 2.4 :Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost. Costs arising from major renovation and improvement work are capitalized. Costs arising from repairs, maintenance and other renovation work are expensed as they are incurred.

Assets not yet put into service are recognized as assets in progress and are not depreciated. Once they have been put into service, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

The following useful lives are applicable:

Nature of property, plant and equipment	Duration
Fixtures and fittings on third-party land	10 years
Component : Major construction work	20 years
Component : Miscellaneous fixtures and fittings	5 to 8 years
Component : Plumbing	8 to 10 years
Component : Air conditioning	8 to 10 years
Component : Electricity	15 years
Laboratory fittings	4 to 5 years
Laboratory equipment	5 to 6 years
IT equipment	3 to 5 years
Office furniture	3 to 10 years

The property, plant and equipment amortization charge is recognized in the “Research and development expenses” or “General and administrative expenses” category depending on the use of the assets held.

Note 2.4.1 : Finance leases

Leased property that meets the conditions to be classified as a finance lease is capitalized at the purchase value as at the date of the lease. Each lease payment is broken down between the payable (capital amortization) and the financial cost so as to determine a constant interest rate on the remaining amounts due. The present value of lease payments is reported as finance leases liabilities. The part of the lease payment corresponding to the interest is reported under expense over the duration of the finance lease. Property, plant and equipment acquired under a finance lease is amortized over the duration of use. Lease payments due in more than one year's time are reported as Debts related to finance leases - non-current; those due in under one year are reported as Debts related to finance leases - current.

Note 2.5 :Financial assets

Financial assets at fair value through profit or loss

This category includes marketable securities, cash and cash equivalents. They represent financial assets held for trading purposes, i.e., assets acquired by the Company to be sold in the short-term. They are measured at fair value and changes in fair value are recognized in the statement of operations as financial income or expense, as applicable.

Financial assets at amortized cost

This category includes Other financial assets (non-current), Trade receivables (current) and Other receivables and related accounts (current). Other financial assets (non-current) include advances and deposits granted to third parties as well as term deposits, which are not considered as cash equivalents.

Financial assets at amortized cost primarily consist of deposits and guarantees, restricted cash, trade receivables, other receivables, conditional advances and loans. They are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset, except trade receivables that are initially recognized at the transaction price as defined in IFRS 15.

After initial recognition, these financial assets are measured at amortized cost using the effective interest rate method when both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recorded in the statement of operations when they are derecognized, subject to modification of contractual cash flows and/or impaired.

IFRS 9 "Financial Instruments" requires an entity to recognize a loss allowance for expected credit losses on a financial asset at amortized cost at each Statement of Financial Position date. The amount of the loss allowance for expected credit losses equal to: (i) the 12- month expected credit losses or (ii) the full lifetime expected credit losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument. An impairment is recognized, where applicable, on a case–by–case basis to take into account collection difficulties which are likely to occur based on information available at the time of preparation of the financial statements.

Disputed receivables are written-off when certain and precise evidence shows that recovery is impossible, and existing credit loss allowance are released.

Loans and receivables:

This category includes loans as well as deposits and guarantees recognized under non-current financial assets.

These are recognized initially at fair value and subsequently at amortized cost, calculated using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount except where the application of an implied interest rate has a material effect. The effective interest rate matches the expected future cash inflows to the current net book value of the asset in order to determine its amortized cost.

Loans and receivables are monitored for objective indications of impairment. A financial asset is impaired when an impairment test establishes that its carrying amount is higher than its estimated recoverable amount. The resulting impairment loss is recognized in the statement of operations.

In accordance with IAS 32 "Financial instruments: Presentation", treasury shares held under a liquidity contract are deducted from equity and the losses and profits realized on the sale of a part of the shares are offset in the statement of operations.

Note 2.6 : Recoverable value of non-current assets

Impairment testing takes place on tangible and intangible assets with a finite useful life if doubt is cast on the recoverability of their book value by an internal or external index.

Impairment tests are carried out at the close of the financial year on non-amortized assets (irrespective of whether there is an indication of an impairment loss). An impairment test involves comparing the asset's net carrying amount tested at its recoverable value. The test was carried out at cash-generating unit ("CGU") level, which is the smallest asset group and includes assets whose continued use generates cash inflows largely independent of those generated by other assets or asset groups. The concept of a CGU is assessed at the level of the Company taken as a whole.

Impairment is recognized up to the excess of the book value over the asset's recoverable value. The asset's recoverable value is the higher of the fair value less costs to sell and the value in use.

The fair value less exit costs is the amount which can be obtained from the sale of an asset via a transaction conducted under normal competitive conditions between well-informed, consenting parties, less exit costs.

The value in use is determined each year in accordance with IAS 36 "Impairment of Assets": it is the discounted value of the estimated future cash flows expected from the continued use of an asset and of its exit at the end of its useful life. The value in use is determined using cash flows estimated on the basis of five-year plans or budgets, with flows being further extrapolated by applying a constant or declining growth rate, and updated using the long-term market rates after tax which reflect market estimates of the time value of money and the risks specific to the assets. The residual value is determined using discounting to infinity from the last cash flows of the test (see Note 3).

Note 2.7 :Cash, cash equivalents and other financial assets

Cash and cash equivalents consist of immediately available cash and short-term available-for-sale securities. Cash equivalents are held for the purpose of covering short-term liquidity requirements rather than for investment or other purposes. They can be readily converted to known amounts of cash and are not exposed to any material risk of impairment.

They are measured at fair value, and any changes in value are recorded in financial income and expense.

For the purposes of the statement of cash flows, net cash includes cash and cash equivalents as defined above.

Note 2.8 :Capital

Classification under shareholders' equity depends on the specific analysis of the features of each instrument issued. On the basis of this analysis, it was possible to classify shares as equity instruments.

Additional costs directly attributable to share issues or options are recognized in equity as deductions against the proceeds of those issues. Moreover, in the absence of clarification on IAS 32 "Financial Instruments – Presentation", the Company has chosen to recognize these costs by deducting them from shareholders' equity prior to the operation if a year-end takes place between the date the services were rendered and the transaction when the planned transaction is considered highly likely. If the transaction does not subsequently take place, these costs would be recorded under charges for the following financial year.

Note 2.9 :Share-based payments

The Company has implemented several share-based payment plans in the form of share subscription options, share warrants (BSA) or free share awards to its employees, executive officers, members of the board of directors, members of the scientific advisory board (SAB) or consultants.

In accordance with IFRS 2, the cost of equity-settled transactions is expensed with an increase in equity over the vesting period of the equity instruments in question.

The fair value of share warrants granted to employees is determined using Monte-Carlo or Black Scholes simulation techniques, as described in Note 16.

These models require the Company to use certain calculation assumptions which can differ for each plan, such as the expected volatility of the share, the price of the share used, the risk-free rate, the turnover rate, the non-transferability discount and the acquisition assumption for these plans if applicable.

Note 2.10 :Measurement and recognition of financial liabilities

Financial liabilities are measured and recognized according to IFRS 9 "Financial instruments".

Note 2.10.1 : Financial liabilities at amortized cost

Borrowings and other financial liabilities are measured initially at fair value and subsequently at amortized cost, calculated using the effective interest method.

Transaction costs directly attributable to the acquisition or issue of a financial liability are deducted from the value of said liability. These costs are then amortized over the life of the liability, using the effective interest method. The effective interest rate matches the expected future cash payments to the current net book value of the liability in order to determine its amortized cost.

Note 2.10.2 : Liabilities at fair value through the statement of operations

Liabilities at fair value through profit and loss are measured at fair value each reporting period.

Note 2.10.3 : Fair value

The fair value of financial instruments traded on an active market, such as available-for-sale securities, is based on their market price at the reporting date. The market prices used for financial assets held by the Company are the market bid prices at the valuation date.

In line with the amendments to IFRS 7 "Financial instruments: disclosures", the financial instruments are presented according to three categories based on a hierarchization of the methods used to determine the fair value:

- Level 1: fair value determined based on the prices quoted on the asset markets for identical assets or liabilities;
- Level 2: fair value determined based on the observable data for the asset or liability concerned, either directly or indirectly;
- Level 3: fair value determined using measurement techniques based wholly or partially on non-observable data; an unobservable parameter is one whose value is derived from assumptions or correlations based neither on transaction prices observable on the markets for the same instrument on the valuation date, nor on observable market data available on the same date.

The nominal amount of current receivables and payables, less any impairment losses, is presumed to approximate the fair value of those items.

Note 2.11 :Provisions

Note 2.11.1 : Provisions for risks and charges

Provisions for risks and charges correspond to financial commitments arising from various risks and legal proceedings, of an uncertain maturity and amount, which the Company may face in the course of its business.

A provision is recognized where the Company has a legal or constructive obligation to a third party resulting from a past event where it is probable or certain that payment to said third party will arise from the obligation (with no equal or greater payment expected to be received from said third party), and where future payments can be reliably estimated.

The amount recognized as a provision is management's best estimate of the amount of the expense needed to settle the liability, discounted at the reporting date as applicable.

Note 2.11.2 : Retirement benefits

The Company's employees are entitled to statutory French retirement benefits:

- a lump sum paid by the Company upon their retirement (defined benefit scheme);
- a pension paid by the social security authorities and funded by employer and employee contributions (national defined contribution scheme).

The cost of retirement benefits in a defined benefit scheme is estimated using the projected unit credit method pursuant to revised IAS 19 "Employee Benefits".

Under this method, the cost is recorded in the statement of operations in such a way as to spread it evenly over the employee's career at the Company. Past-service costs, however, are recognized immediately in expenses (increase in benefits allocated) or in income (decrease in benefits allocated) as soon as a new scheme is implemented or an existing one is modified. Actuarial gains or losses are recognized immediately and in full under equity in items of other comprehensive income.

Retirement obligations are measured at the present value of estimated future payments, using the market rate based on long-term investment grade corporate bonds with a duration equal to the estimated length of the scheme.

The Company's payments under defined contribution schemes are recorded as expenses in the statement of operations for the period to which they relate.

More details on retirement obligations can be found in Note 11.

Note 2.12 :Revenue and other income

Note 2.12.1 : Revenues

The revenue the Company is likely to generate can result from the signature of strategic partnerships and include various financial components, such as amounts payable upon entering into the agreement, amounts payable upon reaching certain predefined development, sales and production targets, as well as one-off payments to fund research and development costs and royalties on future product sales.

Revenue is recognized in accordance with IFRS 15.

Under IFRS 15, revenue is recognized when the Company satisfies a performance obligation by transferring a promised asset or service to a customer. A service is considered an asset for purpose of applying IFRS 15 even though it is not recognized as an asset by the customer as it is simultaneously received and consumed and therefore expensed as transferred. An asset is transferred when the customer obtains control of the asset (or service).

Note 2.12.2 : Other income

Other income is recognized in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" as follows:

Grants:

Since its creation, and on account of its innovative nature, the Company has received grants and aid from French national and local government aimed at funding its operations or specific recruitment drives.

Grants are recognized where there is a reasonable assurance that:

- the Company will meet the conditions of the grant; and
- the conditions of their receipt have been met.

Grants are recognized under other income (see Note 13) as the associated expenses are committed and independently of the receipts, in line with the principle of linking expenses to income.

Grants receivable either as compensation for expense or losses already incurred, or as immediate financial aid with no related future costs, are recognized in income in the year in which they become receivable.

Research tax credit (RTC):

The French government awards RTC to companies to encourage them to conduct technical and scientific research. Companies that can demonstrate expenditure meeting the required criteria are eligible for a tax credit that can be offset against corporate income tax in respect of the year in which the expenditure is incurred and the following three years, or refunded where applicable (i.e. where it exceeds the amount of corporate income tax payable). Since the Company has not paid any corporate income tax since its formation, every year it receives payment of the RTC relating to the previous year from the French Treasury.

These amounts are recognized in other income for the year in which the corresponding expenses are incurred.

Note 2.13 :Research and development contracts

Note 2.13.1 : Service contracts

Service contracts are recognized as they progress according to management's best estimate. Expenses can be estimated according to the period over which a service is provided or according to certain objective criteria, such as the number of patients recruited or the number of visits completed.

Any amounts payable upon the attainment of certain targets representing technical success milestones for the service provider are recognized as expenses when the milestone is reached.

Note 2.13.2 :Research and development agreements

Research agreements are recognized as they progress according to management's best estimates based on the information provided by external partners corroborated by internal analyses.

Development agreements can include various components, such as the amounts payable upon signature and amounts payable when certain growth targets are reached. When the concept of continued service can be determined, development agreements are recognized as they progress according to management's best estimates based on the contractual information provided by external partners corroborated by internal analyses.

Otherwise, the non-refundable amounts payable upon signature of the contracts are recorded immediately under expense and the amounts payable upon attainment of certain targets representing scientific or regulatory milestones are recorded under expenses once the milestone has been reached.

Note 2.14 :Lease agreements

Finance leases within the meaning of IAS 17 “Leases” are recorded under other property, plant and equipment upon signature, in exchange for a financial payable. Each year, amortization is allocated to the statement of operations, and the lease payments paid are allocated to financial expenses at the rate stated in the contract to offset the financial payable on the statement of financial position (see Note 2.4.1 for more detail).

Lease agreements where a significant portion of the risks and benefits is retained by the lessor are classified as operating leases. Net of any incentive, payments under an operating lease are recognized in expenses in the statement of operations on a straight-line basis over the duration of the lease.

Note 2.15 :Income tax

The Company is subject to corporate income tax in France in connection with its activities.

Deferred taxes are recognized using the comprehensive asset and liability method, for all timing differences arising from the difference between the tax base and accounting base of assets and liabilities shown in the financial statements. The Company’s main timing differences relate to tax loss carryforwards. Deferred taxes are calculated based on the tax rates enacted in law at the reporting date.

Deferred tax assets mainly corresponding to tax loss carryforwards are recognized only to the extent that it is probable that future taxable profits will be available. The Company must use its judgment to determine the probability that future taxable profits will be available.

Note 2.16 :Segment information

The Company considers that it operates in a single segment: research and development into pharmaceutical products with a view to their future commercialization.

The whole of the Company's research and development activity is located in France. All the Company's tangible assets are located in France. The main operational decision-makers measure the Company's performance in terms of the cash burn rate of its activities. This is why the Company's management believes it is not appropriate to break its internal reports down into separate business segments.

Note 2.17 :Items of other comprehensive income / (loss)

Any components of income and expense for the period that are recognized directly in equity are posted under items of other comprehensive income / (loss). This item, for the period presented, includes the impacts of changes in actuarial assumptions for provisions for retirement indemnities.

Note 3 :Intangible assets

Changes to intangible assets break down as follows:

In thousands of euros	12/31/2017	Increases	Decreases	Reclassification	09/30/2018
Acquisition cost					
Software	19	13	-	-	32
Intangible assets in progress	5,927	33	-	-	5,960
Gross intangible assets	**5,946**	**46**	**-**	**-**	**5,992**
Amortization					
Software	11	5	-	-	15
Amortization of intangible assets	**11**	**5**	**-**	**-**	**15**
Net total intangible assets	**5,935**	**41**	**-**	**-**	**5,977**

Intangible assets are recognized as work-in-progress when they do not meet the conditions for bringing into use at the closing date. At September 30, 2018, they mainly correspond to the repurchase by the Company of all rights of Trizell on Ovasave. The acquisition costs for these rights, the amount and maturity of which can be fixed definitely, i.e. €6 million, were recognized as an asset and were discounted in accordance with IAS 38.

As at September 30, 2018, no indication of impairment was identified. The annual impairment test was performed on this asset on December 31, 2017, and found no impairment loss.

Note 4 :Property, plant and equipment

Changes to property, plant and equipment break down as follows:

In thousands of euros	12/31/2017	Increases	Decreases	Reclassification	09/30/2018
Acquisition cost					
Fixtures and fittings	846	126	(10)	80	1,042
Laboratory equipment	1,965	100	(45)	20	2,040
Office and IT equipment	242	23	(16)	-	249
Other property, plant and equipment in progress	107	61	-	(100)	68
Gross property, plant and equipment	**3,160**	**310**	**(71)**	**-**	**3,399**
Amortization					
Fixtures and fittings	729	34	(10)	-	752
Laboratory equipment	1,612	120	(40)	-	1,692
Office and IT equipment	195	20	(16)	-	198
Amortization of property, plant and equipment	**2,536**	**173**	**(66)**	**-**	**2,642**
Net total property, plant and equipment	**625**	**137**	**(5)**	**-**	**757**
Acquisition cost					
Other property, plant and equipment under a finance lease	472	552	-	-	1,023
Amortization					
Other property, plant and equipment under a finance lease	56	124	-	-	180
Net total property, plant and equipment under a finance lease	**416**	**427**	**-**	**-**	**843**

The main investments as of September 30, 2018 were:

- The purchase of laboratory equipment for (i) CAR-Treg manufacturing process development, and (ii) the manufacturing process transfer of the product candidate TX200 for the first study in the prevention of chronic rejection after organ transplantation; most of these investments were in the form of finance leases (see Note 10.1);
- Renovations of premises, with the dual aim of grouping the two existing sites into the head office premises, and the creation of level 2 laboratories for *in vivo* developments of the CAR-Treg platform.

Note 5 :Financial assets

In thousands of euros	12/31/2017	Increases	Decreases	09/30/2018
Other	5	-	-	5
Deposits and guarantees	90	1	(52)	38
Other long-term receivables	159	146	(214)	91
Liquidity contract	24	83	(108)	0
Total non-current financial assets	**278**	**230**	**(374)**	**134**

Non-current financial assets include the main following items:

- Security deposits in the amount of €38 thousand, mainly corresponding to the commercial lease of the head office, after reimbursement of the security deposits relating to the Genbiotech premises whose lease was terminated in the first quarter of 2018;
- Other long-term receivables for €91 thousand corresponding to the guarantee deductions relating to partial pre-financing of the Company's 2018 RTC (see Note 6). In the first half of 2018, the assignment of the 2017 RTC receivable was canceled at the request of the Company, which, after having repaid the Predirec fund, was able to obtain the return of the guarantee deductions and the collection of the totality of its 2017 RTC. The guarantee deductions are made up of the following:
    - an individual portion to cover the individual risk specific to the sum owed to the Company, returnable after the occurrence of one of these events, whichever happens first: (i) after repayment of the RTC by the French government (ii) after the tax inspection of said credit, after any adjustments are allocated, or (iii) at the end of the taxation limitation period for the credit concerned (December 31 of the third year following the date the RTC declaration is filed); and
    - a collective part to cover the collective risk of the receivables recorded in the portfolio of the pre-financing fund, returnable upon closure of the pre-financing fund.
- During the first half of 2018, the Company terminated its liquidity contract with Kepler Cheuvreux. The treasury shares held under this liquidity contract were sold for the purpose of closing the account. The Company has been reimbursed the balance in cash, i.e. €108 thousand.

Note 6 :Other current assets

Other current assets break down as follows:

In thousands of euros	As of September 30, 2018	As of December 31, 2017
Receivables from suppliers, advances and downpayments	17	8
Staff costs and related accounts	(0)	(0)
Grants receivable	1	2
Competitiveness and employment tax credit	36	53
VAT	251	168
Other receivables	1,488	1,997
Prepaid expenses	278	392
Total other current assets	**2,071**	**2,620**

- **Other receivables**

Since 2016, the Company has been assigning its RTC to Predirec Innovation 2020, a mutual securitization fund. In exchange, the Company benefits, subject to it meeting prior contractual conditions, from pre-financing lines for its RTC.

In the first half of 2018, the assignment of the 2017 RTC receivable was canceled at the request of the Company, which, after having repaid the Predirec fund, was able to obtain the return of the guarantee deductions and the collection of the totality of its 2017 RTC for €1.9 million.

As at September 30, 2018, the provision of the 2018 RTC amounts to €1.4 million and was partially pre-financed in the amount of €1.0 million (see Note 10.4).

- **Prepaid expenses**

Prepaid expenses mainly relate to operating expenses.

Note 7 :Financial instruments recorded on the statement of financial position and net loss impact

Accounting standards relating to financial instruments have been applied to the following items:

As of 09/30/2018 (in thousands of euros)	Note	Carrying amount	Fair value by result (1)	Loans and receivables	Liabilities at amortized cost
Financial assets	5	134	-	134	-
Other current assets	6	2,071	-	2,071	-
Cash and cash equivalents	8	6,570	6,570	-	-
Total financial instrument assets		**8,775**	**6,570**	**2,205**	**-**
Financial debt - non current	10	2,065	-	-	2,065
Financial debt - current	10	11,781	5,934	-	5,848
Trade and other payables	12	1,748	-	-	1,748
Other current liabilities	12	2,908	-	-	2,908
Total financial instrument liabilities		**18,502**	**5,934**	**-**	**12,568**

(1) The fair value level of the instruments is presented in Note 7.1.

At December 31, 2017, the accounting standards applicable to financial instruments were applied as follows:

As of 12/31/2017 (in thousands of euros)	Note	Carrying amount	Fair value by result (1)	Loans and receivables	Liabilities at amortized cost
Financial assets	5	278	-	278	-
Other current assets	6	2,620	-	2,620	-
Cash and cash equivalents	8	4,910	4,910	-	-
Total financial instrument assets		**7,807**	**4,910**	**2,898**	**-**
Financial debt - non current	10	1,161	-	-	1,161
Financial debt - current	10	1,788	-	-	1,788
Trade and other payables	12	874	-	-	874
Other current liabilities	12	5,374	-	-	5,374
Total financial instrument liabilities		**9,196**	**-**	**-**	**9,196**

(1) The fair value level of the instruments is presented in Note 7.1.

Note 7.1 :Measurement of fair value

Note 7.1.1 : Levels of fair value

As of 09/30/2018 (in thousands of euros)	Fair value by result			Total
	Level 1 (1)	Level 2 (2)	Level 3 (3)	
Cash and cash equivalents	6,570	-	-	6,570
Total financial instrument assets at fair value	**6,570**	**-**	**-**	**6,570**
Financial debt - current	-	5,934	-	5,934
Total financial instrument liabilities at fair value	**-**	**5,934**	**-**	**5,934**

(1) Level 1: the fair value of the items at fair value through the statement of operations corresponds to the market value of these assets.
(2) Level 2: the fair value of the items at fair value through the statement of operations corresponds to an average market value of these assets and liabilities.
(3) Level 3: no assets or liabilities were measured at level 3 fair value.

Note 7.1.2 :Transfers between levels of fair value

No assets were transferred to a different level of fair value as of September 30, 2018.

Note 8 :Cash and cash equivalents

"Cash and cash equivalents" consist of immediately available cash and short-term available-for-sale securities.

These deposits satisfy the cash and cash equivalents classification criteria described in Note 2.7.

Cash and cash equivalents break down as follows:

In thousands of euros	As of September 30, 2018	As of December 31, 2017
Cash	3,501	305
Cash equivalents	3,070	4,604
Total cash and cash equivalents	6,570	4,910

Note 9 :Capital

Note 9.1 :Issued capital

As at September 30, 2018, the share capital was €4,639,078.80. It is divided into 23,195,394 shares, subscribed and fully paid up, with a par value of €0.20.

This number does not include instruments convertible to Company equity which have not yet been exercised or acquired, as applicable.

The change in share capital over the period breaks down as follows:

Changes over the period (in thousands of euros)	Number of shares	Capital (in thousands of euros)	Par value (in euros)	Issue premium per share (in euros)
12/31/2017	21,813,307	4,363		
01/31/2018 - Exercise of listed warrants	210	0	0.20	2.40
02/23/2018 - Exercise of listed warrants	816	0	0.20	2.40
02/26/2018 - Exercise of listed warrants	9,982	2	0.20	2.40
03/08/2018 - Acquisition of free shares	117,098	23	0.20	0.00
05/02/2018 - Acquisition of free shares	116,994	23	0.20	0.00
05/03/2018 - Conversion of convertible notes	200,000	40	0.20	0.80
05/24/2018 - Conversion of convertible notes	95,238	19	0.20	0.85
06/05/2018 - Conversion of convertible notes	101,010	20	0.20	0.79
06/12/2018 - Conversion of convertible notes	123,456	25	0.20	0.61
06/19/2018 - Conversion of convertible notes	246,913	49	0.20	0.61
06/22/2018 - Conversion of convertible notes	370,370	74	0.20	0.61
09/30/2018	23,195,394	4,639		

In the first quarter of 2018, 14,678 share warrants (BSAs) issued under the capital increase with preferential subscription rights of February 2017 were exercised and resulted in the issue of a total number of 11,008 shares for a total nominal amount of €2,201.60.

In the first half of 2018, the board of directors has noted the vesting of 228,097 free shares granted to employees of the Company in 2016 and 2017, which resulted in the issuance of 234,092 new shares, i.e. a capital increase of €46,818.40 euros in nominal value, factoring in the arithmetic correction set by the board at its meeting of February 21, 2017 to take account of the capital increase with preferential subscription rights carried out in February 2017.

As of September 30, 2018, 10 notes (OCA) of the optional equity financing line have been converted, which resulted in the issuance of 1,136,987 new shares for a total nominal value of €227,397.40.

Note 9.2 :Treasury shares

During the first half of 2018, the Company terminated its liquidity contract with Kepler Cheuvreux. The treasury shares held under this liquidity contract were sold for the purpose of closing the account. As a result, no treasury shares remained at September 30, 2018, compared to 99,318 treasury shares as at December 31, 2017. As at December 31, 2017, these treasury shares were recognized as a reduction in shareholders' equity in the financial statements established pursuant to IFRS standards, for a total amount of €276 thousand.

Note 9.3 :Securities giving access to the share capital

As of September 30, 2018, securities giving access to the Company's equity are as follows:

Note 9.3.1 : Stock option subscription plans

Description of the plan	2014 T1 Options	2014 T2 Options	SB 2015 Options	2015 Options	TOTAL
Date of meeting	03/07/2014	03/07/2014	03/07/2014	03/07/2014	-
Date of the board of directors' decision	03/07/2014	03/07/2014	04/27/2015	04/27/2015	-
Total number of stock options authorized	2,400,000	2,400,000	2,400,000	2,400,000	-
Total number of stock options attributed	203,211	720,000	300,000	137,968	**1,361,179**
including number of stock options for corporate officers	-	*455,000*	*300,000*	*10,000*	***765,000***
Corporate officers in exercice concerned:					
Stéphane Boissel	-	-	300,000	-	**300,000**
Number of non-corporate-officer beneficiaries	20	30	-	64	-
Option exercise start date	(1)	(2)	(3)	(2)	-
Option expiry date	03/07/2024	03/07/2024	04/27/2025	04/27/2025	-
Subscription price	5.58 €	5.58 €	5.56 €	5.56 €	-
Exercise methods (4)	(1)	(2)	(3)	(2)	-
Total number of options subscribed	203,211	716,400	300,000	137,968	**1,357,579**
Stock options outstanding at December 31, 2017	**87,782**	**225,268**	**300,000**	**28,999**	**642,049**
Number of canceled or voided stock options during the period	3,375	12,001	-	5,999	**21,375**
Number of shares subscribed during the period	-	-	-	-	-
Stock options outstanding at Sept. 30, 2018	**84,407**	**213,267**	**300,000**	**23,000**	**620,674**
Total number of shares that can be subscribed by exercising the stock options outstanding at Sept. 30, 2018 (5)	88,966	224,784	316,200	24,242	**654,192**

(1) All 2014 T1 Options are exercisable for a period of 10 years, starting from their allocation by the board of directors. Should the option holder leave the Company he or she has, from the time he or she ceases to be an eligible recipient, six months to exercise the options that would be exercisable at the time of leaving, after which the options are void.

(2) The 2014 T2 and the 2015 Options are exercisable by a third at the end of each one-year period from their grant date by the board of directors, provided that the recipient is still an employee and/or corporate officer of the Company or an associated company. Should the option holder leave the Company he or she has, from the time he or she ceases to be an eligible recipient, six months to exercise the options that would be exercisable at the time of leaving, after which the options are void.

(3) The SB 2015 Options can be exercised by a third at the end of each year from their allocation by the board of directors. They are subject to performance conditions, the fulfillment of which will be established by the board of directors, provided that Stéphane Boissel remains a corporate officer of the Company or one of its affiliates. Should he leave the Company, Stéphane Boissel has, from the time he ceases to be an eligible beneficiary, six months to exercise the SB 2015 Options that would be exercisable at the date of leaving, after which the Options are void.

(4) Notwithstanding the above, in case of a change of control of the Company, all Options will immediately become exercisable by the beneficiary before the completion of such change of control, and the board of directors will have the choice of deciding that any Option not exercised before the completion of such change of control will automatically be void.

(5) The number of Options factors in, if applicable, the conversion rate set by the board of directors at its meeting of February 21, 2017 as part of the capital increase of February 2017, in order to protect the interests of holders of share warrant, stock option and free shares.

Note 9.3.2 : Warrant (BSA) plans

As of September 30, 2018, the warrants plans allocated to the Company's employees and corporate officers and members of its Scientific Advisory Board (SAB) break down as follows:

Description of the plan	BSA 05-14	BSA 03-15	BSA 05-16	BSA 09-16	BSA 03-17	BSA 07-17	TOTAL
Date of meeting	03/07/2014	03/07/2014	04/21/2016	04/21/2016	04/21/2016	04/27/2017	-
Date of the board of directors' decision	05/22/2014	03/30/2015	05/02/2016	09/21/2016	03/08/2017	07/20/2017	-
Number of warrants authorized	2,400,000	2,400,000	500,000	500,000	500,000	500,000	-
Number of warrants issued	20,000	70,000	40,000	210,000	50,000	274,040	**924,040**
Number of warrants subscribed	20,000	70,000	30,000	210,000	50,000	274,040	**914,040**
including those which can be subscribed by corporate officers	*20,000*	*70,000*	-	*200,000*	*40,000*	*274,040*	**864,040**
Corporate officers in exercise concerned:							
François Meyer	-	50,000	-	200,000	-	274,040	**784,040**
Marie-Yvonne Landel Meunier	20,000	-	-	-	20,000	-	**40,000**
David Horn Solomon	-	20,000	-	-	20,000	-	**40,000**
Number of non-corporate-officer beneficiaries	-	-	-	1	1	1	-
Warrant exercise start date	(3)	(4) (5)	(6)	(7) (8)	(9)	(10)	-
Warrant expiry date	05/22/2024	03/30/2025	05/02/2026	09/21/2026	03/08/2027	07/20/2027	-
Warrant issue price	0.30 €	0.30 €	0.25 €	0.18 €	0.09 €	0.10 €	-
Warrant strike price	5.94 €	5.97 €	5.57 €	3.59 €	1.84 €	1.96 €	-
Exercise methods (1)	(3)	(4) (5)	(6)	(7) (8)	(9)	(10)	-
Number of warrants outstanding at December 31, 2017	**20,000**	**70,000**	**30,000**	**210,000**	**50,000**	**274,040**	**654,040**
Number of shares subscribed during the period	-	-	-	-	-	-	-
Number of warrants voided or canceled during the period	-	-	-	-	-	-	-
Number of warrants outstanding at Sept. 30, 2018	**20,000**	**70,000**	**30,000**	**210,000**	**-**	**274,040**	**604,040**
Total number of shares that can be subscribed by exercising the warrants outstanding at Sept. 30, 2018 (2)	21,080	73,780	31,620	221,340	50,000	274,040	**671,860**

(1) Should there be a change of control of the Company, all warrants granted to a recipient will immediately be exercisable by the recipient before that event transpires, and the board of directors will have the choice of deciding that any warrant not exercised before that event will automatically be void.

(2) The number of Options factors in, if applicable, the conversion rate set by the board of directors at its meeting of February 21, 2017 as part of the capital increase of February 2017, in order to protect the interests of holders of share warrant, stock option and free shares.

(3) The BSA 05-14 allocated to Marie-Yvonne Landel-Meunier can be exercised by a third at the end of each year from their allocation by the board of directors, subject to the beneficiary's continuous presence on the Board of directors over the vesting period.

(4) The BSA 03-15 allocated to David Horn Solomon can be exercised by a third at the end of each year from their allocation by the board of directors, subject to the beneficiary's continuous presence on the board of directors over the vesting period.

(5) The BSA 03-15 granted to François Meyer can be exercised by a third at the end of a one-year period from their grant date by the board of directors, provided he is Chairman of the board of directors on the exercise date.

(6) The BSA 05-16 have been allocated to the Scientific Advisory Board (SAB) members. The 05-16 BSAs are all exercisable, provided that, at the exercise date, the beneficiary: (i) is a member or observer of the board of directors of the Company or one of its affiliates, or (ii) has entered into a service provider or consultant contract with the Company or one of its affiliates, or (iii) is a member of any committee set up by the board of directors.

(7) 10,000 BSA 09-16 have been allocated to a member of the Company's Scientific Advisory Board (SAB). The BSA 09-16 are fully exercisable, provided that, on the date of exercise, the beneficiary is either: (i) is a member or observer of the board of directors of the Company or one of its affiliates, or (ii) has entered into a service provider or consultant contract with the Company or one of its affiliates, or (iii) is a member of any committee set up by the board of directors.

(8) 200,000 BSA 09-16 have been allocated to François Meyer and are exercisable according to the following schedule: two tranches of 100,000 BSAs as of the first anniversary of their issue date, 50,000 BSAs as of the second anniversary of their issue date, and 50,000 BSAs as of the third anniversary of their issue date. The exercising of these BSAs is fully dependent upon performance conditions being met, as decided by the board of directors, and provided that, on the date of exercise, the beneficiary is either: (i) is a member or observer of the board of directors of the Company or one of its affiliates, or (ii) has entered into a

service provider or consultant contract with the Company or one of its affiliates, or (iii) is a member of any committee set up by the board of directors.

(9) 10,000 BSA 03-17 have been allocated to a clinical advisor of the Company, 20,000 to Marie-Yvonne Landel-Meunier and 20,000 to David Horn Solomon. The BSA 03-17 can be exercised by a third at the end of each one-year period from their grant date by the board of directors, provided that on the exercise date, the beneficiary (i) is a member or observer of the board of directors of the Company or one of its affiliates, or (ii) has entered into a service provider or consultant contract with the Company or one of its affiliates, or (iii) is a member of any committee set up by the board of directors.

(10) The BSA 07-17 have been allocated to François Meyer, on the condition precedent that he waives all rights and shares under BSA 03-14 warrants granted to him. Having noted that the condition precedent had been met, the BSA 07-17 warrants were fully subscribed by François Meyer. The BSA 07-17 warrants may be exercised according to the following schedule: 137,020 BSA warrants immediately, and 137,020 as of January 1, 2019. All of the BSA warrants may be exercised provided that, on the exercise date, the beneficiary meets one of the following criteria: (i) is a member or observer of the board of directors of the Company or of one of its subsidiaries, or (ii) is bound by a services or consultancy contract to the Company or to one of its subsidiaries, or (iii) is a member of one of the Board's committees. The exercise of the second half of the BSA warrants is dependent on performance conditions being met, as decided by the board of directors.

Note 9.3.3 : Free share plans (AGA)

As of September 30, 2018, the free share plans allocated to the Company's employees and corporate officers break down as follows:

Description of the plan	2016 AGA employees (without performance conditions)	2016 AGA employees (with performance conditions)	2016 AGA management (with performance conditions)	2017 AGA	2018 AGA	TOTAL
Date of meeting	04/21/2016	04/21/2016	04/21/2016	04/21/2016	04/21/2016	-
Date of the board of directors' decision	05/02/2016	05/02/2016	05/02/2016	03/08/2017	03/12/2018	-
Number of free shares authorized	750,000	750,000	750,000	750,000	750,000	-
Number of free shares allocated	130,000	320,000	150,000	137,000	26,750	**763,750**
including those allocated to corporate officers	-	-	*150,000*	*80,000*	-	***230,000***
Corporate officers in exercice concerned:						
Stephane Boissel	-	-	150,000	80,000	-	**230,000**
Date of share acquisition (5)	(1)	(1)	(2)	(4)	(5)	-
End date of retention period	(3)	(3)	(3)	(4)	(5)	-
Free shares outstanding at December 31, 2017	**56,341**	**66,667**	**100,000**	**134,300**	**-**	**357,308**
Number of shares vested over the period	27,666	33,333	50,000	117,098	-	**228,097**
Number of voided or canceled free shares during the period	7,834	-	-	12,200	3,000	**23,034**
Free shares outstanding at Sept. 30, 2018	**20,841**	**33,334**	**50,000**	**5,002**	**23,750**	**132,927**
Total number of shares that can be issued upon vesting of free shares (6)	21,967	35,134	52,700	5,002	23,750	**138,553**

(1) The 2016 AGA employees are acquired by a third at the end of each year from their allocation by the board of directors, provided that the acquisition is subject to a condition of presence, and, for some employees, to performance conditions, linked to the realization of annual objectives by the beneficiary, as determined by the board of directors.

(2) The 2016 AGA management are acquired by a third at the end of each year from their allocation by the board of directors, provided that the acquisition is subject to a condition of presence, and to performance conditions, linked to the realization of annual objectives by the beneficiary (i.e. financing, progress on research and development programs, signature of strategic partnerships), as determined by the board of directors.

(3) The first third of the allocated free shares is subject to a one-year holding period from the date of acquisition, i.e. until May 2, 2018. No holding period was set for the two other thirds, subject to the provisions applicable in case of a change of control as described in (6) below.

(4) 80,000 2017 AGA free shares have been granted to Stéphane Boissel, which will vest after a one year-period starting from their grant date by the board of directors, subject to continued employment in the Company. On March 8, 2018, all AGA 2017 granted to Stéphane Boissel have been vested.

57,000 2017 AGA free shares have been granted to employees, of which 30,000 will vest after a one year-period starting from their grant date, and 27,000 will vest by a third at the end of each one-year period from their grant date, it being specified that the vesting of the shares is subject to continued employment.

(5) The 2018 AGA will vest by a third at the end of each one-year period from their grant date, it being specified that the vesting of the shares is subject to continued employment.

(6) In case of a change of control at the Company, all AGA allocated to a beneficiary will immediately become vested on the later of the two following dates: (i) the first anniversary of the allocation date (the condition of presence is then lifted and the vesting period is completed with a holding period expiring on the second anniversary of the allocation date, or (ii) the date of completion of the change of control (said date marking the end of the vesting period), if necessary extended by a holding period up to the second anniversary of the allocation date.

(7) The number of Options factors in the conversion rate set by the board of directors at its meeting of February 21, 2017 as part of the capital increase of February 24, 2017 of holders of share warrant, stock option and free shares.

Note 9.3.4 : Other dilutive instruments

Note 9.3.4.1 Warrants giving access to notes convertible into shares with share subscription warrants attached (Warrants or OCABSA)

The Company set up a reserved issue of 200 convertible notes with warrants (OCABSA) to an investment fund managed by the US management company Yorkville Advisors Global LP (“Yorkville”), which fully subscribed them. These notes, exercisable until August 3, 2019, require their bearer at the Company's request and provided that certain conditions are met, to subscribe for up to 200 OCA, each with a par value of €100,000, for an overall nominal value of €20 million, to which up to €10 million may be added in the event that all of the attached BSA share warrants are exercised. A prospectus regarding this operation was made available to the public and was approved by the AMF on July 27, 2016 (approval number 16-356).

In 2016, 50 Warrants were exercised on the request of the Company which then issued 50 OCA to Yorkville for a total nominal amount of €5 million, from which 686,350 BSA warrants were detached, which, if fully exercised, would generate an additional equity contribution of €2.5 million for the Company.

On October 25, 2017, the Company also signed an amendment to the initial contract of June 17, 2016, modifying some conditions attached to the 150 Warrants not yet exercised, with a view to reducing any cost to the Company as well as the dilutive impact on its shareholders. This amendment mainly consisted of:

- decrease the applicable discount on the OCA conversion price: now 5% compared to the baseline, compared with 7% before,
- decrease the number of shares issued upon exercise of BSA attached to each tranche of OCA: now 25% of the nominal amount of the OCA tranche concerned, compared with 50% before,
- increase the applicable issue premium on the exercise price of BSA: now 30% compared to the reference price with a floor exercise cost equal to 3 euros, compared with 15% previously without a floor exercise price, and
- decrease the commitment commission payable to the investor: now 2% in cash of the guaranteed financing balance, compared with 5% in shares before.

On May 17, 2018, the Company signed an amendment to the original agreement of June 17, 2016, amended on October 25, 2017, whereby the Company has the option, at any time and in its sole discretion, to redeem in cash up to 50% of notes not yet converted into shares upon the exercise of this call option, for a price equal to 110% of the nominal value of the said notes.

On July 12, 2018, the Company signed an amendment to the original agreement of June 17, 2016, amended on October 25, 2017 and May 17, 2018. Subject to the effective completion of Sangamo's proposed acquisition of a majority stake in the Company, the contract provides for (i) the repurchase by the Company of 50% of the 56 unconverted OCA for a total amount of €3,080,000 (i.e. 110% of their total nominal value of €2,800,000), (ii) Yorkville's conversion of the remaining 28 OCA into 1,866,666 new shares of the Company at a fixed unit price of €1.50, and (iii)) the repurchase by the Company of the 84 Tranche Warrants and the 1,236,350 BSA warrants currently held by Yorkville for the lump sum of one euro, with a view to their cancellation.

As of September 30, 2018, 66 Warrants were exercised on the request of the Company, which then issued 66 OCA to Yorkville for a total nominal amount of €6.6 million, of which 550,000 BSA warrants were detached.

As at September 30, 2018, 10 OCA have been converted and no share warrant has been exercised by Yorkville. It is specified that the Company has no draw obligation.

As at September 30, 2018, there remain 84 Tranche Warrants outstanding and 56 unconverted OCA.

The details of the OCA and the BSA in circulation are presented below:

a. *Notes convertible into shares (OCA)*

At September 30, 2018, the features of the OCA issued by the Company are as follows:

Description of the plan	OCA 02-18	OCA 03-18	OCA 04-18	OCA 05-18	OCA 06-18	TOTAL
Date of meeting	08/01/2016	08/01/2016	08/01/2016	08/01/2016	08/01/2016	-
Date of the board of directors' decision	02/26/2018	03/26/2018	04/26/2018	05/25/2018	06/25/2018	-
Number of convertible notes authorized	200	200	200	200	200	-
Number of convertible notes issued	18	12	12	12	12	66
Number of convertible notes subscribed	18	12	12	12	12	66
Total number of shares that can be subscribed:	(1)	(1)	(1)	(1)	(1)	-
including those which can be subscribed by corporate officers	-	-	-	-	-	-
Number of non-corporate-officer beneficiaries	1	1	1	1	1	-
Nominal value of one convertible bond	100,000	100,000	100,000	100,000	100,000	-
Interest rate of convertible notes	(2)	(2)	(2)	(2)	(2)	-
Maturity date of convertible notes	04/26/2019	05/26/2019	06/26/2019	07/25/2019	08/25/2019	-
Conversion methods	(1)	(1)	(1)	(1)	(1)	-
Number of outstanding notes as at December 31, 2017	-	-	-	-	-	-
Number of shares subscribed during the period	10	-	-	-	-	-
Number of warrants voided or canceled during the period	-	-	-	-	-	-
Number of outstanding notes as at Sept. 30, 2018	8	12	12	12	12	56
Total number of shares that can be subscribed by conversion of convertible notes outstanding as at Sept. 30, 2018	346,320 (3)	519,480 (3)	519,480 (3)	519,480 (3)	519,480 (3)	2,424,240

(1) The OCAs may be converted into new ordinary Company shares at the request of the bearer, at any time from their issue and for a period of 14 months as of this date (inclusive) or if the notes convertible into shares are not exercised on their maturity date, according to the conversion rate determined using the formula below:

N = Vn / P, where:

a. "N" is the number of ordinary new TxCell S.A. shares to be issued upon conversion of an OCA;

b. "Vn" is the note which the OCA represents (par value of an OCA);

c. "P" is 95% of the lowest volume-weighted average daily price of TxCell S.A. shares (as published by Bloomberg) over the ten (10) trading days immediately prior to the date a notice of conversion for the OCA concerned is sent. Trading days on which the holder of the note convertible into shares sold TxCell S.A. shares shall not be included. However, P cannot be less than the par value of a TxCell S.A. share, i.e. €0.20 on the date of the discount.

(2) Notes convertible into shares (OCA) do not carry interest. However, in the event of default, each OCA in force will carry interest equal to 15% per annum (redeemed in cash as of the occurrence of any default until the date (i) the default is remedied or (ii) the OCA concerned is redeemed or converted).

(3) On an indicative basis, theoretical number of shares issued upon conversion of all OCA issued and non converted, based on 95% of the lowest volume-weighted average price over the ten trading days prior to September 30, 2018, i.e. €2.31. As a reminder, the Company has the option, at any time and in its sole discretion, to redeem in cash up to 50% of the notes not yet converted into shares at the time of the exercise of this repurchase option, for a price equal to 110% of the nominal value of the said notes.

b. Share warrants (BSA)

At September 30, 2018, the features of the BSA detached from the OCA issued are as follows:

Description of the plan	BSA OCA 08.16	BSA OCA 11.16	BSA OCA 02.18	BSA OCA 03.18	BSA OCA 04.18	BSA OCA 05.18	BSA OCA 06.18	TOTAL
Date of meeting	08/01/2016	08/01/2016	08/01/2016	08/01/2016	08/01/2016	08/01/2016	08/01/2016	-
Date de décision du conseil d'administration	08/03/2016	11/03/2016	02/26/2018	03/26/2018	04/26/2018	05/25/2018	06/25/2018	-
Number of warrants authorized	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	-
Number of warrants issued	349,650	336,700	150,000	100,000	100,000	100,000	100,000	1,236,350
Number of warrants subscribed	349,650	336,700	150,000	100,000	100,000	100,000	100,000	1,236,350
Total number of shares that can be subscribed:	349,650	336,700	150,000	100,000	100,000	100,000	100,000	1,236,350
including those which can be subscribed by corporate officers	-	-	-	-	-	-	-	-
Number of non-corporate-officer beneficiaries	1	1	1	1	1	1	1	-
Warrant exercise start date	08/03/2016	11/03/2016	02/26/2018	03/26/2018	04/26/2018	05/25/2018	06/25/2018	-
Warrant expiry date	08/03/2021	11/03/2021	02/26/2023	03/26/2023	04/26/2023	05/25/2023	06/25/2023	-
Warrant issue price	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	-
Warrant strike price	4.29 €	2.97 €	3.00 €	3.00 €	3.00 €	3.00 €	3.00 €	-
Exercise methods	(1)	(1)	(1)	(1)	(1)	(1)	(1)	-
Number of warrants outstanding at December 31, 2017	**349,650**	**336,700**	**-**	**-**	**-**	**-**	**-**	**686,350**
Number of shares subscribed during the period	-	-	-	-	-	-	-	-
Number of warrants voided or canceled during the period	-	-	-	-	-	-	-	-
Number of warrants outstanding at Sept. 30, 2018	**349,650**	**336,700**	**150,000**	**100,000**	**100,000**	**100,000**	**100,000**	**1,236,350**
Total number of shares that can be subscribed by exercising the warrants outstanding at Sept. 30, 2018	352,097	339,056	150,000	100,000	100,000	100,000	100,000	1,241,153

(1) BSA detached from the OCA are fully exercisable.

(2) The number of Options factors in the conversion rate set by the board of directors at its meeting of February 21, 2017 as part of the capital increase of February 2017, in order to protect the interests of share warrant, stock option and free shareholders.

Note 9.3.4.2Other share warrants

Following the capital increase carried out in February 2017 by public offer through the issue of new shares with share subscription warrants attached (ABSA), 5,549,300 warrants (listed warrants), with a maturity of one year, i.e. until 26 February 2018, were detached from the ABSA subscribed.

In the first half of 2018, 14,678 BSA warrants have been exercised, resulting in the issue of 11,008 shares, representing a subscription for a total of €28,620.08 including the issue premium.

On February 26, 2018, the 5,528,978 unexercised listed warrants have been canceled.

Note 10 :Loans and financial payables

In thousands of euros	As of September 30, 2018	As of December 31, 2017
Financial debt - non current	2,065	1,161
Debts related to finance leases - non-current	635	321
Total non current financial payables	**2,700**	**1,481**
Financial debt - current	11,781	1,788
Debts related to finance leases - current	202	93
Total current financial payables	**11,984**	**1,881**
Total financial payables	**14,684**	**3,362**

The table below shows the breakdown of financial payables by type and by maturity:

In thousands of euros	Gross amount	Less than one year	Between one and five years	Over 5 years
Zero Interest Innovation Loan	2,403	338	1,669	396
Convertible notes	5,934	5,934	-	-
RTC pre-financing	1,005	1,005	-	-
Loan Sangamo Inc.	4,504	4,504	-	-
Total loans and financial payables	**13,846**	**11,781**	**1,669**	**396**
Finance leases	838	202	635	-
Debts related to finance leases	**838**	**202**	**635**	**-**
Total financial payables	**14,684**	**11,984**	**2,305**	**396**

Changes in loans and financial payables broke down as follows:

In thousands of euros	12/31/2017	Cash from financing activities		Changes with no impact on cash			09/30/2018
		Increases	Decreases	Acquisition	Change in fair value	Other changes with no impact on cash	
Zero Interest Innovation Loan	1,499	1,200	(255)	-	(40)	-	2,403
Convertible notes	-	6,468	-	-	334	(868)	5,934
RTC pre-financing	1,450	1,500	(1,945)	-	-	-	1,005
Loan Sangamo Inc.	-	4,500	-	-	-	4	4,504
Sub-total loans and financial payables	**2,948**	**13,668**	**(2,200)**	**-**	**293**	**(864)**	**13,846**
Finance leases	414	-	(133)	552	-	6	838
Sub-total debts related to finance leases	**414**	**-**	**(133)**	**552**	**-**	**6**	**838**
Total financial payables	**3,362**	**13,668**	**(2,333)**	**552**	**293**	**(858)**	**14,684**

Note 10.1 :Finance leases

Finance leases entered into by the Company are for laboratory equipment. These contracts are for a period of five years.

Note 10.2 :Zero-interest innovation loan

In 2014, the Company obtained a zero-interest innovation loan (*Prêt à Taux Zéro innovation* - PTZI) from Bpifrance Financement in the gross amount of €1.7 million. This sum was paid within the scope of the Phase IIb clinical trial for Ovasave, which started in December 2014. The zero-interest innovation loan is repayable over a period of eight years, with a deferred repayment of three years. The contract provides for several scenarios of early repayment, mainly relating to 'curtailment or suspension of the financed project without prior information from Bpifrance Financement or the occurrence of a major legal or financial event which has a significant impact on the Company's operations. The Company notified Bpifrance Financement of the stoppage of Phase IIb of the Ovasave clinical trial; at the reporting date, the Company was not aware of any early repayment request. The Company thus repays this PTZI in accordance with the contractual repayment schedule. In 2018, the Company repaid €255 thousand in accordance with the contractual repayment schedule.

In accordance with Note 2.10, the repayment flows for the zero-interest innovation loan are discounted on the closing date. The 10-year French Government bond rate at December 31, 2014 of 0.837% was used to discount these flows. The discounting proceeds are processed as a grant within the meaning of IAS 20 and linearized over the duration of the project to which the loan is attached. The impact of the accretion expense of the debt is recognized as a financial expense.

On February 1, 2018, the Company obtained a zero-interest innovation loan from Bpifrance Financement in the gross amount of €1.2 million. This sum was paid within the scope of preclinical development and non-clinical pharmaceutical development of a CAR-Treg targeting HLA-A2 for the prevention of chronic rejection after organ transplantation. This loan is repayable over seven and a half years, with a repayment deferral of two and a half years. The contract provides for several scenarios of early repayment, mainly relating to curtailment or suspension of the financed project without prior information from Bpifrance Financement or the occurrence of a major legal or financial event which has a significant impact on the Company's operations.

In accordance with Note 2.10, the repayment flows for the zero-interest innovation loan are discounted on the closing date. The 10-year French Government bond rate at February 1, 2018 of 0.997% was used to discount these flows. The discounting proceeds are processed as a grant within the meaning of IAS 20 and linearized over the duration of the project to which the loan is attached. The impact of the accretion expense of the debt is recognized as a financial expense.

Note 10.3 :Note issue

As of September 30, 2018, the Company issued 66 notes convertible into shares (OCA) to Yorkville for an overall nominal value of €6.6 million (see Note 9.3.4.1). 10 OCA have been converted, i.e.56 OCA remain to be converted as at September 30, 2018.

Notes convertible into shares (OCA) do not carry interest and shall be redeemed at par value. However, in the event of default, each OCA in force will carry interest equal to 15% per annum (redeemed in cash as of the occurrence of any default until the date (i) the default is remedied or (ii) the OCA concerned is redeemed or converted).

In addition, the Company has the option, at any time and in its sole discretion, to redeem in cash up to 50% of the notes not yet converted into shares upon the exercise of this call option, for a price equal to 110% of the nominal value of the said notes.

In accordance with IAS 32, notes convertible into shares (OCA) are financial instruments measured at fair value through the statement of operations.

At the time of issue, notes convertible into shares (OCA) are recognized at nominal (par) value. They are subscribed at 98% of par. The remaining 2% is recognized under other financial expenses.

At each conversion, the difference between the carrying amount of the notes convertible into shares (OCA) and their fair value, calculated using the average volume-weighted TxCell S.A. share price for the last ten trading days prior to the conversion, is recognized under other financial expenses.

Notes convertible into shares (OCA) not converted at closing are revalued at fair value through the statement of equity under other financial expenses, using the average volume-weighted TxCell S.A. share price for the last ten trading days prior to year-end. This is a level 2 measurement (see Note 7.1). For the OCA redeemable at the request of the Company, i.e. 50% of unconverted OCA at closing, the fair value is capped at the amount at which it could be repaid, i.e. 110% of their nominal value. As of September 30, 2018, the financial expenses recorded for OCA amounted to €624 thousand. These financial expenses result from IFRS accounting treatments that have no impact on the Company's cash position.

Share warrants (BSA) are recognized as zero, as the fair value of these instruments cannot be reliably measured given the very many criteria to be taken into account and their uncertainty.

Note 10.4 : RTC pre-financing

During the first half of 2018, the Company obtained an additional pre-financing for its 2017 RTC for €0.5 million. The assignment of the 2017 RTC receivable was canceled at the request of the Company, which, after having repaid the Predirec fund, was able to obtain the return of the guarantee deductions and the collection of the totality of its 2017 RTC for €1.9 million.

As of September 30, 2018, the Company also obtained partial pre-financing of its 2018 RTC for €1.0 million.

Note 10.5 : Loan granted by Sangamo Therapeutics Inc.

In order to cover for working capital expenses of the Company in the following months, Sangamo has granted a loan to the Company of an amount of €4.5 million pursuant to a loan agreement dated September 18, 2018. The loan as an annual interest rate of 2.5%, and is repayable after 6 months.

Note 11 :Provisions

As at September 30, 2018, provisions for expenses correspond exclusively to a retirement benefits provision of €4 thousand, recorded in application of the IAS 19 standard. The actuarial differences relating to the variation in the discount rate and other assumptions are recognized as other items of comprehensive income / (loss) (see Note 2.17), constituting income of €1 thousand for the nine months ended September 30, 2018. The assumptions used to calculate retirement indemnities for the Company's employees, defined in the collective bargaining agreement for the pharmaceutical industry, are as follows:

Valuation date	As of September 30, 2018	As of December 31, 2017
Retirement method	*For all employees:* voluntary departure at 67 years	*For all employees:* voluntary departure at 67 years
Rate of social security charges	49.00%	49.00%
Discount rate	1.720%	1.017%
	Indice Bloomberg : F667Y IND Euros Composite Zéro coupon yield AA)	Indice Bloomberg : F66710Y IND Euros Composite Zéro coupon yield AA)
Life table	TGH05 - TGF05	TGH05 - TGF05
Rate of increase in salaries (inflation included)	1.5%	1.5%
Turnover rate	16.5%	14.0%

Note 12 :Trade payables and other current liabilities

Note 12.1 :Trade payables and related accounts

In thousands of euros	As of September 30, 2018	As of December 31, 2017
Trade payables	1,748	874
Total	**1,748**	**874**

No discounting has been applied to this item, since none of the amounts in question were more than a year old at the end of each reporting period.

Note 12.2 :Other current liabilities

In thousands of euros	As of September 30, 2018	As of December 31, 2017
Social security payables	823	1,168
Tax payables	15	24
Deferred income	21	13
Other payables	53	70
Capital expenditures suppliers	1,997	4,098
Total other current liabilities	**2,908**	**5,374**

Social security payables mainly include social security, retirement and pension expenses, as well as provisions for paid leave and bonuses.

Deferred income corresponds to the advance measurement of grants for collaborative research projects.

Capital expenditures suppliers mainly correspond to the acquisition of Trizell's rights on Ovasave whose initial cost of €6 million, discounted in accordance with IAS 38, had been the subject of a first payment of €2 million upon the signing of the termination agreement on December 2, 2015. A second payment was made during the first quarter of 2018. The balance of €2 million is contractually payable upon invoicing on December 2, 2018.

Note 13 :Revenue and other income

In thousands of euros	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Business revenue	-	-
Revenue	-	-
Grants	53	172
Research tax credit	1,395	1,464
Other income	0	105
Other income	**1,448**	**1,742**
Revenue and other income	**1,448**	**1,742**

The Company did not generate any business revenues in the nine months ended September 30, 2018 and 2017.

Other income primarily comprises:

- grants in the amount of €53 thousand, compared to €172 thousand for the same period of 2017;
- a RTC estimate as of September 30, 2018 of €1,395 thousand, compared to €1,464 thousand for the same period of 2017.

Note 14 :Staff costs

In thousands of euros	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Salaries	2,305	2,286
Social security expenses	1,060	1,050
Expenses related to share-based payments	178	773
Retirement benefits	1	1
Total staff costs	**3,544**	**4,110**

Changes in the average headcount were as follows:

Category	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
VP	5	6
Directors	5	6
Managers and Scientists	14	14
Technicians and workers	21	19
Average headcount	**45**	**45**

The expenses relating to share-based payments are described in Note 16.

Note 15 :Breakdown of expenses by function

Note 15.1 :Research and development

For the presented periods, research and development costs were mainly attributable to:

- manufacturing process development programs, notably the transfer of the TX200 process to CMOs: Lentigen, for the production of the lentivirus to be integrated into TX200 and Lonza, for the actual clinical batches manufacturing of TX200;
- CAR-Treg research programs, conducted internally or under research and development agreements for the generation of preclinical proof-of-concept data.

Research and development costs break down as follows:

R&D (in thousands of euros)	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Purchase of raw materials	1,304	971
Rent, fees and other expenses	3,437	2,679
Salaries and social security expenses	2,288	2,369
Depreciation, amortization and provisions	286	169
Retirement benefits	1	1
Expenses related to share-based payments	52	125
Total research and development expenses	**7,368**	**6,312**

The increase in Purchase of raw materials is primarily due to the acceleration of the experiments necessary to develop the CAR-Treg platform: preclinical research programs and CAR-Treg manufacturing processes.

The Rent, fees and other expenses item breaks down as follows:

In thousands of euros	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Cost of acquiring patents	307	345
Property leases	145	260
Fees and studies	2,277	1,512
Other	708	562
Total rent, fees and other expenses	**3,437**	**2,679**

The decrease in Property leases item is mainly due to the end of the lease contracted with Genbiotech SAS, which ended on January 31, 2018. All activities and teams have since been consolidated at the Company's head office.

The increase in Fees and studies is mainly due to the costs related to the transfer of the TX200 manufacturing process to the CMOs, partially offset by the decrease of expenses related to the collaboration agreement with OSR terminated in the second half of 2017.

The increase in other R&D expenses is mainly due to *in vivo* developments of the CAR-Treg programs and to the transfer of the manufacturing process.

The increase in Depreciation, amortization and provisions is mainly due to the increase in acquisitions of laboratory equipment, mainly in the form of finance leases contracts (see Note 10.1).

Note 15.2 :General and administrative expenses

General and administrative expenses are presented as follows:

G&A (in thousands of euros)	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Rent, fees and other expenses	1,728	1,211
Salaries and social security expenses	1,077	967
Depreciation, amortization and provisions	21	21
Retirement benefits	0	0
Expenses related to share-based payments	127	648
Total general and administrative expenses	**2,953**	**2,848**

The Rent, fees and other expenses item breaks down as follows:

In thousands of euros	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Property leases	14	29
Fees	949	452
Other	765	730
Total rent, fees and other expenses	**1,728**	**1,211**

The increase in Fees was primarily attributable to non-recurring legal consultancy fees recognized nine months ended September 30, 2018, notably commitment fees paid to Yorkville in the OCABSA draw in February 2018, and fees related to the implementation of a long-term refinancing.

Note 16 :Share-based payments

The Company allocated share warrants (BSA), share subscription options (Options) and free shares (AGA) to employees, executive officers, members of the board of directors, members of the Scientific Advisory Board (SAB) or consultants.

The measurement methods used to determine the fair value of plans for instruments convertible to Company equity since 2014 are as follows:

- the share price on the allocation date is equal to the strike price;
- the risk free rate is determined from the average lifespan of the instruments, based on the borrowing rates of the GRFN index;
- volatility was determined on the basis of a sample of listed companies in the biotechnology sector, both at the date on which the instruments are subscribed and over a period equivalent to the life of the options; and
- the price discount linked to the non-transferability of the share subscription options compared to equivalent options without transfer restrictions has been calculated using the forward price model at the estimated borrowing rate; and
- the Black Scholes model was used to measure the fair value of the plans for instruments convertible to Company equity.

The parameters used to estimate and value the new free share plan are outlined below:

Description of the plan	2018 AGA
Allocation date	03/12/2018
Price on the allocation date (in €)	1.288
Vesting period	1 to 3 years
Free share value	1.288
Free share value after discount	1.288 (1)
Dividend	0
Vesting hypothesis	N/A
Number of valued instruments	26,750
Probabilized value of the plan before discount (in thousand of euros)	**23**
Non-transferability discount (in thousand of euros)	-
Probabilized value of the plan (in thousand of euros)	**23**

(1) No non-transferability discount was applied to the AGAs; the value of the free share after discount is thus identical to the value of the free share.

The annual charges recognized are shown below:

Description	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
2014 T2 Options	-	(11)
BSA 03-14	-	12
BSA 05-14	-	5
BSA 03-15	6	28
BSA 09-16	10	28
BSA 03-17	13	7
BSA 07-17	4	50
2015 Options	1	4
SB 2105 Options	23	93
2016 AGA employees	57	232
2016 AGA management	16	209
2017 AGA	40	116
2018 AGA	8	-
TOTAL	**178**	**773**

Pursuant to IFRS 2, the expenses recognized take into account the adjustment of expenses on options which were not vested on the beneficiaries' departure date.

Note 17 : Financial income and expenses

Financial income and expense (in thousands of euros)	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Foreign exchange gains	1	3
Sub-total other financial income	**1**	**3**
Gains on cash and cash equivalents	0	0
Sub-total income from cash and cash equivalents	**0**	**0**
Total financial income	**1**	**3**
Financial interests on leases	(6)	(1)
Financial interests	(46)	(60)
Sub-total cost of gross financial debt	**(52)**	**(62)**
Foreign exchange losses	(9)	(5)
Other financial expense	(843)	(396)
Sub-total other financial expense	**(852)**	**(402)**
Total financial expense	**(904)**	**(463)**
Total financial income and expense	**(903)**	**(460)**

Income from cash and cash equivalents corresponds to accrued interest and short-term gains on investment securities.

Financial interest corresponds to interest on credit lines to pre-finance RTC.

Other financial expenses amounted to €843 thousand for the nine months ended September 30, 2018 and mainly corresponded to:

- €12 thousand in accretion of finance flows linked to the zero-interest innovation loan (see Note 0.2), compared to €12 thousand for the same period in 2017;
- €15 thousand in accretion of the trade payable assets (see Note 12.2) , compared to €29 thousand for the same period in 2017;
- €192 thousand to losses realized under the liquidity contract, terminated in June 2018; and
- €624 thousand from the fair value recognition through profit and loss of the note issues (see Note 10.3), compared to €352 thousand for the same period in 2017.

Except for financial expenses relating to the liquidity contract, these financial expenses are due to IFRS accounting treatments and have no impact on the Company’s cash position.

Note 18 : Tax charge

Based on current legislation, as of December 31, 2017, the Company has tax losses amounting to €95.3 million which can be carried forward indefinitely.

In France, losses can be carried forward against future profits with no time limit, but the amount that can be offset against profit in the fiscal year is capped at €1 million plus 50% of the taxable income exceeding €1 million in that fiscal year.

Net deferred tax assets from timing differences have not been recognized because they are not probable of being realized, in accordance with the principles described in Note 2.15.

Note 19 : Commitments

Note 19.1 : Obligations arising from operating leases

On December 22, 2015, the Company signed an amendment to renew the commercial lease expiring on June 30, 2016, for an annual rent of €147 thousand excluding tax (the initial index-linked rent, which is now indexed annually to the quarterly service businesses index). This commercial lease is granted for a term of nine consecutive years, with the possibility of giving notice to quit every three years as well as, exceptionally, at the end of each of the first two years of the renewed lease.

The Company contracted a short-term lease with SAS Genbiotech under the commercial lease regime effective February 1, 2016. The lease was agreed for a period of two years (from February 1, 2016 to January 31, 2018) for an annual rent of €209 thousand excluding tax the first year and €198 thousand excluding tax the second year. This lease was not renewed at the end and ended on January 31, 2018.

The amount of rent recognized in expenses during the period ended on September 30, 2018 totaled €129 thousand for the two rental contracts.

Note 19.2 : Obligations under the termination agreement with Trizell

On December 2, 2015, the Company and Trizell entered into an agreement terminating their cooperation, development, option and license agreement on Ovasave, signed on December 12, 2013 and modified by a rider dated March 30, 2015. Under this agreement, the Company recovers all of Trizell's rights over Ovasave in return for paying amounts which could reach €15 million including:

- a fixed €6 million, of which the Company has already paid €4 million. The balance of €2 million is contractually payable upon invoicing on December 2, 2018;
- a conditional €9 million on the future revenue, if applicable, generated by Ovasave, which will be recognized if the contractual conditions are met.

Note 19.3 : Obligations pursuant to intellectual property contracts

The quantified obligations relating to the following paragraphs are not disclosed for commercial reasons.

Note 19.3.1 : Obligations pursuant to contracts for the purchase of rights over licenses

Generally, contracts for the purchase of rights over licenses make the Company responsible for patent filing, examination and extension costs, as well as costs relating to their protection; they also make the Company accountable vis-a-vis the owner of the rights to lump sums and royalties as certain milestones are reached.

Note 19.3.2 : Obligations pursuant to contracts for options over licenses

Generally, contracts for options over licenses make the Company responsible for patent filing, examination and extension costs, as well as costs relating to their protection and may require payment of a lump sum in exchange for the option, will make the Company accountable vis-a-vis the owner of the rights to lump sums and royalties as certain milestones are reached.

Note 19.3.3 : Obligations resulting from joint ownership of intellectual property rights

Joint ownership agreements, which define the joint ownership rules and sub-licensing rules of certain intellectual property rights, generally make the Company responsible for patent filing, examination and extension costs, as well as costs relating to their protection and the payment of lump sums and royalties as certain milestones are reached as payment for the license granted by the co-owner on the rights which belong to it.

Note 20 : Related party transactions

Note 20.1 : Compensation and director's attendance fees for executive corporate officers and members of the board of directors

The compensation presented below was granted to executive corporate officers and members of the board of directors during the periods shown:

In thousands of euros	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Salaries and other short-term benefits	444	465
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year	0	223
Directors' attendance fees	53	53
Total	**497**	**740**

Salaries and other short-term benefits break down as follows:

In thousands of euros	For the Period Ended September 30, 2018		For the Period Ended September 30, 2017	
Name	Amount owed[(1)]	Amount due[(2)]	Amount owed[(1)]	Amount due[(2)]
Francois Meyer – Chairman of the board of directors				
Fixed compensation (3)	195	195	195	130
Variable compensation (4)	45	30	17	10
Exceptional compensation (5)	0	0	0	0
Total	**240**	**225**	**212**	**140**
Stéphane Boissel – Chief Executive Officer				
Fixed compensation (6)	150	150	225	150
Variable compensation (7)	41	28	18	93
Benefits in kind (8)	13	13	10	10
Total	**205**	**191**	**253**	**253**
Total	**444**	**415**	**465**	**393**

(1) For the fiscal year. Variable compensation owed for one fiscal year is paid in the next fiscal year.

(2) During the fiscal year.

(3) The board of directors meeting held on February 10, 2015 made a distinction between the compensation received by François Meyer as Chairman of the board of directors (€60 thousand gross per year) and the compensation for his specific assistance mission to General Management (€24 thousand gross per year) effective February 1, 2015. At its meeting of September 21, 2016, the Board of directors reviewed the specific assistance mission to General Management for Mr. François Meyer, and decided to entrust to him the specific role of Head of Research which involves managing the Company's entire research division and its programs. At its meeting on March 8, 2017, the board of directors, acting on the recommendation of the Nomination and Compensation Committee raised the fixed annual compensation paid to Mr. François Meyer to €200 thousand as from January 1, 2017, it being specified that the additional 30% in variable compensation is based on the Company targets for 70% and on François Meyer's personal targets for 30%, as set by the Board of directors on an annual basis. The board of directors at its meeting of March 12, 2018, on the recommendation of the Nomination and Compensation committee, fixed, effective January 1, 2018, the variable gross remuneration of François Meyer at a maximum lump sum of 90,000 euros, based on above mentioned percentage of achievements. This new base was approved by the ordinary and extraordinary shareholders' meeting of April 26, 2018.

(4) At its meeting of March 12, 2018, the board of directors, on the recommendation of the Nomination and Compensation Committee, decided to set the variable compensation paid to Mr. François Meyer at €54 thousand for the 2017 fiscal year in consideration of the attainment of corporate and individual targets. This remuneration was approved by the Combined General Meeting of April 26, 2018. As of September 30, 2018, François Meyer's variable compensation was estimated at €45 thousand, based on assumptions formulated by management.

(5) On March 12, 2018, the Board of Directors, on the recommendation of the Nomination and Compensation Committee, decided to grant François Meyer an exceptional bonus of €27 thousand gross, in light of the scientific progress made. by the Company under its leadership in 2017. This remuneration was approved by the ordinary and extraordinary shareholders' meeting of April 26, 2018.

(6) The Company entered into a management agreement with Stéphane Boissel following his appointment as the Company's Chief Executive Officer by the board of directors of April 27, 2015, with a view to

determining the main terms and conditions of his work as the CEO. The signature of said management contract was authorized by the Board at its meeting of April 27, 2015. In his position, Mr. Stéphane Boissel will receive (i) fixed annual compensation of €275 thousand, (ii) variable compensation of up to 30% of the said fixed compensation, based on the attainment of targets set annually by the Company's board of directors and (iii) benefits in kind consisting of the payment of his business expenses, unemployment insurance and health and welfare protection, and a supplementary pension. Following the achievement of his performance conditions set out in his management agreement, at its meeting of March 8, 2017, the board of directors raised Stéphane Boissel's gross fixed annual compensation to €300 thousand as from January 1, 2017.

(7) At its meeting of March 12, 2018, the board of directors, on the recommendation of the Nomination and Compensation Committee, set €81 thousand the variable compensation to be paid to Stéphane Boissel for 2017. This remuneration was approved by the ordinary and extraordinary shareholders' meeting of April 26, 2018. As of September 30, 2018, Stéphane Boissel's variable compensation was estimated at €41 thousand, based on assumptions formulated by management.

(8) Stéphane Boissel's benefits in kind are, pursuant to the management agreement concluded with the Company on April 27, 2015, the provision of a vehicle and unemployment insurance.

The probabilized costs of the financial instruments plans giving deferred access to capital allocated during the fiscal year to corporate officers break down as follows:

In thousands of euros	For the Period Ended September 30, 2018		For the Period Ended September 30, 2017	
Name	**Amount owed(1)**	**Amount due(2)**	**Amount owed(1)**	**Amount due(2)**
Francois Meyer – Chairman of the board of directors				
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)	0	N/A	63	N/A
Total	**0**	**N/A**	**63**	**N/A**
Stéphane Boissel – Chief Executive Officer				
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)	0	N/A	136	N/A
Total	**0**	**N/A**	**136**	**N/A**
Marie Yvonne Landel Meunier – Independent member				
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)	0	N/A	13	N/A
Total	**0**	**N/A**	**13**	**N/A**
David Horn Solomon – Independent member				
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)	0	N/A	11	N/A
Total	**0**	**N/A**	**11**	**N/A**
Total	**0**	**N/A**	**223**	**N/A**

(1) For the fiscal period. Compensation owed for one fiscal year is paid in the next fiscal year.

(2) During the fiscal period.

(3) Share-based payments correspond to the probabilized cost of the financial instrument plans giving access to the capital of the Company attributed to corporate officers during the fiscal year after deducting non-transferability discounts under the Shareholders' Agreement in force on the date of the allocation.

Directors' fees break down as follows:

In thousands of euros	For the Period Ended September 30, 2018		For the Period Ended September 30, 2017	
Name	Amount owed(1)	Amount due(2)	Amount owed(1)	Amount due(2)
Marie-Yvonne Landel Meunier – Independent member				
Director's attendance fees	26	35	26	35
Total	**26**	**35**	**26**	**35**
David Horn Solomon – Independent member				
Director's attendance fees	26	35	26	35
Total	**26**	**35**	**26**	**35**
Total	**53**	**70**	**53**	**70**

(1) For the fiscal period. Compensation owed for one fiscal year is paid in the next fiscal year.
(2) During the fiscal period.

Note 20.2 :Miscellaneous

As of September 30, 2018, to the Company's knowledge, there was no management and/or financial link between its main suppliers and the members of its board of directors.

Note 21 :Loss per share

The basic loss per share is calculated by dividing the net loss attributable to the Company's shareholders by the weighted average number of shares outstanding during the year.

Net loss per share	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Net loss (in thousands of euros)	(9 775)	(7 879)
Weighted average number of shares in circulation	22 451 867	20 396 046
Basic loss per share (in euros)	**(0,44)**	**(0,39)**

Diluted loss per share is calculated by dividing the net loss attributable to the Company's shareholders by the following:

- the weighted average number of shares outstanding during the period;
- plus the number of shares that may result from the conversion of instruments giving deferred access to the share capital, as soon as such instruments have been issued.

Instruments ultimately convertible to equity (BSA warrants, Options and AGA) are considered to be anti-dilutive as they result in higher earnings per share. As a result, diluted and basic loss per share are identical.

Diluted loss per share	For the Period Ended September 30, 2018	For the Period Ended September 30, 2017
Net loss (in thousands of euros)	(9,775)	(7,879)
Weighted average number of potential shares *	25,910,889	27,081,268

* This weighted average number of potential shares includes the shares which could result from the exercise of share warrants and stock options, as well as free share grants, as soon as such instruments are issued.

Note 22 :Financial risk management

The main risks to which the Company is exposed are liquidity risk, currency risk, interest rate risk and credit risk.

Cash and cash equivalents constitute the principal financial instruments of the Company. These instruments are used to finance the Company's activities. It is the Company's policy not to use financial instruments for speculative purposes. The Company doesn't use derivative financial instruments.

Note 22.1 :Liquidity risk

Cash flow forecasts are produced by the finance department. Management uses these forecasts, which are regularly updated, to monitor the Company's cash requirements and ensure that there is sufficient liquidity available to cover its operating needs.

These forecasts take into account the Company's funding plans. Any surplus cash held by the Company is invested in short-term investment securities that are sufficiently liquid to meet the flexibility requirements set forth in the above-mentioned forecasts (see Note 2.7).

On October 1, 2018, Sangamo Therapeutics, Inc. acquired a controlling block of around 53% of TxCell S.A. Sangamo confirmed its intention to provide the necessary financial support to enable its subsidiary TxCell S.A. to continue its normal business over the next 12 months in compliance with the going-concern principle.

Note 22.2 :Foreign exchange rate risk

As of September 30, 2018, the Company does not consider itself exposed to a foreign exchange rate risk as only a small part of its supplies is obtained outside the Eurozone and invoiced in foreign currency, mainly in American dollars, Canadian dollars, pounds sterling, and Swiss francs.

In view of the insignificant amounts in currency positions, at this stage of the development of its business, the Company has not made any hedging arrangements to protect its business against fluctuations in exchange rates.

However, the Company cannot rule out the possibility that a significant increase in its business could leave it more exposed to currency risk. Should this occur, the Company would put in place an appropriate policy to hedge this risk. For the period ended on September 30, 2018, the Company considers that a 10% variation in exchange rates in either direction would not have a material impact.

Note 22.3 :Credit risk

The Company manages its cash and cash equivalents in a conservative manner. Cash and cash equivalents are cash and current financial instruments held by the Company (exclusively short-term investment securities which can be moved immediately).

In addition, credit risk relating to cash, cash equivalents and short-term financial instruments is not significant in view of the quality of the co-contracting financial institutions.

Note 22.4 :Interest rate risk

The only interest rate risk exposure concerns investments of cash and cash equivalents. Given the current low rate of return on this type of investment, the Company believes that any 1% increase or decrease would have no material effect on its net income in light of the losses generated by its operating activities.

The Company has not used bank loans to finance its growth and has no floating-rate liabilities. Loans and borrowings contracted by the Company are described In Note 10.

Therefore, the Company does not believe that it is exposed to a major interest rate change risk.

Note 23 :Events subsequent to the reporting period

The following events occurred after the closing date:

- On October 1, 2018, Sangamo acquired a controlling block of TxCell S.A. of around 53%. Sangamo confirmed its intention to provide the necessary financial support to enable its subsidiary TxCell S.A. to continue its normal business over the next 12 months in compliance with the going-concern principle.
- The board of directors of October 1, 2018 has noted:

- The conversion of 28 notes by Yorkville, which resulted in the issuance of 1,866,666 new shares for a total nominal value of €373,333.20;
- The early redemption of the 28 remaining notes for €3,080,000;
- The cancellation of the 84 outstanding Tranche Warrants, and 1,236,350 share warrants purchased to Yorkville for the lump sum of 1 euro;
- The exercice of 274,040 BSA 07-17, which resulted in the issuance of 274,040 new shares for a total nominal value of €54,808.00;
- The vesting of 104,175 free shares granted to employees of the Company in 2016 and 5,002 free shares granted to employees of the Company in 2017, which resulted in the issuance of respectively 109,801 and 5,002 new shares, i.e. a capital increase of €22,960.20 euros in nominal value, factoring in the arithmetic correction set by the board at its meeting of February 21, 2017 to take account of the capital increase with preferential subscription rights carried out in February 2017, for free shares granted in 2016;
- The cancellation of the 2014 T1 Options, 2014 T2 Options, SB 2015 Options, 2015 Options, BSA 03-15, BSA 05-14, BSA 05-16 and BSA 0916, following their renunciation by their respective holders.

Sangamo Therapeutics, Inc.
Unaudited Pro Forma Condensed Combined Financial Statements

On July 20, 2018, Sangamo Therapeutics, Inc. (the "Company" or "Sangamo") entered into a Share Purchase Agreement (the "SPA") with certain shareholders of TxCell S.A., a French société anonyme ("TxCell"), and the Company and TxCell entered into a Tender Offer Agreement (the "TOA"), pursuant to which the Company, directly or through a subsidiary, agreed to acquire 100% of the equity interests of TxCell. On October 1, 2018, the Company completed the acquisition of 13,519,036 ordinary shares of TxCell ("TxCell Ordinary Shares"), representing approximately 53% of the outstanding share capital and voting rights of TxCell, pursuant to the SPA (the "Block Transaction").

On November 1, 2018, pursuant to the TOA, the Company commenced a cash tender offer (the "Offer") to acquire all of the TxCell Ordinary Shares not held by the Company or any subsidiary of the Company for the same per share price paid in the Block Transaction (€2.58 or approximately $2.99 per share at an exchange rate of 1.160) (the "Offer Price"). Following the completion of the Offer on November 23, 2018, the Company initiated compulsory squeeze-out procedures applicable to French public companies to acquire the remaining TxCell Ordinary Shares for the Offer Price. Pursuant to the Block Transaction, open market purchases, the Offer and the squeeze-out procedures, the Company had acquired a total of 25,047,671 TxCell Ordinary Shares as of the date of filing this Form 8-K/A, representing approximately 98.2% of the outstanding share capital and voting rights of TxCell.

The Company also entered into arrangements with the holders of approximately 475,000 "free shares" of TxCell pursuant to which the Company has the right to purchase (call option) such shares from the holders thereof and such holders have the right to sell (put option) to the Company such shares from time to time through mid-2021 (the "Free Shares Options"). The purchase price for each such free share acquired by the Company upon exercise of a Free Shares Option will be based on the performance of the Company's stock price from the announcement of the transactions contemplated by the SPA and TOA through the time of purchase (as of November 1, 2018 the Free Shares Options purchase price was valued at €2.58 per share or approximately $2.99 per share using an exchange rate of 1.160). For example, if the Company's stock price increases during that time period, the Free Shares Options purchase price per share will proportionately increase. However, if the Company's stock price decreases the Free Shares Options purchase price is limited to a minimum purchase price of €2.58 per share, subject to certain exceptions. The fair value of the Free Shares Options was estimated to be $190,000, and such value is included in the purchase consideration. These Free Shares Options will be subject to fair value accounting and revalued at each reporting period. The outstanding free shares are recorded as a non-controlling interest in the unaudited pro forma condensed combined balance sheet.

In September 2018, the Company also provided TxCell with a $5.2 million loan (the "TxCell Loan") that was deemed to be part of the purchase consideration for accounting purposes. The TxCell Loan, together with the cash paid to acquire the TxCell Ordinary Shares (approximately $75.0 million) and the estimated fair value of the Free Shares Options ($190,000), comprise the aggregate purchase consideration of approximately $80.4 million (such transactions, collectively, the "Acquisition").

The unaudited pro forma condensed combined balance sheet as of September 30, 2018 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 and for the nine months ended September 30, 2018 are based on the historical financial statements of the Company and TxCell after giving effect to the Acquisition and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined balance sheet as of September 30, 2018 is presented as if the Acquisition had occurred on that date. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2017 is presented as if the Acquisition had occurred on January 1, 2017, and the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2018 is presented as if the Acquisition had occurred on January 1, 2018.

The unaudited pro forma condensed combined financial information was prepared based on (i) the historical consolidated results of operations and financial condition of the Company; (ii) the historical results of operations and financial condition of TxCell; and (iii) pro forma adjustments to reflect events that are directly attributable to the Acquisition and, with respect to the unaudited condensed combined statements of operations, that are expected to have a continuing impact on the combined results of the Company in future periods.

The preliminary determination of the fair value of the assets acquired and liabilities assumed used in the unaudited pro forma condensed combined financial statements is based upon preliminary estimates. The preliminary estimates are subject to potential adjustments based on management's estimates of fair values of tangible and intangible assets acquired, liabilities assumed, and the non-controlling interest recorded, as well as certain tax-related matters. Upon completion of detailed valuation studies, the Company may make additional adjustments to the fair values, and these valuations could change significantly from those used to determine certain adjustments in the unaudited pro forma condensed combined financial statements. The Company expects the allocation of consideration transferred to be final within the measurement period (up to one year from the Acquisition date).

The unaudited pro forma condensed combined financial statements, including the notes thereto, do not reflect any potential cost savings or other synergies that could result from the Acquisition. The Acquisition will be accounted for using the acquisition method of accounting. The unaudited pro forma condensed combined financial statements are presented for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations for future periods or the results that would have been achieved if the Acquisition had been consummated on the dates indicated. The pro forma adjustments are based upon information and assumptions available at the time of filing this Form 8-K/A.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the Company's historical consolidated financial statements and notes thereto and other financial information pertaining to the Company contained in its Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the Securities and Exchange Commissions ("SEC") on March 1, 2018; the Company's historical condensed consolidated financial statements and notes thereto contained in the Company's Quarterly Report on Form 10-

Q for the quarter ended September 30, 2018, which was filed with the SEC on November 8, 2018; the historical audited financial statements of TxCell as of and for the year ended December 31, 2017 included in Exhibit 99.1 to this Form 8-K/A; and the historical unaudited financial statements of TxCell as of and for the nine months ended September 30, 2018 included in Exhibit 99.2 to this Form 8-K/A.

Sangamo Therapeutics, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2018
(In thousands)

	Sangamo Historical	TxCell Historical US GAAP (in USD)		Pro Forma Adjustments	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 39,298	$ 7,625	**A**	$ (2,951)	$ 43,972
Marketable securities	419,272	—			419,272
Interest receivable	683	—			683
Accounts receivable	5,567	—			5,567
Prepaid expenses and other current assets	3,382	2,404			5,786
Total current assets	468,202	10,029			475,280
Property and equipment, net	50,497	1,856			52,353
Goodwill	1,585	—	**B**	39,137	40,722
Other non-current assets	6,379	155	**C**	(5,222)	1,312
Non-current restricted cash	79,941	—	**A**	(74,987)	4,954
Intangible assets		20	**D**	55,000	55,020
Total assets	$ 606,604	$ 12,060			$ 629,641
Liabilities and stockholders' equity:					
Current liabilities:					
Accounts payable and accrued liabilities	$ 16,424	$ 5,404	**E**	3,547	$ 25,375
Accrued compensation and employee benefits	6,605	5	**F**	996	7,606
Deferred revenues	51,094	—			51,094
Financial debts - current	—	13,905	**G**	(6,886)	1,797
			C	(5,222)	
Total current liabilities	74,123	19,314			85,872
Deferred revenues, non-current	123,917	—			123,917
Build-to-suit lease obligation	26,928	—			26,928
Non-current liabilities	1,730	—	**H**	6,798	8,528
Financial debt - non-current	—	3,133			3,133
Debts related to leasing - non-current	—	—			—
Total liabilities	226,698	22,447			248,378
Stockholders' equity:					
Common stock	1,018	5,383	**I**	(5,383)	1,018
Additional paid-in capital	923,164	29,818	**I**	(29,818)	923,164
Accumulated deficit	(544,032)	(45,620)	**I**	45,620	(544,032)
Accumulated other comprehensive loss	(244)	32	**I**	(32)	(244)
Total Sangamo Therapeutics Inc. stockholders' equity	379,906	(10,387)			379,906
Non-controlling interest			**J**	1,357	1,357
Total stockholders' equity	379,906	(10,387)			381,263
Total liabilities and stockholders' equity	$ 606,604	$ 12,060			$ 629,641

See the accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Sangamo Therapeutics, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the nine months ended September 30, 2018
(In thousands, except per share amounts)

	Sangamo Historical	TxCell Historical US GAAP (in USD)		Pro Forma Adjustments	Pro Forma combined
Revenues:					
Collaboration agreements	$ 57,378	$ —			$ 57,378
Research grants	237	1,730			1,967
Total revenues	**57,615**	**1,730**			**59,345**
Operating expenses:					
Research and development	81,612	8,802			90,414
General and administrative	32,381	3,528	**K**	(1,497)	34,412
Total operating expenses	**113,993**	**12,330**			**124,826**
Loss from operations	**(56,378)**	**(10,600)**			**(65,481)**
Interest and other income (loss), net	6,708	(1,077)	**G**	(399)	5,232
Loss before income taxes	**(49,670)**	**(11,677)**			**(60,249)**
Income taxes	—	—			—
Net loss	**(49,670)**	**(11,677)**			**(60,249)**
Net loss attributable to non-controlling interest	—	—	**J**	208	208
Net loss attributable to Sangamo Therapeutics, Inc. stockholders	**$ (49,670)**	**$ (11,677)**			**$ (60,041)**
Loss per share					
Basic and diluted net loss per share attributable to Sangamo Therapeutics, Inc. stockholders	$ (0.52)				$ (0.63)
Shares used in computing basic and diluted net loss per share attributable to Sangamo Therapeutics, Inc. stockholders	95,165				95,165

See the accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Sangamo Therapeutics, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2017
(In thousands, except per share amounts)

	Sangamo Historical	TxCell Historical US GAAP (in USD)		Pro Forma Adjustments	Pro Forma combined
Revenues:					
Collaboration agreements	$ 35,960	$ —			$ 35,960
Research grants	607	2,524			3,131
Total revenues	**36,567**	**2,524**			**39,091**
Operating expenses:					
Research and development	65,728	9,762			75,490
General and administrative	27,200	4,622			31,822
Total operating expenses	**92,928**	**14,384**			**107,312**
Loss from operations	**(56,361)**	**(11,860)**			**(68,221)**
Interest and other income (loss), net	1,793	(464)	**G**	323	1,652
Loss before income taxes	**(54,568)**	**(12,324)**			**(66,569)**
Income taxes	—	—			—
Net loss	**(54,568)**	**(12,324)**			**(66,569)**
Net loss attributable to non-controlling interest	—	—	**J**	219	219
Net loss attributable to Sangamo Therapeutics, Inc. stockholders	**$ (54,568)**	**$ (12,324)**			**$ (66,350)**
Loss per share					
Basic and diluted net loss per share attributable to Sangamo Therapeutics, Inc. stockholders	$ (0.70)				$ (0.85)
Shares used in computing basic and diluted net loss per share attributable to Sangamo Therapeutics, Inc. stockholders	78,084				78,084

See the accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Sangamo Therapeutics, Inc.
Notes to Unaudited Pro Forma Condensed Combined Financial Statements

1. Description of Transactions and Basis of Presentation

Description of Transactions

On July 20, 2018, Sangamo Therapeutics, Inc. (the "Company" or "Sangamo") entered into a Share Purchase Agreement (the "SPA") with certain shareholders of TxCell S.A., a French société anonyme ("TxCell"), and the Company and TxCell entered into a Tender Offer Agreement (the "TOA"), pursuant to which the Company, directly or through a subsidiary, agreed to acquire 100% of the equity interests of TxCell. On October 1, 2018, the Company completed the acquisition of 13,519,036 ordinary shares of TxCell ("TxCell Ordinary Shares"), representing approximately 53% of the outstanding share capital and voting rights of TxCell, pursuant to the SPA (the "Block Transaction").

On November 1, 2018, pursuant to the TOA, the Company commenced a cash tender offer (the "Offer") to acquire all of the TxCell Ordinary Shares not held by the Company or any subsidiary of the Company for the same per share price paid in the Block Transaction (€2.58 or approximately $2.99 per share at an exchange rate of 1.160) (the "Offer Price"). Following the completion of the Offer on November 23, 2018, the Company initiated compulsory squeeze-out procedures applicable to French public companies to acquire the remaining TxCell Ordinary Shares for the Offer Price. Pursuant to the Block Transaction, open market purchases, the Offer and the squeeze-out procedures, the Company had acquired a total of 25,047,671 TxCell Ordinary Shares as of the date of filing this Form 8-K/A, representing approximately 98.2% of the outstanding share capital and voting rights of TxCell.

The Company also entered into arrangements with the holders of approximately 475,000 "free shares" of TxCell pursuant to which the Company has the right to purchase (call option) such shares from the holders thereof and such holders have the right to sell (put option) to the Company such shares from time to time through mid-2021 (the "Free Shares Options"). The purchase price for each such free share acquired by the Company upon exercise of a Free Shares Option will be based on the performance of the Company's stock price from the announcement of the transactions contemplated by the SPA and TOA through the time of purchase (as of November 1, 2018 the Free Shares Options purchase price was valued at €2.58 per share or approximately $2.99 per share using an exchange rate of 1.160). For example, if the Company's stock price increases during that time period, the Free Shares Options purchase price per share will proportionately increase. However, if the Company's stock price decreases the Free Shares Options purchase price is limited to a minimum purchase price of €2.58 per share, subject to certain exceptions. The fair value of the Free Shares Options was estimated to be $190,000, and such value is included in the purchase consideration. These Free Shares Options will be subject to fair value accounting and revalued at each reporting period. The outstanding free shares are recorded as a non-controlling interest in the unaudited pro forma condensed combined balance sheet.

In September 2018, the Company also provided TxCell with a $5.2 million loan (the "TxCell Loan") that was deemed to be part of the purchase consideration for accounting purposes. The TxCell Loan, together with the cash paid to acquire the TxCell Ordinary Shares (approximately $75.0 million) and the estimated fair value of the Free Shares Options ($190,000), comprise the aggregate purchase consideration of approximately $80.4 million (such transactions, collectively, the "Acquisition").

Basis of Presentation

The unaudited pro forma condensed combined financial statements have been prepared based on the Company's and TxCell's historical financial information, giving effect to the Acquisition and related adjustments described in these notes. The Company prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Certain note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by the Securities and Exchange Commission rules and regulations.

The Company accounts for business combinations in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 805, "Business Combinations". The consideration for the Acquisition has been allocated to the assets acquired and liabilities assumed based on a preliminary determination of their fair values and may change when the final valuation of certain intangible assets and acquired working capital is determined.

2. Purchase Consideration

Pursuant to the Block Transaction, on October 1, 2018 the Company purchased 13,519,036 TxCell Ordinary Shares at a per share price equal to the Offer Price, or approximately $40.5 million in the aggregate. After the completion of the Block Transaction, the Company paid cash to acquire an additional 11,528,635 TxCell Ordinary Shares for $2.99 per share (using an exchange rate of 1.160) for total consideration of approximately $34.5 million via open market purchases, the Offer, and the squeeze-out procedures through the date of filing of this Form 8-K/A. Further, the TxCell Loan is considered part of the purchase consideration. Also included in the purchase consideration is the fair value of the Free Shares Options of approximately $190,000, based on an option pricing method. The fair value of the Free Shares Options will vary based on future changes in the Company's stock price during the option period with such changes in fair value being recognized in operations. This estimated purchase consideration of $80.4 million is computed as follows (in thousands):

Cash paid to purchase TxCell Ordinary Shares in Block Transaction	$	40,475
Cash paid to acquire TxCell Ordinary Shares in open market purchases, the Offer, and the squeeze out procedures		34,512
TxCell Loan		5,222
Estimated fair value of Free Shares Options		190
Total	$	80,399

3. TxCell Financial Statement Translation and Policy Alignment Adjustments

The historical financial statements of TxCell included as Exhibits 99.1 and 99.2 to this Form 8-K/A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and presented in Euros. For purposes of preparing the unaudited pro forma condensed combined financial information the historical financial information of TxCell was translated from Euros to US dollars using the following historical exchange rates:

Period of Exchange Rate	**$ / €**
Balance Sheet as of September 30, 2018: Period end exchange rate as of September 30, 2018	1.16
Statement of Operations for the nine months ended September 30, 2018: Average exchange rate for that period	1.194
Statement of Operations for the year ended December 31, 2017: Average exchange rate for that period	1.129

As part of its integration efforts, the Company will continue its process of evaluating whether there are any significant differences in accounting policies that would require adjustment or reclassification of TxCell's results of operations or reclassification of assets or liabilities in order to conform to U.S. GAAP and the Company's accounting policies and classifications. As a result of that ongoing evaluation, the Company may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on these unaudited pro forma condensed combined financial statements. During the preparation of these unaudited pro forma condensed combined financial statements, the Company made the following adjustments in order for the TxCell historical financial information, under IFRS, to conform to the Company's accounting policies and classifications, under U.S. GAAP:

1. An adjustment to reduce intangible assets and increase accumulated deficit by $6.9 million to expense in-process research and development ("IPR&D") obtained by TxCell through a prior period asset acquisition and recognized as an asset under IFRS, but which would not be capitalized under U.S. GAAP; and

2. Reclassification of TxCell leasing obligations to financial debt. TxCell has historically presented leasing obligations separate from financial debt on its historical balance sheets.

4. Pro Forma Adjustments

The unaudited pro forma condensed combined balance sheet and statements of operations include the following pro forma adjustments:

A. To adjust cash and restricted cash for payments made or received by the Company and/or TxCell as part of the Acquisition. As part of the Acquisition, the Company paid cash consideration of approximately $75.0 million for the Block Transaction and the purchase of additional TxCell Ordinary Shares through the filing date of this Form 8-K/A via the Offer, open market purchases, and the squeeze out procedures. Immediately before the close of the Block Transaction, and per the terms of the SPA, TxCell used cash to redeem $3.6 million of TxCell convertible debt that was outstanding at October 1, 2018. Additionally, subsequent to September 30, 2018 TxCell received approximately $0.6 million from warrant holders for the conversion of outstanding warrants into TxCell Ordinary Shares, which were then purchased by the Company as part of the Block Transaction.

Cash transactions (in thousands)		**Cash and cash equivalents**		**Non-current restricted cash**
Sangamo cash consideration for TxCell Ordinary Shares	$	—	$	(74,987)
TxCell cash used to settle outstanding convertible debt		(3,574)		—
Cash payment received by TxCell for converted warrants		623		—
Total	$	(2,951)	$	(74,987)

B. Adjustment to recognize goodwill, computed as follows (in thousands):

Purchase consideration	$	80,399
Fair value of non-controlling interest		1,357
Total value of TxCell		81,756
Less: Estimated fair value of assets acquired:		
Cash		(4,674)
Current assets		(2,404)
Property and equipment		(1,856)
Other assets		(155)
Fair value of intangible assets acquired, primarily in-process research and development (IPR&D)		(55,020)
Plus: Estimated fair value of the liabilities assumed		
Current liabilities		11,559
Deferred tax liability		6,798
Long-term liabilities		3,133
Goodwill	$	39,137

Goodwill represents the excess of consideration transferred over the fair value of assets acquired and liabilities assumed and is attributable to the anticipated benefits of using TxCell's expertise within the emerging fields of regulator T cell ("Treg") and CAR-Treg (which are Tregs genetically modified with a chimeric antigen receptor).

C. Adjustment to eliminate the TxCell Loan from the Company in contemplation of the Acquisition.

D. Adjustment to recognize the fair value of IPR&D acquired as part of the Acquisition. The fair value of this asset was determined utilizing a weighted market, cost, and income valuation approach. IPR&D is recognized as an indefinite-lived intangible asset that is not amortized until the related technology is put into use by the Company, at which time the asset will be amortized over its estimated useful life. However, if at any time the Company concludes the technology is no longer realizable, the asset will be immediately expensed.

E. Adjustment to recognize $3.3 million for the TxCell banker fee that was contingent upon the completion of the Acquisition and $0.2 million to recognize the estimated fair value of the Free Shares Options; both included in accounts payable and accrued liabilities.

F. Reflects a $1.0 million change in control bonus to be paid to TxCell management, which is included in accrued compensation and employee benefits.

G. Adjustment to eliminate TxCell historical convertible debt either redeemed in connection with the Block Transaction or converted into TxCell Ordinary Shares that were acquired as part of the Block Transaction in accordance with the original terms of these instruments. The adjustment also includes the elimination of interest expense related to these instruments from historical mark-to-market adjustments, as follows (in thousands):

Historical debt and debt like items		**Balance**
Payment to settle convertible debt	$	(3,574)
Convertible debt that was converted into TxCell Ordinary Shares		(3,312)
Total convertible notes eliminated as part of the Acquisition	$	(6,886)

Statement of operations impact		**Twelve months ended December 31, 2017**		**Nine months ended September 30, 2018**
Mark-to-market changes	$	323	$	(399)

H. Adjustment to record deferred tax assets and liabilities resulting from the Acquisition. This adjustment includes a net deferred tax asset of $7.4 million, including a valuation allowance of $21.1 million, resulting from TxCell's net operating losses and a deferred tax liability of $14.2 million resulting from the acquired IPR&D. The net effect results in the recognition of a $6.8 million deferred tax liability.

I. Adjustment to eliminate TxCell's historical equity balances.

J. Adjustment to recognize the noncontrolling interest in TxCell as well as to reflect the share of TxCell net loss attributable to the noncontrolling interest for the periods presented. The fair value of the noncontrolling interest reflected in the balance sheet was estimated by multiplying the approximate 475,000 TxCell free shares not owned by the Company at the date of filing of this Form 8-K/A by the Offer Price (in thousands);

	Fair value of non-controlling interest at September 30, 2018	Net loss attributable to non-controlling interest	
		Twelve months ended December 31, 2017	Nine months ended September 30, 2018
Non-controlling interest	$ 1,357	$ (219)	$ (208)

K. Adjustment to eliminate the historical transaction costs incurred related to the Block Transaction that were expensed by the Company and TxCell.